

FINANCIAL STATEMENTS

NEW JERSEY STATE INTERSCHOLASTIC  
ATHLETIC ASSOCIATION

JUNE 30, 2019 AND 2018



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November 13, 2019

Board of Directors  
New Jersey State Interscholastic Athletic Association  
Robbinsville, New Jersey

### Independent Auditor's Report

We have audited the accompanying financial statements of New Jersey State Interscholastic Athletic Association, (the "Association", a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses 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.

#### **Auditor's 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 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 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, 2019, 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.

## **Change in Accounting Principle**

As described in Note 2 to the financial statements, New Jersey State Interscholastic Athletic Association adopted Financial Accounting Standards Board ASU No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

## **Prior Period Summarized Financial Statements**

The summarized financial statements presented herein of New Jersey State Interscholastic Athletic Association as of June 30, 2018, were audited by Spire Group, PC, who merged with Hill, Barth & King LLC as of December 1, 2018, and whose report dated October 10, 2018, expressed an unmodified opinion on those statements.

*Hill, Barth & King LLC*

Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,666,637	\$ 2,418,350
Accounts receivable - net	227,722	211,813
Prepaid expenses	<u>59,882</u>	<u>188,387</u>
<b>Total Current Assets</b>	2,954,241	2,818,550
Property and equipment - net	<u>946,890</u>	<u>1,045,169</u>
<b>Total Assets</b>	<u>\$ 3,901,131</u>	<u>\$ 3,863,719</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 418,699	\$ 385,557
Deferred revenue	<u>372,692</u>	<u>329,294</u>
<b>Total Current Liabilities</b>	<u>791,391</u>	<u>714,851</u>
<b>Net Assets Without Donor Restrictions</b>		
Undesignated	1,917,850	1,858,699
Board designated funds	245,000	245,000
Net investment in property and equipment	<u>946,890</u>	<u>1,045,169</u>
<b>Total Net Assets Without Donor Restrictions</b>	<u>3,109,740</u>	<u>3,148,868</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,901,131</u>	<u>\$ 3,863,719</u>

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Years Ended June 30, 2019 and 2018

	<b>Without Donor Restrictions</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue and Support</b>		
Sports activities	\$ 2,321,528	\$ 2,412,453
Dues	934,400	934,450
Officials	625,683	563,314
Corporate sponsorships	610,025	605,736
Broadcast/media	208,000	288,250
Workshops	139,090	170,020
Steroid testing award	50,000	50,000
Unified sports program	50,000	50,000
Scholar/athlete program	51,459	62,854
Coaches association	75,483	81,179
National Association for Girls and Women in Sports	31,350	32,790
Federation rules and casebooks	23,503	18,546
Corporate Hall of Fame	11,080	8,690
History of wrestling	11,627	11,633
Interest income	23,465	11,615
Miscellaneous income	17,859	15,480
<b>Total Revenue and Support</b>	<b>5,184,552</b>	<b>5,317,010</b>
<b>Expenses</b>		
Program services	3,162,584	2,725,552
Management and general	2,061,096	2,752,521
<b>Total Expenses</b>	<b>5,223,680</b>	<b>5,478,073</b>
<b>Changes in Net Assets</b>	<b>(39,128)</b>	<b>(161,063)</b>
<b>Net Assets – Beginning of Year</b>	<b>3,148,868</b>	<b>3,309,931</b>
<b>Net Assets – End of Year</b>	<b>\$ 3,109,740</b>	<b>\$ 3,148,868</b>

See accompanying notes to financial statements

STATEMENTS OF FUNCTIONAL EXPENSES

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Year Ended June 30, 2019

(With Comparative Totals for the Year Ended June 30, 2018)

	<u>Program Services</u>					<u>Supporting Services</u>		
	<u>Sporting Activities</u>	<u>Officials Activities</u>	<u>Awards and Related Services</u>	<u>Other Program Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>Personnel Costs</b>								
Payroll	\$ 314,742	\$ -	\$ -	\$ 51,750	\$ 366,492	\$ 751,279	\$ 1,117,771	\$ 1,125,662
Payroll tax	25,841	-	-	4,249	30,090	61,682	91,772	91,516
Employee benefits	95,760	-	-	15,745	111,505	228,575	340,080	384,422
<b>Total Personnel Costs</b>	<u>436,343</u>	<u>-</u>	<u>-</u>	<u>71,744</u>	<u>508,087</u>	<u>1,041,536</u>	<u>1,549,623</u>	<u>1,601,600</u>
<b>Non-Personnel Costs</b>								
Awards programs	-	-	183,559	-	183,559	-	183,559	124,261
Corporate sponsorships/grants	89,806	-	-	105,440	195,246	17,473	212,719	207,592
Depreciation	-	-	-	-	-	120,896	120,896	120,535
Facility and related rental costs	377,622	-	-	-	377,622	-	377,622	420,253
General administrative costs	-	-	-	-	-	452,866	452,866	495,323
General operating costs	126,651	-	-	-	126,651	344,724	471,375	451,074
NJSCA/Coaches clinics	-	-	44,999	45,919	90,918	-	90,918	116,720
Officials	432,920	336,614	-	-	769,534	-	769,534	880,675
Security costs	136,992	-	-	-	136,992	-	136,992	162,405
Sports committees	29,342	-	-	-	29,342	-	29,342	29,797
Sports trainers	84,397	-	-	-	84,397	-	84,397	91,147
Tournament staff	368,615	-	-	-	368,615	-	368,615	399,726
Workshops	-	-	-	112,698	112,698	-	112,698	135,180
Other / Miscellaneous sports related	178,923	-	-	-	178,923	-	178,923	162,768
Other / Miscellaneous expenses	-	-	-	-	-	83,601	83,601	79,017
<b>Total Non-Personnel Costs</b>	<u>1,825,268</u>	<u>336,614</u>	<u>228,558</u>	<u>264,057</u>	<u>2,654,497</u>	<u>1,019,560</u>	<u>3,674,057</u>	<u>3,876,473</u>
<b>Total Functional Expenses</b>	<u>\$ 2,261,611</u>	<u>\$ 336,614</u>	<u>\$ 228,558</u>	<u>\$ 335,801</u>	<u>\$ 3,162,584</u>	<u>\$ 2,061,096</u>	<u>\$ 5,223,680</u>	<u>\$ 5,478,073</u>

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (39,128)	\$ (161,063)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	120,896	120,535
Bad debts	7,980	27,490
Gain on sale of equipment	-	(8,000)
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(23,889)	(58,569)
Prepaid expenses	128,505	(6,048)
Increase (decrease) in:		
Accounts payable and accrued expenses	33,142	50,916
Deferred revenue	43,398	(22,020)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>270,904</u>	<u>(56,759)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of equipment	-	8,000
Purchase of property and equipment	<u>(22,617)</u>	<u>(58,899)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(22,617)</u>	<u>(50,899)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	248,287	(107,658)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,418,350</u>	<u>2,526,008</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,666,637</u>	<u>\$ 2,418,350</u>

See accompanying notes to financial statements



## NOTES TO FINANCIAL STATEMENTS

### NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

June 30, 2019 and 2018

#### **Note 1 - Organization and Nature of Activities**

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**

##### **Adoption of New Accounting Standard**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

##### **Basis of Accounting**

Financial statement presentation follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. There were no donor restricted net assets at June 30, 2019 and 2018.

##### **Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

##### **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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

June 30, 2019 and 2018

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

**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. The Association places its cash and cash equivalents with high credit quality financial institutions. At June 30, 2019 and 2018, the Association had \$2,484,980 and \$2,260,371 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.

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances and money market funds with original maturities of three months or less when acquired.

**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. The potential risk is limited to the amount recorded in the financial statements. Allowance for doubtful accounts at June 30, 2019 and 2018 was \$7,526 and \$4,615, respectively.

**Income Tax Status**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Property and Equipment**

Property and equipment are recorded at cost if purchased, fair value if donated. The Organization's capitalization policy is to capitalize property and equipment with a value of \$2,500 or greater. 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 changes in net assets.

**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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

June 30, 2019 and 2018

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

**Contributions**

Contributions are recorded as revenue with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met or expire during the same fiscal year are recognized as revenue without donor restrictions.

**Contributed Services**

For the years ended June 30, 2019 and 2018, the Association recognized contributions and related expenses of \$61,195 and \$60,495, respectively, for donated products and print advertising services. 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 official's revenue are assessed on an annual basis. Deferred revenue represents dues and official's revenue received in advance of the time period for which it applies. Activities revenue is recognized as each activity occurs.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, the statements of functional expenses classify direct costs and supporting benefits by program. All costs are allocated among the programs by management based on a combination of specific variables discussed below:

Program expenses

Sporting activities – expenses related to overall governance and post-season championships for every sport

Officials activities – expenses related to registration dues and officials related rulebooks

Awards and related services – expenses related to award luncheons and the student advisory council

Other program services – sports related expenses that are not specific to an individual sport

Management and general

Operating costs – expenses to insurance, general maintenance, telephone

Administrative expenses – expenses related to legal fees, accounting fees, project managers

Depreciation expense

**Reclassifications**

Certain amounts previously reported have been reclassified to conform to the current year presentation.

**Subsequent Events**

Management evaluated all activity of the Association through November 13, 2019, the date these financial statements were available to be issued and concluded that no subsequent events occurred that would require recognition or disclosure in the financial statements or notes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

June 30, 2019 and 2018

**Note 3 – Liquidity and Availability**

The Association's goal is generally to maintain financial assets to meet six months of operating expenses (approximately \$2,576,000). As part of its liquidity plan, excess cash is invested in money market funds. These funds are considered long-term but are available if the need arises. At June 30, 2019 and 2018, the Organization has no net assets with donor restrictions.

The following represents the financial assets at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets ay year-end		
Cash and cash equivalents	\$ 2,666,637	\$ 2,418,350
Receivables	<u>227,722</u>	<u>211,813</u>
Financial assets available to meet general expenditures over the next twelve month	<u>\$ 2,894,359</u>	<u>\$ 2,630,163</u>

**Note 4 - Property and Equipment**

Property and equipment consist of the following at June 30, 2019 and 2018:

	Range of Estimated Useful Lives	<u>2019</u>	<u>2018</u>
Land		\$ 361,346	\$ 361,346
Buildings and improvements	10-39 Years	2,738,061	2,725,134
Furniture and equipment	3-5 Years	593,510	583,820
Automobiles	3 Years	<u>121,058</u>	<u>121,058</u>
		3,813,975	3,791,358
Accumulated depreciation		<u>(2,867,085)</u>	<u>(2,746,189)</u>
Net property and equipment		<u>\$ 946,890</u>	<u>\$ 1,045,169</u>

For the years ended June 30, 2019 and 2018, depreciation expense amounted to \$120,896 and \$120,535, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

June 30, 2019 and 2018

**Note 5 – Lease Commitments**

The Association leases certain equipment under operating leases expiring through June 2022. Rent expense amounted to \$21,175 and \$24,538 for the years ended June 30, 2019 and 2018, respectively.

Minimum lease payments under noncancelable operating leases in each of the years subsequent to June 30, 2019 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 22,476
2021	22,476
2022	<u>21,219</u>
Total	\$ <u>66,171</u>

**Note 6 - Net Assets Without Donor Restrictions**

At June 30, 2019 and 2018, net assets without donor restrictions is comprised of the following:

	<u>2019</u>	<u>2018</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	946,890	1,045,169
Undesignated	<u>1,917,850</u>	<u>1,858,699</u>
Total net assets without donor restrictions	\$ <u>3,109,740</u>	\$ <u>3,148,868</u>

**Note 7 - 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 \$115,432 and \$121,854 for the years ended June 30, 2019 and 2018, respectively. Other expenses related to the administration of the plan were \$7,894 and \$8,227 for the years ended June 30, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

June 30, 2019 and 2018

**Note 8 - 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 9 - 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.