

**NEW JERSEY STATE INTERSCHOLASTIC
ATHLETIC ASSOCIATION**

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2013 AND 2012**

NEW JERSEY STATE INTERSCHOLASTIC
ATHLETIC ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

**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, 2013 and the related statements of activities and cash flows for the year 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 accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit 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 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 auditors' 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 that 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 New Jersey State Interscholastic Athletic Association as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of New Jersey State Interscholastic Athletic Association as of June 30, 2012, were audited by other auditors whose report dated October 17, 2012, expressed an unmodified opinion on those statements.

Spire Group, PC

Clark, New Jersey
September 20, 2013

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,658,628	\$ 1,569,407
Accounts receivable, net of allowance for doubtful accounts of \$8,745 and \$6,069	151,634	148,332
Prepaid expenses	49,948	47,904
Total current assets	<u>1,860,210</u>	<u>1,765,643</u>
Property and equipment, net	<u>1,276,454</u>	<u>1,406,748</u>
Total assets	<u><u>\$ 3,136,664</u></u>	<u><u>\$ 3,172,391</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 448,455	\$ 464,935
Deferred revenue	392,603	442,575
Total current liabilities	<u>841,058</u>	<u>907,510</u>
Net assets - unrestricted:		
Board designated funds	220,000	220,000
Net investment in property and equipment	1,276,454	1,406,748
Operating	799,152	638,133
Total net assets - unrestricted	<u>2,295,606</u>	<u>2,264,881</u>
Total liabilities and net assets	<u><u>\$ 3,136,664</u></u>	<u><u>\$ 3,172,391</u></u>

See independent auditors' report and notes to financial statements.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenue:		
Dues	\$ 924,700	\$ 913,950
Sports activities	2,780,434	2,775,541
Officials	575,080	595,182
Scholar/athlete program	56,245	55,960
Coaches association	95,557	103,440
Workshop	128,536	82,699
National Association for Girls and Women in Sports	29,970	28,618
Interest income	11,433	15,307
Miscellaneous income	36,423	22,350
Corporate Hall of Fame	16,190	17,510
Federation rules and casebooks	37,152	46,648
Steroid testing award	50,000	50,000
Corporate funding	554,310	528,885
History of wrestling	3,121	10,864
Total revenue	<u>5,299,151</u>	<u>5,246,954</u>
Expenses:		
Program services:		
Sports activities	2,146,068	2,275,736
Officials	303,273	267,723
Scholar/athlete program	66,424	64,358
Coaches association	85,458	59,693
Workshop	96,411	70,238
National Association for Girls and Women in Sports	24,948	22,792
History of wrestling	5,039	9,434
Steroid testing	100,457	104,000
Corporate contract / donated services	222,254	194,266
Total program services	<u>3,050,332</u>	<u>3,068,240</u>
General and administrative:		
Personnel costs:		
Payroll and related taxes	1,065,179	1,024,870
Pension plan	115,700	109,377
Hospitalization and medical	232,863	194,699
	<u>1,413,742</u>	<u>1,328,946</u>
Operational costs:		
Building maintenance	46,454	50,042
Stationery and printing	8,223	6,344
Insurance	152,677	156,941
Office supplies	14,381	12,629
Postage	27,425	31,271
Telephone	22,337	25,888
Office equipment maintenance and leases	28,930	29,390
Automobile maintenance	25,470	23,000
Depreciation	130,294	138,886
	<u>456,191</u>	<u>474,391</u>

See independent auditors' report and notes to financial statements.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Expenses (concluded):		
General and administrative (concluded):		
Outside services:		
Legal fees and expenses	\$ 129,449	\$ 189,984
Accounting, audit and filing fees	22,180	33,392
Stenographic services	10,570	12,102
Project manager	21,700	22,970
	183,899	258,448
Other administrative and miscellaneous expenses:		
Executive committee	10,838	11,696
Advisory committee	5,835	6,610
Administrative	8,268	7,904
Technology	8,492	11,880
National Federation meetings	17,213	5,681
Federation rulebooks	82,478	71,111
Corporate Hall of Fame	19,146	22,507
Annual meeting	825	1,249
Membership and subscriptions	3,167	4,144
Bad debts	8,000	7,839
	164,262	150,621
Total general and administrative	2,218,094	2,212,406
Total expenses	5,268,426	5,280,646
Increase (Decrease) in net assets	30,725	(33,692)
Net assets, beginning of years	2,264,881	2,298,573
Net assets, end of years	\$ 2,295,606	\$ 2,264,881

See independent auditors' report and notes to financial statements.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Increase (decrease) in net assets	\$ 30,725	\$ (33,692)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	130,294	138,886
Bad debts	8,000	7,839
Changes in operating assets and liabilities		
Accounts receivable	(11,302)	163,663
Prepaid expenses	(2,044)	28,709
Accounts payable and accrued expenses	(16,480)	(142,586)
Deferred revenue	(49,972)	44,298
Net cash provided by operating activities	<u>89,221</u>	<u>207,117</u>
Investing activities:		
Acquisition of property and equipment	-	(42,069)
Net cash used in investing activities	<u>-</u>	<u>(42,069)</u>
Net increase in cash and cash equivalents	<u>89,221</u>	<u>165,048</u>
Cash and cash equivalents, beginning of years	<u>1,569,407</u>	<u>1,404,359</u>
Cash and cash equivalents, end of years	<u>\$ 1,658,628</u>	<u>\$ 1,569,407</u>

See independent auditors' report and 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.

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

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

Note 2 **Summary of Significant Accounting Policies (Continued)**

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, 2013 and 2012.

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 \$258,108 and \$219,500 for donated products and print advertising services for the years ended June 30, 2013 and 2012, 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 is 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.

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 Organizations account for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2013.

The Organization's exempt from federal income tax returns are no longer subject to examination by federal taxing authorities for the years before 2010.

Reclassification- Certain amounts in the year ended June 30, 2012 Statement of Activities were reclassified to conform to the presentation used in the year ended June 30, 2013.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

Note 2 **Summary of Significant Accounting Policies (Continued)**

Subsequent events - The Association has evaluated subsequent events through September 20, 2013, 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	2013	2012
Land		\$ 361,346	\$ 361,346
Buildings and improvements	10-39 Years	2,624,764	2,624,764
Furniture and equipment	3-5 Years	393,495	393,495
Automobiles	3 Years	121,058	121,058
Totals		<u>3,500,663</u>	<u>3,500,663</u>
Less accumulated depreciation		<u>(2,224,209)</u>	<u>(2,093,915)</u>
Totals		<u>\$ 1,276,454</u>	<u>\$ 1,406,748</u>

Depreciation expense amount to \$ 130,294 and \$138,886 for the years ended June 30, 2013 and 2012, respectively.

Note 4 **Lease Commitments**

The Association leases certain equipment under operating leases expiring through June 2014. Rent expense amounted to \$23,355 and \$24,525 for the years ended June 30, 2013 and 2012, respectively.

Minimum lease payments under noncancelable operating leases in each of the years subsequent to June 30, 2013 are as follows:

Year June 30,	Amount
2014	<u>\$ 15,840</u>
Total	<u>\$ 15,840</u>

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

Note 5 **Net Assets - Unrestricted**

At June 30, 2013 and 2012, net assets - unrestricted is comprised of the following:

	<u>2013</u>	<u>2012</u>
Executive Committee of the Board of Directors designated funds for future needs:		
Capital improvements	\$ 65,000	\$ 65,000
Computer equipment and software	5,000	5,000
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	 1,276,454	 1,406,748
Operating	<u>799,152</u>	<u>638,133</u>
 Total net assets - unrestricted	 <u>\$ 2,295,606</u>	 <u>\$ 2,264,881</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 \$115,299 and \$108,649 for the years ended June 30, 2013 and 2012, respectively. Other expenses related to the administration of the plan were \$400 and \$728 for the years ended June 30, 2013 and 2012, respectively.

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.