

Stone and Paul, P.C.

**MASSACHUSETTS INTERSCHOLASTIC
ATHLETIC ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011**

Stone and Paul, P.C.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.

JUNE 30, 2012 AND 2011

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September 19, 2012

Independent Auditors' Report

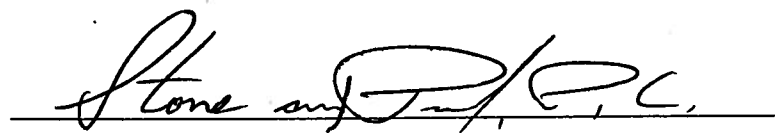
To The Board of Directors
Massachusetts Interscholastic
Athletic Association, Inc.
Franklin, Massachusetts

We have audited the accompanying statements of financial position of Massachusetts Interscholastic Athletic Association, Inc. (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 audits 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 Massachusetts Interscholastic Athletic Association, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets:		
Cash (Note 1)	\$ 936,743	\$ 1,645,593
Investments available for sale (Cost of \$888,098) (Note 2)	901,951	-
Accounts receivable (Notes 1 and 2)		
Association receivables, net of allowance for doubtful accounts of \$3,116 for June 30, 2012 and \$4,649 for June 30, 2011	69,769	98,663
Tournament income receivable	5,021	705
Prepaid expenses	131,507	104,545
Due from related party (Note 9)	430	6,955
TOTAL CURRENT ASSETS	<u>2,045,421</u>	<u>1,856,461</u>
Property and equipment, net (Notes 1 and 3)	2,077,085	2,027,865
Other assets:		
Board restricted cash	-	165,733
Cash surrender value life insurance (Note 4)	70,420	119,702
Total Assets	<u>\$ 4,192,926</u>	<u>\$ 4,169,761</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accrued liabilities	\$ 67,031	\$ 47,266
Deferred revenue	137,040	112,768
Capital lease obligations, current portion (Note 8)	16,421	11,343
Long-term debt, current portion (Note 7)	70,637	70,688
Postretirement obligations, current portion (Note 5)	87,915	15,498
TOTAL CURRENT LIABILITES	<u>379,044</u>	<u>257,563</u>
Noncurrent Liabilities:		
Accrued postretirement benefits net of current portion	915,153	949,481
Deferred compensation (Note 6)	167,463	165,733
Capital lease obligations, net of current portion	52,692	20,152
Long-term debt, net of current portion	148,995	211,952
TOTAL NONCURRENT LIABILITES	<u>1,284,303</u>	<u>1,347,318</u>
Total Liabilities	<u>1,663,347</u>	<u>1,604,881</u>
Net Assets:		
Unrestricted net assets	<u>2,529,579</u>	<u>2,564,880</u>
Total net assets	<u>2,529,579</u>	<u>2,564,880</u>
Total Liabilities and Net Assets	<u>\$ 4,192,926</u>	<u>\$ 4,169,761</u>

Stone and Paul, P.C.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Revenue and Support</u>		
Athletic events	\$ 3,590,822	\$ 3,717,314
Membership dues	783,302	681,777
Educational Athletics	397,881	244,692
Service charges	330,000	330,000
Ball agreements	144,250	144,250
Tournament souvenirs	104,310	80,030
Officials enrollment	70,391	68,339
Conferences and workshops	45,805	49,770
Miscellaneous income	11,361	17,750
Corporate sponsorship	-	36,750
	<hr/>	<hr/>
Total revenue and support	5,478,122	5,370,672
<u>Expenses</u>		
Program services:		
Athletic events	2,748,320	2,838,057
Educational Athletics	386,532	272,616
Conferences and workshops	37,577	31,645
Game officials	21,349	17,418
	<hr/>	<hr/>
	3,193,778	3,159,736
General and administrative:		
Personnel costs:		
Salaries	1,019,150	957,024
Insurance and employee benefits	546,851	600,807
Payroll taxes and administration	77,415	76,224
	<hr/>	<hr/>
	1,643,416	1,634,055
Other general and administrative expenses	647,076	693,849
	<hr/>	<hr/>
Total expenses	5,484,270	5,487,640
Balance forward	\$ (6,148)	\$ (116,968)

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Balance brought forward	\$ (6,148)	\$ (116,968)
<u>Other Revenue (Expenses)</u>		
Realized gains on investments	3,407	-
Unrealized gains on investments	13,853	-
Rental income	40,000	40,000
Investment income	9,547	8,121
Interest expense	(18,198)	(24,261)
Investment expense	(2,606)	-
Total other revenue (expenses)	<u>46,003</u>	<u>23,860</u>
<u>Increase (Decrease) In Unrestricted Net Assets From Operating Activities</u>	39,855	(93,108)
<u>Postretirement Benefit Changes Other Than Net Periodic Pension Costs</u>	<u>(75,156)</u>	<u>509,054</u>
<u>Increase (Decrease) In Unrestricted Net Assets (as restated in 2011)</u>	<u>(35,301)</u>	<u>415,946</u>
<u>Unrestricted Net Assets At Beginning Of Year (as restated)</u>	<u>2,564,880</u>	<u>2,148,934</u>
<u>Unrestricted Net Assets At End Of Year</u>	<u>\$ 2,529,579</u>	<u>\$ 2,564,880</u>

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (35,301)	\$ 415,946
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	103,614	110,513
Unrealized gain on investments	(13,853)	-
(Increase) decrease in assets:		
Accounts receivable	24,578	(62,792)
Prepaid expenses	(26,962)	(20,743)
Due from related party	6,525	(4,736)
Board restricted cash	165,733	(2,736)
Cash surrender value life insurance	49,282	(1,819)
Increase (decrease) in liabilities:		
Accrued liabilities	19,765	(28,320)
Accrued postretirement benefits	38,089	(439,418)
Deferred revenue	24,272	25,848
Deferred compensation	1,730	2,736
Net cash provided (used) by operating activities	<u>357,472</u>	<u>(5,521)</u>
<u>Cash Flows From Investing Activities</u>		
Cost of investments	(888,098)	-
Acquisition of property and equipment	(102,056)	(21,829)
Net cash provided (used) by investing activities	<u>(990,154)</u>	<u>(21,829)</u>
<u>Cash Flows From Financing Activities</u>		
Principal payments on long-term debt	(63,008)	(70,687)
Principal payments of capital lease obligations	(13,160)	(10,577)
Net cash provided (used) by financing activities	<u>(76,168)</u>	<u>(81,264)</u>

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MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Increase (Decrease) In Cash</u>	(708,850)	(108,614)
<u>Cash At Beginning of Year</u>	<u>1,645,593</u>	<u>1,754,207</u>
<u>Cash and Cash Equivalents At End of Year</u>	<u>\$ 936,743</u>	<u>\$ 1,645,593</u>

Supplemental Information

Cash paid for:		
Interest	<u>\$ 18,198</u>	<u>\$ 24,261</u>

Noncash Investing and Financing Activities

Property and equipment purchased	\$ 162,481	\$ 21,829
Lease obligation to acquire property and equipment	<u>(60,425)</u>	<u>-</u>
Cash paid to acquire property and equipment	<u>\$ 102,056</u>	<u>\$ 21,829</u>

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1. Summary of Significant Accounting Policies

A summary of significant accounting policies employed by the Association is as follows:

Nature of Activities

Massachusetts Interscholastic Athletic Association, Inc., (the Association) is a voluntary, nonprofit association organized by its member high schools to provide leadership and support for the conduct of education-based athletics and activities designed to impart life lessons, and convey or reinforce values that will ensure an enhanced quality of life for all student participants.

Through its commitment to educational athletics the Association provides extensive programming in the areas of wellness, sportsmanship, citizenship, leadership and coaches' education.

The Association's revenue comes primarily from the conduct of sports tournaments, programs, activities and member dues.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. Under SFAS ASC 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Grants which are restricted to the use of various Association programs are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Association within the limits of the Association's Articles of Organization.

Income Tax Status

The Association is exempt from federal income and state excise taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities in 2012 and 2011. Therefore, the Association has made no provision for federal income and state excise tax in the accompanying financial statements.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

As of June 30, 2012, the Association has no uncertain tax positions that qualify for disclosure in the financial statements. Tax years still open under federal and state statute of limitations remain subject to review and change.

Investments

The Association follows ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under ASC 958-320 investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

Property and equipment are recorded at cost. The Association capitalizes property and equipment with costs greater than \$500 and with useful lives in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

Furniture and equipment	Five Years
Automobiles	Five Years
Building	Thirty-three Years

Postretirement Benefits

The Association has adopted Financial Accounting Standard Board Codification FASB ASC 715 *Employers' Accounting for Postretirement Benefits*. FASB ASC 715 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the Statement of Financial Position and to recognize changes in funded status in the year in which the changes occur through changes in unrestricted net assets.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments

FASB ASC 825-10 (formerly SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*), requires the Association to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Association's financial instruments:

The carrying amounts of cash, receivables, and accrued liabilities approximate fair value because of the relatively short maturity of those instruments. Marketable securities are valued at quoted prices in active markets (Level 1 measurements).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Reclassification

Certain amounts and captions in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

Note 2. Investments

Investments are reported at aggregate fair value based on quoted market prices for those investments. Unrealized gains and losses are included in earnings and reported in the statement of activities. The specific identification cost basis is used to determine realized gain or loss of securities. All securities are considered available for sale. Money market funds held within the brokerage accounts are treated as investments.

The Association held the following investments at June 30, 2012:

	<u>Cost</u>	<u>Unrealized Gain or (Loss)</u>	<u>Market Value</u>
Equity and Debt Securities	\$ 807,920	\$ 13,853	\$ 821,773
Money Market Funds	<u>80,178</u>	<u>-</u>	<u>80,178</u>
	<u>\$ 888,098</u>	<u>\$ 13,853</u>	<u>\$ 901,951</u>

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 3. Property and Equipment

Property and equipment consists of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 350,000	\$ 350,000
Building	2,373,291	2,373,291
Furniture & equipment	505,688	373,672
Automobiles	40,428	40,428
	<u>3,269,407</u>	<u>3,137,391</u>
Less: Accumulated depreciation	<u>(1,192,322)</u>	<u>(1,109,526)</u>
	<u>\$ 2,077,085</u>	<u>\$ 2,027,865</u>

Depreciation charged to operations totaled \$103,614 and \$110,513 for the years ended June 30, 2012 and 2011, respectively.

Note 4. Cash Surrender Value Life Insurance

Cash surrender value life insurance represents the Association's assigned interest in two split dollar life insurance policies on two key employees. The cash value amounts represent premiums paid by the Association under a split dollar arrangement. The Board of Directors has voted to transfer the Association's interest in one of the policies, totaling \$51,296, to one of the executives upon the earlier of retirement or death.

Note 5. Pension and Other Postretirement Plans

As of July 1, 2008 the Association adopted a contributory defined benefit pension plan which covers substantially all of its employees. Employees contribute 4.8% of salary to this plan in addition to current social security contributions. The Association also has a contributory 403(b) plan to which it contributes a percentage of salaries based on years of service. The pension plan is modeled after the Massachusetts teachers' retirement system plan benefits. Calculated benefits are reduced for the employer-only portion of the participant's 403(b) plan and social security benefits.

The pension plan has a retirement age of 65 with eligibility after one year of service. The benefit value at normal retirement is 2.5% of three year final average salary, times years of service (max 32) minus 403(b) benefits converted to an annuity and projected social security benefits.

The employer provides certain health insurance benefits for its retired employees, their beneficiaries and covered dependents. The health care plan is non-contributory and covers 50 to 80% of premium costs. Substantially all of the Association's employees may become eligible to receive postretirement health insurance benefits if they retire after age 62 with at least twenty years of service.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 5. Pension and Other Postretirement Plans (Continued)

The accrued unfunded postretirement benefits reflected in the statement of financial position is made up of the following:

	2012	2011
Accrued pension benefits	\$ 831,873	\$ 617,214
Accrued postretirement health benefits	91,295	246,671
Accrued vacation and sick pay	79,900	101,094
	1,003,068	964,979
Less: Current portion	(87,915)	(15,498)
Portion due in excess of one year	\$ 915,153	\$ 949,481

The following table sets forth the funded status of both postretirement plans reconciled with the amount shown in the Association's statement of financial position at June 30, 2012 and 2011.

	Pension Benefits		Postretirement Health Benefits	
	2012	2011	2012	2011
Postretirement benefit obligation	\$1,598,301	\$1,166,257	\$ 592,921	\$ 701,436
Plan assets at fair value	(766,428)	(549,043)	(501,626)	(454,765)
Postretirement benefit obligation in excess of plan assets included in the Statements of Financial Position	\$ 831,873	\$ 617,214	\$ 91,295	\$ 246,671

The expected postretirement health benefit obligation at June 30, 2012 and 2011 was \$784,941 and \$774,882. This represents the actuarial present value of the total future obligation for the current workforce. The accumulated postretirement benefit is the portion of the total obligation earned to date and is used as the postretirement health benefit obligation in these financial statements.

Included in the Statement of Activities under Insurance and Employee Benefits are the following pension and postretirement health plan expenses.

	2012	2011
Pension Plan	\$ 191,862	\$ 221,141
403(b) Plan	100,267	98,781
Postretirement health benefits	36,015	68,528
	\$ 328,144	\$ 388,450

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 5. Pension and Other Postretirement Plans (Continued)

Net periodic postretirement benefit costs for June 30, 2012 and 2011 included the following components:

	Pension Benefits		Postretirement Health Benefits	
	2012	2011	2012	2011
Service cost – benefits attributed to service during the period	\$ 40,796	\$ 35,465	\$ 31,166	\$ 32,395
Interest cost on accumulated postretirement benefit obligation	68,835	64,780	29,017	41,051
Expected return on plan assets	(53,267)	(28,468)	(14,319)	(15,463)
Amortization of transition obligation	102,669	102,669	21,705	21,705
Recognition of (gains)/losses	32,829	46,695	(31,554)	(11,160)
Net periodic postretirement benefit cost deducted under employee benefits in the Statements of Activities	<u>\$ 191,862</u>	<u>\$ 221,141</u>	<u>\$ 36,015</u>	<u>\$ 68,528</u>

The assumptions at June 30, used by the Association to calculate the benefit obligations as of that date and to determine the benefit cost in the subsequent year are as follows:

	Pension Benefits		Postretirement Health Benefits	
	2012	2011	2012	2011
Weighted-average assumptions				
Discount rate (beginning of period)	5.75%	6.00%	5.875%	6.00%
Discount rate (end of period)	4.75%	5.75%	4.750%	5.875%
Rate of increase in compensation levels (beginning of period)	2.50%	2.50%	-	-
Rate of increase in compensation levels (end of period)	2.50%	2.50%	-	-
Expected return on plan assets	8.00%	8.00%	3.00%	3.00%
Health care cost trend rates	-	-	7.50%	8.00%
Ultimate health care cost trend rate after gradual decrease until 2016	-	-	5.50%	5.50%

Note 6. Deferred Compensation Liability

Effective February 1, 2001, the Association adopted an executive compensation plan that allows certain designated executives to defer payment of a portion of their current compensation until retirement or termination. The plan is a nonqualified deferred compensation arrangement which constitutes an unsecured promise to pay an employee in the future for services rendered today. The plan is frozen and exists to pay benefits to the one participant.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 6. Deferred Compensation Liability (Continued)

The plan has one participant, who retired June 30, 2012. The Association has reflected the liability at June 30, 2012 and 2011, for the deferral in the statements of financial position. The participant has elected a ten year payout starting in the June 30, 2013 year.

Note 7. Long-Term Debt

Long-term debt at June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Mortgage loan payable in monthly principal installments of \$6,470; plus interest at 4.0%, due June 2015, collateralized by land and building	\$ 219,632	\$ 282,640
Current portion	<u>70,637</u>	<u>70,688</u>
Portion due in excess of one year	<u>\$ 148,995</u>	<u>\$ 211,952</u>

Mortgage debt maturing in the next five years is as follows:

Year ending June 30, 2013	\$ 70,637
2014	73,010
2015	75,985
2016	-
2017	<u>-</u>
Five year total	<u>\$ 219,632</u>

Note 8. Capital Leases

The Association leases certain office equipment under capital leases. The economic substance of the leases is that the Association is financing the acquisition of the equipment through the leases and accordingly, the equipment is recorded as an asset and the leases are recorded as a liability. Amortization of the leases is included in depreciation.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 8. Capital Leases (Continued)

The following is an analysis of the leased asset included in property and equipment.

	<u>2012</u>	<u>2011</u>
Equipment under capital lease	\$ 85,460	\$ 55,501
Less: Accumulated depreciation	<u>(17,337)</u>	<u>(26,825)</u>
	<u>\$ 68,123</u>	<u>\$ 28,676</u>

Future minimum lease payments under capital leases as of June 30, 2012 for each of the remaining years and in the aggregate are as follows:

Year Ended June 30,

2013	\$ 19,632
2014	17,154
2015	13,683
2016	13,683
2017	<u>13,423</u>
Total future minimum capital lease payments	\$ 77,575
Less: Amount representing interest	<u>8,462</u>
Present value of minimum lease payments	\$ 69,113
Less: current maturities	<u>16,421</u>
Portion due in excess of one year	<u>\$ 52,692</u>

Note 9. Related Party Transactions

The Association shares its building and employees with the Massachusetts Secondary School Administrators' Association, Inc. (MSSAA). Rent payments to Massachusetts Interscholastic Athletic Association, Inc. total \$40,000 each year for the years ended June 30, 2012 and 2011, respectively. Several employees including executive staff perform services for the Association and MSSAA. The salaries of individuals working for both organizations, occupancy costs (including rent), and other mutual expenses totaling \$521,910 and \$427,205 were allocated to MSSAA for the years ended June 30, 2012 and 2011, respectively. MSSAA reimburses the Association periodically. The Association was owed \$430 and \$6,955 by MSSAA at June 30, 2012 and 2011, respectively.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012 AND 2011

Note 10. Concentration of Credit Risk and Revenue Source

The major portion of the Association's revenue comes from the conduct of high school post season athletic tournaments held in Massachusetts.

Note 11. Contingencies

On or about February 2009, a scoreboard and time clock operator at a soccer tournament venue filed Form SS-8 with the Internal Revenue Service (IRS) seeking employment tax treatment as an employee of the MIAA. On February 25, 2010 the IRS issued its determination that the individual was in fact an employee of the MIAA. It should be noted that this examination was not conducted by field audit.

On May 7, 2012 the IRS issued a response to the Appeal filed by Counsel with respect to this matter. The IRS in its response took the position that although the Appeal was timely filed, since the IRS did not act upon it until the statute of limitations had lapsed, they had no further jurisdiction over the matter and therefore acknowledged same stating "I apologize that we did not address this request in a timely manner." It should be noted that the IRS never assessed any additional tax, interest or penalty during the pendency of this matter to the MIAA.

Note 12. Commitments

On December 2, 2009 the Board of Directors voted and the Association agreed to continue the disability benefits for two executives beyond the point at which the Association disability policy stops coverage, for the duration of and to the extent of its obligation under their existing contracts. As of June 30, 2012 only one of the two executives remains under contract.

The Internal Revenue Service generally requires a new pension plan to reach 80% funding of its ERISA liabilities in five years. This requirement applies to the pension plan adopted July 1, 2008 (Note 5). The ERISA liability is similar to the postretirement benefit obligation detailed in Note 5.

The mortgage loan described in Note 7 requires the Association to maintain unencumbered cash or cash equivalents of at least \$400,000 tested annually. It also requires a minimum debt service coverage ratio of 1.00.

Note 13. Evaluation of Subsequent Events

The Association has evaluated subsequent events through September 19, 2012, the date which the financial statements were available to be issued.

Stone and Paul, P.C.

SUPPLEMENTARY INFORMATION

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
SCHEDULES OF ATHLETIC EVENT REVENUE AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Revenue</u>		
Gate receipts	\$ 3,537,561	\$ 3,660,546
Other	37,771	36,796
Radio-media fees	14,890	17,782
Entry fees	<u>600</u>	<u>2,190</u>
Total revenue	3,590,822	3,717,314
<u>Expenses</u>		
Tournament personnel expenses:		
Directors and site managers	323,219	329,959
Game officials	305,845	319,882
Ticket sellers and takers	175,828	188,927
Auxiliary officials	<u>137,286</u>	<u>138,314</u>
Total tournament personnel expenses	942,178	977,082
Tournament site expenses:		
Facility rentals	860,745	866,741
Police and security	195,352	235,432
Medical/trainers/fire	77,677	83,577
Custodial matron	45,759	56,181
Site preparation	<u>26,974</u>	<u>37,454</u>
Total tournament site expenses	1,206,507	1,279,385
Tournament supply expenses:		
Other expenses	74,697	61,609
Trophies and awards	60,389	57,939
Equipment rental	21,611	21,379
Program printing	15,462	16,402
Secretary/format preparation	<u>14,170</u>	<u>13,715</u>
Total tournament supply expenses	186,329	171,044

Stone and Paul, P.C.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
SCHEDULES OF ATHLETIC EVENT REVENUE AND EXPENSES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Service charge-MIAA	\$ 330,000	\$ 330,000
Tournament administration expenses:		
Committee meetings	61,393	55,732
Mail/telephone	<u>21,913</u>	<u>24,814</u>
Total tournament administration expenses	<u>83,306</u>	<u>80,546</u>
Total expenses	<u>2,748,320</u>	<u>2,838,057</u>
Excess of athletic event revenue and expenses	<u>\$ 842,502</u>	<u>\$ 879,257</u>

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Other general and administrative		
Tournament administration	\$ 146,865	\$ 180,606
Office operations	107,149	87,903
Depreciation	103,614	110,513
Building and grounds	99,532	109,410
Other professional fees	70,452	71,700
Legal and accounting	51,636	49,815
Public information	24,872	25,720
Committee meetings	20,085	19,802
Miscellaneous	11,552	21,551
National Federation	7,693	13,450
MIAA Handbooks	<u>3,626</u>	<u>3,379</u>
Total other general administrative expenses	<u>\$ 647,076</u>	<u>\$ 693,849</u>