

**NEW JERSEY STATE INTERSCHOLASTIC
ATHLETIC ASSOCIATION**

**Financial Statements
June 30, 2018 and 2017**

The report accompanying these financial statements was issued by Spire Group, PC, a New Jersey Professional Corporation.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Executive Committee
New Jersey State Interscholastic Athletic Association
Robbinsville, NJ 08691

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, 2018 and 2017 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 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 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 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.

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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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Spire Group, PC

Clark, New Jersey
October 10, 2018

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**Statements of Financial Position
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,418,350	\$ 2,526,008
Accounts receivable - net	211,813	180,734
Prepaid expenses	<u>188,387</u>	<u>182,339</u>
Total Current Assets	2,818,550	2,889,081
Property and equipment - net	<u>1,045,169</u>	<u>1,106,805</u>
Total Assets	<u>\$ 3,863,719</u>	<u>\$ 3,995,886</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 385,557	\$ 334,641
Deferred revenue	<u>329,294</u>	<u>351,314</u>
Total Current Liabilities	<u>714,851</u>	<u>685,955</u>
Net Assets - Unrestricted		
Board designated funds	245,000	245,000
Net investment in property and equipment	1,045,169	1,106,805
Operating	<u>1,858,699</u>	<u>1,958,126</u>
Total Net Assets - Unrestricted	<u>3,148,868</u>	<u>3,309,931</u>
Total Liabilities and Net Assets	<u>\$ 3,863,719</u>	<u>\$ 3,995,886</u>

See accompanying notes.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**Statements of Activities
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenue		
Sports activities	\$ 2,412,453	\$ 2,490,499
Dues	934,450	939,250
Officials	563,314	595,953
Corporate sponsorships	605,736	555,995
Broadcast/media	288,250	285,150
Workshops	170,020	168,966
Steroid testing award	50,000	50,000
Unified sports program	50,000	50,000
Scholar/athlete program	62,854	66,122
Coaches association	81,179	83,856
National Association for Girls and Women in Sports	32,790	28,720
Federation rules and casebooks	18,546	26,670
Corporate Hall of Fame	8,690	12,420
History of wrestling	11,633	11,816
Interest income	11,615	10,924
Miscellaneous income	15,480	7,060
Total Revenue	<u>5,317,010</u>	<u>5,383,401</u>
Expenses		
Program Services		
Sports activities	1,875,776	1,826,368
Officials	344,555	338,074
Corporate sponsorships	11,422	44,191
Workshops	128,430	129,795
Steroid testing	105,000	99,200
Unified sports	34,075	35,130
Scholar/athlete program	71,243	69,685
Coaches association	116,720	100,223
National Association for Girls and Women in Sports	28,810	26,156
History of wrestling	9,521	9,149
Total Program Services	<u>2,725,552</u>	<u>2,677,971</u>
General and Administrative		
Personnel Costs		
Payroll and related taxes	1,218,259	1,175,469
Pension plan	130,081	123,726
Hospitalization and medical	219,185	204,602
Total Personnel Costs	<u>1,567,525</u>	<u>1,503,797</u>

See accompanying notes.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**Statements of Activities (Continued)
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Expenses		
Operational Costs		
Insurance	162,547	163,405
Depreciation	120,535	122,640
Building maintenance	72,773	90,139
Office equipment maintenance and leases	30,557	28,862
Automobiles	24,198	25,436
Office supplies	17,226	21,162
Postage	27,001	25,451
Telephone	13,879	15,641
Stationery and printing	23,120	13,447
Total Operating Costs	<u>491,836</u>	<u>506,183</u>
General and Administrative		
Outside Services		
Legal fees and expenses	357,553	213,775
Accounting, audit and filing fees	26,653	25,260
Stenographic services	18,206	12,452
Project managers	72,537	70,692
Total Outside Services	<u>474,949</u>	<u>322,179</u>
Other Administrative and Miscellaneous Expenses		
Federation rules and casebooks	60,873	75,319
Corporate Hall of Fame	14,687	17,699
Technology	36,444	30,828
Executive committee meetings	10,741	9,725
Administrative	20,988	17,581
National Federation meetings	24,318	16,301
Standing committee meetings	14,327	6,870
Membership and subscriptions	4,614	4,260
Annual meeting	3,729	2,114
Bad debts	27,490	30,000
Total Other Administrative and Miscellaneous Expenses	<u>218,211</u>	<u>210,697</u>
Total General and Administrative	<u>2,752,521</u>	<u>2,542,856</u>

See accompanying notes.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**Statements of Activities (Continued)
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Total Expenses	5,478,073	5,220,827
Change in Net Assets	(161,063)	162,574
Net Assets - Beginning of Years	<u>3,309,931</u>	<u>3,147,357</u>
Net Assets - End of Years	\$ <u>3,148,868</u>	\$ <u>3,309,931</u>

See accompanying notes.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

**Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ (161,063)	\$ 162,574
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	120,535	122,640
Bad debts	27,490	30,000
Gain on sale of equipment	(8,000)	-
Changes in operating assets and liabilities		
Accounts receivable	(58,569)	(81,148)
Prepaid expenses	(6,048)	24,062
Accounts payable and accrued expenses	50,916	(161,370)
Deferred revenue	(22,020)	(40,643)
Net Cash (Used) Provided by Operating Activities	<u>(56,759)</u>	<u>56,115</u>
Investing Activities		
Proceeds from sale of equipment	8,000	-
Purchase of property and equipment	(58,899)	(106,855)
Net Cash (Used) by Investing Activities	<u>(50,899)</u>	<u>(106,855)</u>
Change in Cash and Cash Equivalents	<u>(107,658)</u>	<u>(50,740)</u>
Cash and Cash Equivalents - Beginning of Years	<u>2,526,008</u>	<u>2,576,748</u>
Cash and Cash Equivalents - End of Years	<u>\$ 2,418,350</u>	<u>\$ 2,526,008</u>

See accompanying notes.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Notes to Financial Statements June 30, 2018 and 2017

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.

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 and money market funds 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 June 30, 2018 and 2017, the Association had \$2,260,371 and \$2,539,369 in excess of federally insured limits, respectively.

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. Allowance for doubtful accounts at June 30, 2018 and 2017 was \$4,615 and \$32,186, respectively.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Notes to Financial Statements June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost if purchased, fair value if donated. 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, 2018 and 2017.

Long-Lived Assets

Long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

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 are met or expire during the same fiscal year are recognized as unrestricted revenue.

Contributed Services

The Association recognized contributions and related expenses of \$60,495 and \$95,140 for donated products and print advertising services for the years ended June 30, 2018 and 2017, 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.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Notes to Financial Statements June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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 accounts 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 2018.

The Association's exempt from federal income tax returns are no longer subject to examination by federal taxing authorities for the years before 2015.

Subsequent Events

The Association has evaluated subsequent events through October 10, 2018, 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	<u>2018</u>	<u>2017</u>
Land		\$ 361,346	\$ 361,346
Buildings and improvements	10-39 Years	2,725,134	2,725,134
Furniture and equipment	3-5 Years	583,820	524,921
Automobiles	3 Years	<u>121,058</u>	<u>144,389</u>
Totals		3,791,358	3,755,790
Less accumulated depreciation		<u>(2,746,189)</u>	<u>(2,648,985)</u>
Net		\$ <u>1,045,169</u>	\$ <u>1,106,805</u>

Depreciation expense amounted to \$120,535 and \$122,640 for the years ended June 30, 2018 and 2017, respectively.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Notes to Financial Statements June 30, 2018 and 2017

Note 4 - Lease Commitments

The Association leases certain equipment under operating leases expiring through June 2019. Rent expense amounted to \$24,538 and \$22,983 for the years ended June 30, 2018 and 2017, respectively.

Minimum lease payments under noncancelable operating leases in each of the years subsequent to June 30, 2018 are as follows:

<u>Year June 30,</u>	<u>Amount</u>
2019	\$ <u>12,588</u>

Note 5 - Net Assets - Unrestricted

At June 30, 2018 and 2017, net assets - unrestricted is comprised of the following:

	<u>2018</u>	<u>2017</u>
Executive Committee of the Board of Directors designated funds for future needs:		
Capital improvements	\$ 65,000	\$ 65,000
Office technology	30,000	30,000
Litigation/insurance reserve	75,000	75,000
Retirement benefits	<u>75,000</u>	<u>75,000</u>
Total designated funds	245,000	245,000
Net investment in property and equipment	1,045,169	1,106,805
Operating	<u>1,858,699</u>	<u>1,958,126</u>
Total net assets - unrestricted	\$ <u>3,148,868</u>	\$ <u>3,309,931</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 \$121,854 and \$116,826 for the years ended June 30, 2018 and 2017, respectively. Other expenses related to the administration of the plan were \$8,227 and \$6,900 for the years ended June 30, 2018 and 2017, respectively.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Notes to Financial Statements June 30, 2018 and 2017

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 game tickets. These factors are influenced by a variety of external forces, including weather conditions, enacted legislation, heightened security concerns, and corporate sponsorships. 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.