

**NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION**

FINANCIAL STATEMENTS

June 30, 2022 and 2021

**NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION**

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June 30, 2022 and 2021

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
New Jersey State Interscholastic Athletic Association

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of New Jersey State Interscholastic Athletic Association (the "Association"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2022 and 2021, 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

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Mercedien, P.C.*

*Certified Public Accountants*

October 20, 2022

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,125,992	\$ 2,298,506
Grant receivable	-	208,333
Accounts receivable - net of allowance of \$6,250 in 2022 and \$7,210 in 2021	470,433	251,263
Prepaid expenses and other assets	<u>40,377</u>	<u>95,162</u>
Total Current Assets	3,636,802	2,853,264
Property and equipment, net	<u>644,276</u>	<u>781,563</u>
Total Assets	<u>\$ 4,281,078</u>	<u>\$ 3,634,827</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 343,171	\$ 434,711
Deferred revenue	<u>218,344</u>	<u>120,591</u>
Total Liabilities	<u>561,515</u>	<u>555,302</u>
Net assets without donor restrictions	<u>3,719,563</u>	<u>3,079,525</u>
Total Liabilities and Net Assets	<u>\$ 4,281,078</u>	<u>\$ 3,634,827</u>

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2022 and 2021

	2022	2021
Support and Revenues		
Sports activities	\$ 2,370,355	\$ 755,163
Membership dues	1,089,000	1,064,000
Officials dues	518,876	445,028
Corporate sponsorships	715,046	444,688
Broadcast/media	134,800	110,000
Workshops	94,015	65,518
Grants	80,000	655,000
Contributions	21,333	14,477
Other program service revenue	102,281	12,590
Interest income	1,906	4,672
Paycheck Protection Program Loan forgiveness	-	226,279
Miscellaneous income	17,200	38,860
Total Support and Revenues	<u>5,144,812</u>	<u>3,836,275</u>
Expenses		
Program services	3,530,474	1,814,558
Management and general	974,300	1,410,598
Total Expenses	<u>4,504,774</u>	<u>3,225,156</u>
Change in net assets	640,038	611,119
Net assets, beginning of year	<u>3,079,525</u>	<u>2,468,406</u>
Net assets, end of year	<u>\$ 3,719,563</u>	<u>\$ 3,079,525</u>

## NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services	Management and General	Total
Payroll	\$ 571,485	\$ 354,521	\$ 926,006
Payroll taxes	51,942	32,223	84,165
Employee benefits	133,588	82,871	216,459
Grants and sponsorships	109,923	-	109,923
Professional fees	176,455	156,097	332,552
Sports activities	1,638,023	-	1,638,023
Officials	302,838	-	302,838
Workshops	53,583	-	53,583
Coaches association	30,964	-	30,964
Rulebooks	45,570	-	45,570
Corporate Hall of Fame	27,855	-	27,855
Office expense	34,255	30,303	64,558
Postage and delivery	14,619	12,933	27,552
Printing and reproduction	3,550	3,140	6,690
Information technology	79,862	70,648	150,510
Conferences and meetings	16,852	14,907	31,759
Repairs and maintenance	46,322	40,977	87,299
Depreciation	97,110	67,927	165,037
Business insurance	95,678	84,639	180,317
Miscellaneous	-	23,114	23,114
Total	<u>\$ 3,530,474</u>	<u>\$ 974,300</u>	<u>\$ 4,504,774</u>

## NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services	Management and General	Total
Payroll	\$ 467,546	\$ 572,704	\$ 1,040,250
Payroll taxes	39,717	48,650	88,367
Employee benefits	97,928	119,954	217,882
Grants and sponsorships	9,126	-	9,126
Professional fees	118,821	238,554	357,375
Sports activities	527,773	-	527,773
Officials	275,742	-	275,742
Workshops	19,820	-	19,820
Coaches association	21,591	-	21,591
Rulebooks	35,974	-	35,974
Office expense	16,454	33,035	49,489
Postage and delivery	5,013	10,065	15,078
Printing and reproduction	1,294	2,596	3,890
Information technology	40,296	80,900	121,196
Conferences and meetings	729	1,464	2,193
Repairs and maintenance	24,151	48,488	72,639
Depreciation	44,765	89,875	134,640
Business insurance	67,818	136,155	203,973
Miscellaneous	-	28,158	28,158
Total	<u>\$ 1,814,558</u>	<u>\$ 1,410,598</u>	<u>\$ 3,225,156</u>



## NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

### STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 640,038	\$ 611,119
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	165,037	134,640
Bad debts	4,051	18,078
PPP Loan forgiveness	-	(226,279)
Increase (decrease) in cash from		
Grant receivable	208,333	(208,333)
Accounts receivable	(223,221)	(125,638)
Deferred revenue	97,753	21,591
Prepaid expenses	54,785	7,438
Accounts payable and accrued expenses	(91,541)	15,250
Net cash from operating activities	<u>855,236</u>	<u>247,866</u>
Cash flows from Investing Activities		
Purchases of property and equipment	(27,750)	(4,410)
Net cash used in investing activities	<u>(27,750)</u>	<u>(4,410)</u>
Net change in cash and cash equivalents	827,486	243,456
Cash and cash equivalents, beginning of year	2,298,506	2,055,050
Cash and cash equivalents, end of year	<u>\$ 3,125,992</u>	<u>\$ 2,298,506</u>
Supplemental Disclosure of Cash Flow Information:		
Non-cash investing and financing activities:		
PPP Loan forgiveness	<u>\$ -</u>	<u>\$ 226,279</u>

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

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### A. NATURE OF ORGANIZATION

The New Jersey State Interscholastic Athletic Association ("NJSIAA" or the "Association") is a nonprofit organization incorporated under the laws of the State of New Jersey in 1918. 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.

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Association is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Association and/or by the passage of time.

The Association has no net assets with donor restrictions.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Association considers cash equivalents to be all highly liquid debt instruments with an initial maturity of ninety days or less. Cash and cash equivalents consist mainly of cash and money market funds.

#### Accounts and Grant Receivable

Accounts receivable consist primarily of member and officials' dues. The grant receivable consisted of a payment due under a stipend award agreement from the State of New Jersey, Department of Treasury. The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts and grants receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

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### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property and Equipment

Property and equipment purchased, in excess of \$2,500, are capitalized as assets and recorded at cost, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is computed on the straight-line method for financial reporting purposes over the following estimated useful lives:

Buildings and improvements	3-39 years
Furniture and equipment	3-20 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

#### Revenue Recognition

Contributions and grants are recognized when the donor or grantor makes a promise to give to the Association that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. For the year ending June 30, 2021, the Association received a stipend award from the State of New Jersey, Department of Treasury in the amount of \$625,000 to assist with COVID-19 pandemic-related losses both incurred during the year ended June 30, 2020 and anticipated for the year ending June 30, 2021. The award was spent in full and was included in grants revenue in the statements of activities for the year ending June 30, 2021.

Membership and officials dues revenue is recognized ratably over the membership period, which aligns with the Association's fiscal year. The benefits derived as part of the dues are not distinct within the contracts. The performance obligation is met over the membership or dues period of one year. The Association bills annually for the entire year.

Sports activities and workshop revenue is recognized as each activity or event occurs. Corporate and broadcast media revenue are recognized as per terms of contracts. The benefits derived are listed in the contract and are satisfied throughout the contract year, which aligns with the fiscal year. The Association recognizes revenue as the performance obligations are satisfied.

The Association's deferred revenue (contract liability) balance as of June 30, 2022, was \$218,344, which represents an increase of \$97,753 from the balance at June 30, 2021. The increase primarily reflects timing differences between payments received for sports activities and officials dues collected prior to the fall sports season and the Association's satisfaction of its performance obligations. The entire amount of deferred revenue at June 30, 2021, was recognized as revenue in 2022.

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue Recognition (Continued)

The Association's revenue disaggregated according to the timing of when revenue is recognized is as follows:

	Years Ended June 30,	
	2022	2021
Revenue recognized at a point in time (ASC 606)		
Sports activities	\$ 2,370,355	\$ 755,163
Corporate sponsorships	715,046	444,688
Broadcast/media	134,800	110,000
Workshops	94,015	65,518
Other program service revenue	102,281	12,590
Total Revenue recognized at a point in time	<u>3,416,497</u>	<u>1,387,959</u>
Revenue recognized over time (ASC 606)		
Officials dues	518,876	445,028
Membership dues	1,089,000	1,064,000
Total Revenue recognized over time	<u>1,607,876</u>	<u>1,509,028</u>
Other revenue not subject to ASC 606		
Grants	80,000	655,000
Contributions	21,333	14,477
Interest income	1,906	4,672
Miscellaneous income	17,200	38,860
Paycheck Protection Program (PPP) Loan forgiveness	-	226,279
Total Other Revenue	<u>120,439</u>	<u>939,288</u>
Total Revenue	<u>\$ 5,144,812</u>	<u>\$ 3,836,275</u>

#### Contributed Nonfinancial Assets

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Association records the value of in-kind goods and services as revenue and expense when the in-kind contribution is both budget-relieving and relates to events and programs under the Association's control. There were no contributions of noncash assets or services requiring recognition in the years ended June 30, 2022 and 2021.

#### Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Association's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended June 30, 2022 and 2021.

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

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### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income Taxes (Continued)

U.S. GAAP requires management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Association did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of June 30, 2022 and 2021, or in the accompanying statements of activities for the years then ended. If the Association were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

#### Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the percentage of direct program expenses to total expenses.

#### Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through October 20, 2022, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

#### Recently Adopted Accounting Pronouncement

The Association has adopted the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* during the year ended June 30, 2022. ASU 2020-07 is intended to increase the transparency regarding the measurement of contributed nonfinancial assets recognized by programs and other activities. The amendments in this update require that the Association present contributed nonfinancial assets as a separate line item in the statements of activities by category that depicts the type of contributed nonfinancial assets. The adoption of ASU 2020-07 did not have a material impact on the Association's financial statements because the Association does not receive contributed nonfinancial assets.

#### Recently Issued Accounting Pronouncement

The FASB has issued accounting pronouncement through the date of these financial statements which may be applicable to the Association and for which the Association is currently evaluating the effect that it will have on the financial statements and related disclosure.

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Recently Issued Accounting Pronouncement (Continued)

**ASU 2016-02**, *Leases (Topic 842)*, issued in February 2016, requires an entity (lessee) that leases assets for a term exceeding a one-year period to recognize a right-of-use asset and corresponding lease liability on the statements of financial position. ASU 2016-02 will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. ASU 2016-02 introduces limited changes to the lessor accounting model, none of which rise to the same level of significance as the changes made to the lessee accounting model. ASU 2016-02 also requires entities to disclose in the footnotes to their financial statements information about the amount, timing and uncertainty for the payments they make for lease agreements. In November 2019, the FASB issued ASU 2019-10 and in June 2020 the FASB issued ASU 2020-05, each of which deferred the effective date of ASU 2016-02 by one additional year. The updated standard will be effective for the Association for the year ending June 30, 2023, with early adoption permitted.

### C. LIQUIDITY AND AVAILABILITY

The following table represents the Association's financial assets at June 30, 2022 and 2021:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 3,125,992	\$ 2,298,506
Grant receivable	-	208,333
Accounts receivable	470,433	251,263
Total financial assets available within one year	<u>\$ 3,596,425</u>	<u>\$ 2,758,102</u>

The Association's goal is generally to maintain financial assets to meet operating expenses as they come due. As part of its liquidity plan, excess cash is invested in interest-bearing money market accounts. Should unanticipated liquidity needs arise, the Association would liquidate its excess cash in money market accounts or seek to leverage its relationships with various financial institutions to establish a credit facility.

### D. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2022	2021
Land	\$ 361,346	\$ 361,346
Buildings and improvements	2,744,861	2,744,861
Furniture and equipment	723,473	695,723
Subtotal	<u>3,829,680</u>	<u>3,801,930</u>
Less accumulated depreciation	3,185,404	3,020,367
Total	<u>\$ 644,276</u>	<u>\$ 781,563</u>

Depreciation expense for the years ended June 30, 2022 and 2021, was \$165,037 and \$134,640, respectively.

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

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### E. OPERATING LEASES

The Association has several noncancelable operating leases, primarily for equipment, that expire at various dates through June 2026. Rent expense amounted to \$26,551 and \$22,900 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments under operating leases are as follows:

<u>Year ending June 30,</u>	
2023	\$ 22,096
2024	22,096
2025	22,096
2026	14,650
Total	<u>\$ 80,938</u>

### F. RETIREMENT PLAN

The Association has a defined contribution plan covering substantially all of its employees. Under the terms of this plan, contributions begin for full-time staff members after completing one year of service. Currently, for employees hired on or after January 1, 2001, the Association contributes five percent of each eligible staff member's salary on a quarterly basis to the retirement plan. For employees hired on or before December 31, 2000, the Association contributes nineteen percent of each eligible staff member's salary on a quarterly basis to the retirement plan. Contributions and other expenses related to the administration of the plan totaled \$88,112 and \$59,800 for the years ended June 30, 2022 and 2021, respectively.

### G. CONCENTRATION OF RISK AND UNCERTAINTIES

The Association maintains cash and cash equivalent balances which may, at times, exceed federally insured limits. The Association historically has not experienced any credit related losses. Management believes that it is not subject to any significant credit risk on its cash and cash equivalent accounts.

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 does not permit the Association to adjust ticket prices to respond to rising costs from changes in market factors.

### H. PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Association entered into a term note agreement as part of the United States Small Business Administration's Paycheck Protection Program ("PPP"). The funds were used to retain employees. The loan was for a principal sum of \$226,279 and bore interest at a rate of 1% per annum payable over a two-year period after a six-month interest and principal deferral period. The PPP loan was forgivable if certain criteria were met. During the year ended June 30, 2021, the Association met the forgiveness criteria and received formal notification that the loan was discharged in full. Accordingly, the Association has recognized loan forgiveness income in its statements of activities.

# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

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### I. LITIGATION

From time to time, the Association, or the Association on behalf of its members, is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Association at June 30, 2022.