

Stone and Paul, P.C.

**MASSACHUSETTS INTERSCHOLASTIC
ATHLETIC ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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

Stone and Paul, P.C.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.

JUNE 30, 2013 AND 2012

TABLE OF CONTENTS

| | |
|---|-------|
| INDEPENDENT AUDITORS' REPORT..... | 1-2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position June 30, 2013 and 2012..... | 3-4 |
| Statements of Activities for the Years Ended June 30, 2013 and 2012..... | 5-6 |
| Statements of Cash Flows for the Years Ended June 30, 2013 and 2012..... | 7-8 |
| Notes to Financial Statements for the Years Ended June 30, 2013 and 2012..... | 9-18 |
| SUPPLEMENTARY INFORMATION: | |
| Schedules of Athletic Event Revenue and Expenses for the Years Ended June 30, 2013 and 2012..... | 19-20 |
| Schedules of General and Administrative Expenses for the Years Ended June 30, 2013 and 2012..... | 21 |



September 19, 2013

Independent Auditors' Report

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

We have audited the accompanying financial statements of Massachusetts Interscholastic Athletic Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

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 auditors' judgment, including the assessment of 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 Massachusetts Interscholastic Athletic Association, Inc. as of June 30, 2013 and 2012, 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.

Other Matter

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.


Stone and Pappas

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

| | 2013 | 2012 |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash (Note 1) | \$ 784,270 | \$ 936,743 |
| Investments available for sale (Cost of \$944,964 as of June 30, 2013 and \$888,098 as of June 30, 2012) (Note 3) | 1,067,456 | 901,951 |
| Accounts receivable (Note 1) | | |
| Association receivables, net of allowance for doubtful accounts of \$4,951 for June 30, 2013 and \$3,116 for June 30, 2012 | 76,457 | 69,769 |
| Tournament income receivable | 5,321 | 5,021 |
| Prepaid expenses | 110,328 | 131,507 |
| Due from related party (Note 10) | - | 430 |
| TOTAL CURRENT ASSETS | 2,043,832 | 2,045,421 |
| Property and equipment, net (Notes 1 and 4) | 2,070,305 | 2,077,085 |
| Other assets: | | |
| Endowment funds (Note 2) | 2,175 | - |
| Cash surrender value life insurance (Note 5) | 72,239 | 70,420 |
| | | |
| Total Assets | \$ 4,188,551 | \$ 4,192,926 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Due to related party (Note 10) | \$ 7,293 | \$ - |
| Accrued liabilities | 176,315 | 67,031 |
| Deferred revenue | 99,468 | 137,040 |
| Capital lease obligations, current portion (Note 9) | 14,870 | 16,421 |
| Long-term debt, current portion (Note 8) | 73,010 | 70,637 |
| Postretirement obligations, current portion (Note 6) | 156,365 | 87,915 |
| TOTAL CURRENT LIABILITES | 527,321 | 379,044 |
| Noncurrent Liabilities: | | |
| Accrued postretirement benefits net of current portion | 617,311 | 915,153 |
| Deferred compensation (Note 7) | 151,742 | 167,463 |
| Capital lease obligations, net of current portion | 37,822 | 52,692 |
| Long-term debt, net of current portion | 76,598 | 148,995 |
| TOTAL NONCURRENT LIABILITES | 883,473 | 1,284,303 |
| Total Liabilities – balance carried forward | 1,410,794 | 1,663,347 |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Total Liabilities brought forward | 1,410,794 | 1,663,347 |
| Net Assets: | | |
| Unrestricted net assets | 2,775,582 | 2,529,579 |
| Temporarily restricted net assets | 435 | - |
| Permanently restricted net assets | <u>1,740</u> | <u>-</u> |
| Total net assets | <u>2,777,757</u> | <u>2,529,579</u> |
| Total Liabilities and Net Assets | <u>\$ 4,188,551</u> | <u>\$ 4,192,926</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|--------------|--------------|
| <u>UNRESTRICTED NET ASSETS</u> | | |
| <u>Unrestricted Revenue and Support</u> | | |
| Athletic events | \$ 3,486,204 | \$ 3,590,822 |
| Membership dues | 928,585 | 783,302 |
| Educational Athletics | 331,347 | 397,881 |
| Service charges | 330,000 | 330,000 |
| Ball agreements | 162,000 | 144,250 |
| Tournament souvenirs | 103,000 | 104,310 |
| Officials enrollment | 70,692 | 70,391 |
| Conferences and workshops | 45,980 | 45,805 |
| Grant Income | 20,000 | - |
| Miscellaneous income | 7,484 | 11,361 |
| | <hr/> | <hr/> |
| Total unrestricted revenue and support | 5,485,292 | 5,478,122 |
| <u>Expenses</u> | | |
| Program services: | | |
| Athletic events | 2,734,449 | 2,748,320 |
| Educational Athletics | 389,905 | 386,532 |
| Conferences and workshops | 48,408 | 37,577 |
| Game officials | 17,591 | 21,349 |
| | <hr/> | <hr/> |
| | 3,190,353 | 3,193,778 |
| General and administrative: | | |
| Personnel costs: | | |
| Salaries | 963,044 | 1,019,150 |
| Insurance and employee benefits | 508,302 | 546,851 |
| Payroll taxes and administration | 80,368 | 77,415 |
| | <hr/> | <hr/> |
| | 1,551,714 | 1,643,416 |
| Other general and administrative expenses | 736,550 | 647,076 |
| | <hr/> | <hr/> |
| Total expenses | 5,478,617 | 5,484,270 |
| | <hr/> | <hr/> |
| Balance forward | \$ 6,675 | \$ (6,148) |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Balance brought forward | \$ 6,675 | \$ (6,148) |
| <u>Other Unrestricted Revenue (Expenses)</u> | | |
| Realized gains on investments | 19,586 | 3,407 |
| Unrealized gains on investments | 108,639 | 13,853 |
| Rental income | 43,000 | 40,000 |
| Investment income | 20,441 | 9,547 |
| Interest expense | (10,829) | (18,198) |
| Investment expense | (6,482) | (2,606) |
| Total other unrestricted revenue (expenses) | <u>174,355</u> | <u>46,003</u> |
| <u>Increase (Decrease) In Unrestricted Net Assets From Operating Activities</u> | 181,030 | 39,855 |
| <u>Postretirement Benefit Changes Other Than Net Periodic Pension Costs</u> | <u>64,973</u> | <u>(75,156)</u> |
| <u>Increase (Decrease) In Unrestricted Net Assets</u> | <u>246,003</u> | <u>(35,301)</u> |
| <u>TEMPORARILY RESTRICTED NET ASSETS</u> | | |
| Contributions | <u>435</u> | <u>-</u> |
| Increase in temporarily restricted net assets | 435 | - |
| <u>PERMANENTLY RESTRICTED NET ASSETS</u> | | |
| Endowment fund contributions | <u>1,740</u> | <u>-</u> |
| Increase in permanently restricted net assets | <u>1,740</u> | <u>-</u> |
| Increase in net assets | 248,178 | (35,301) |
| <u>NET ASSETS AT THE BEGINNING OF THE YEAR</u> | <u>2,529,579</u> | <u>2,564,880</u> |
| <u>NET ASSETS AT THE END OF THE YEAR</u> | <u>\$ 2,777,757</u> | <u>\$ 2,529,579</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| <u>Cash Flows From Operating Activities</u> | | |
| Change in net assets | \$ 248,178 | \$ (35,301) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 118,421 | 103,614 |
| Unrealized gain on investments | (108,639) | (13,853) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (6,988) | 24,578 |
| Prepaid expenses | 21,179 | (26,962) |
| Due from related party | 430 | 6,525 |
| Endowment funds | (2,175) | - |
| Board restricted cash | - | 165,733 |
| Cash surrender value life insurance | (1,819) | 49,282 |
| Increase (decrease) in liabilities: | | |
| Due to related party | 7,293 | - |
| Accrued liabilities | 109,284 | 19,765 |
| Accrued postretirement benefits | (229,392) | 38,089 |
| Deferred revenue | (37,572) | 24,272 |
| Deferred compensation | (15,721) | 1,730 |
| Net cash provided (used) by operating activities | <u>102,479</u> | <u>357,472</u> |
| <u>Cash Flows From Investing Activities</u> | | |
| Purchase of investments | (56,866) | (888,098) |
| Acquisition of property and equipment | <u>(111,641)</u> | <u>(102,056)</u> |
| Net cash provided (used) by investing activities | (168,507) | (990,154) |
| <u>Cash Flows From Financing Activities</u> | | |
| Principal payments on long-term debt | (70,024) | (63,008) |
| Principal payments of capital lease obligations | <u>(16,421)</u> | <u>(13,160)</u> |
| Net cash provided (used) by financing activities | <u>(86,445)</u> | <u>(76,168)</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| <u>Increase (Decrease) In Cash</u> | (152,473) | (708,850) |
| <u>Cash and Cash Equivalents At Beginning of Year</u> | <u>936,743</u> | <u>1,645,593</u> |
| <u>Cash and Cash Equivalents At End of Year</u> | <u>\$ 784,270</u> | <u>\$ 936,743</u> |

Supplemental Information

| | | |
|----------------|------------------|------------------|
| Cash paid for: | | |
| Interest | <u>\$ 10,829</u> | <u>\$ 18,198</u> |

Noncash Investing and Financing Activities

| | | |
|--|-------------------|-------------------|
| Property and equipment purchased | \$ 111,641 | \$ 162,481 |
| Lease obligation to acquire property and equipment | <u>-</u> | <u>(60,425)</u> |
| Cash paid to acquire property and equipment | <u>\$ 111,641</u> | <u>\$ 102,056</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 2013 and 2012. 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, 2013 AND 2012

Note 1. Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

As of June 30, 2013, 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, 2013 AND 2012

Note 1. Summary of Significant Accounting Policies (Continued)

Fair Values of Financial Instruments

FASB ASC 825-10 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 2012 financial statements have been reclassified to conform to the 2013 presentation.

Note 2. Restrictions on Net Assets

The Association started the MIAA Education Based Athletics Endowment Fund during the year ended June 30, 2013. Twenty percent of the contributions received under this program are available to be used for education programs in the second fiscal year after the year the donations are collected provided the Board authorizes their expenditure. This constitutes a time restriction. These funds are temporarily restricted net assets until such time as the Board authorizes their expenditure.

The other eighty percent of the endowment fund contribution is permanently restricted in that these funds are not available for expenditure and only the income they generate will ultimately be available for use by the Association.

Note 3. 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.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 3. Investments (Continued)

The Association held the following investments at June 30, 2013 and 2012:

| | June 30, 2013 | | |
|----------------------------|-------------------|---------------------------------|---------------------|
| | Cost | Unrealized Gain or (Loss) | Market Value |
| Equity and Debt Securities | \$ 813,972 | \$ 122,492 | \$ 936,464 |
| Money Market Funds | 130,992 | - | 130,992 |
| | <u>\$ 944,964</u> | <u>\$ 122,492</u> | <u>\$ 1,067,456</u> |
| | June 30, 2012 | | |
| | Cost | Unrealized Gain or (Loss) | Market Value |
| Equity and Debt Securities | \$ 807,920 | \$ 13,853 | \$ 821,773 |
| Money Market Funds | 80,178 | - | 80,178 |
| | <u>\$ 888,098</u> | <u>\$ 13,853</u> | <u>\$ 901,951</u> |

Note 4. Property and Equipment

Property and equipment consists of the following:

| | 2013 | 2012 |
|--------------------------------|---------------------|---------------------|
| Land | \$ 350,000 | \$ 350,000 |
| Building | 2,382,166 | 2,373,291 |
| Furniture & equipment | 555,958 | 505,688 |
| Automobiles | 19,971 | 40,428 |
| | 3,308,095 | 3,269,407 |
| Less: Accumulated depreciation | (1,237,790) | (1,192,322) |
| | <u>\$ 2,070,305</u> | <u>\$ 2,077,085</u> |

Depreciation charged to operations totaled \$ 118,421 and \$103,614 for the years ended June 30, 2013 and 2012, respectively.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 5. 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 6. 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.

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

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Accrued pension benefits | \$ 674,123 | \$ 831,873 |
| Accrued postretirement health benefits | 19,653 | 91,295 |
| Accrued vacation and sick pay | <u>79,900</u> | <u>79,900</u> |
| | 773,676 | 1,003,068 |
| Less: Current portion | <u>(156,365)</u> | <u>(87,915)</u> |
| Portion due in excess of one year | <u>\$ 617,311</u> | <u>\$ 915,153</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 6. Pension and Other Postretirement Plans (Continued)

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, 2013 and 2012.

| | <u>Pension Benefits</u> | | <u>Postretirement Health Benefits</u> | |
|---|-------------------------|-------------------|---------------------------------------|-------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Postretirement benefit obligation | \$1,776,193 | \$1,598,301 | \$ 687,848 | \$ 592,921 |
| Plan assets at fair value | <u>(1,102,070)</u> | <u>(766,428)</u> | <u>(668,195)</u> | <u>(501,626)</u> |
| Postretirement benefit obligation in excess of plan assets included in the Statements of Financial Position | <u>\$ 674,123</u> | <u>\$ 831,873</u> | <u>\$ 19,653</u> | <u>\$ 91,295</u> |

The expected postretirement health benefit obligation at June 30, 2013 and 2012 was \$979,953 and \$784,941. 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.

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-------------------|-------------------|
| Pension Plan | \$ 207,844 | \$ 191,862 |
| 403(b) Plan | 82,357 | 100,267 |
| Postretirement health benefits | <u>12,782</u> | <u>36,015</u> |
| | <u>\$ 302,983</u> | <u>\$ 328,144</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 6. Pension and Other Postretirement Plans (Continued)

Net periodic postretirement benefit costs for June 30, 2013 and 2012 included the following components:

| | <u>Pension Benefits</u> | | <u>Postretirement Health Benefits</u> | |
|---|-------------------------|-------------------|---------------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Service cost – benefits attributed to service during the period | \$ 24,267 | \$ 40,796 | \$ 20,153 | \$ 31,166 |
| Interest cost on accumulated postretirement benefit obligation | 73,997 | 68,835 | 27,924 | 29,017 |
| Expected return on plan assets | (71,243) | (53,267) | (15,648) | (14,319) |
| Amortization of transition obligation | 102,669 | 102,669 | 21,705 | 21,705 |
| Recognition of (gains)/losses | <u>78,194</u> | <u>32,829</u> | <u>(41,352)</u> | <u>(31,554)</u> |
| Net periodic postretirement benefit cost deducted under employee benefits in the Statements of Activities | <u>\$ 207,884</u> | <u>\$ 191,862</u> | <u>\$ 12,782</u> | <u>\$ 36,015</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:

| | <u>Pension Benefits</u> | | <u>Postretirement Health Benefits</u> | |
|--|-------------------------|-------------|---------------------------------------|-------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Weighted-average assumptions | | | | |
| Discount rate (beginning of period) | 4.75% | 5.75% | 4.875% | 5.875% |
| Discount rate (end of period) | 3.875% | 4.75% | 3.750% | 4.750% |
| 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 – Pre-Medicare | - | - | 7.50% | 7.50% |
| Post-Medicare | - | - | 2.50% | - |
| Ultimate health care cost trend rate after gradual decrease until 2016 | - | - | 5.50% | 5.50% |

Note 7. 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, 2013 AND 2012

Note 8. Long-Term Debt

Long-term debt at June 30, 2013 and 2012 consisted of the following:

| | <u>2013</u> | <u>2012</u> |
|---|------------------|-------------------|
| Mortgage loan payable in monthly principal installments of \$6,470, plus interest at 4.0%, due June 2015, collateralized by land and building | \$ 149,608 | \$ 219,632 |
| Current portion | <u>73,010</u> | <u>70,637</u> |
| Portion due in excess of one year | <u>\$ 76,598</u> | <u>\$ 148,995</u> |

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

| | |
|---------------------------|-------------------|
| Year ending June 30, 2014 | \$ 73,010 |
| 2015 | 76,598 |
| 2016 | - |
| 2017 | - |
| 2018 | <u>-</u> |
| Five year total | <u>\$ 149,608</u> |

Note 9. 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.

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

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|------------------|------------------|
| Equipment under capital lease | \$ 85,460 | \$ 85,460 |
| Less: Accumulated depreciation | <u>(29,422)</u> | <u>(17,337)</u> |
| | <u>\$ 56,038</u> | <u>\$ 68,123</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

Note 9. Capital Leases (Continued)

Future minimum lease payments under capital leases as of June 30, 2013 for each of the remaining years and in the aggregate are as follows:

| <u>Year Ended June 30,</u> | |
|---|------------------|
| 2014 | \$ 17,154 |
| 2015 | 13,683 |
| 2016 | 13,683 |
| 2017 | 13,423 |
| 2018 | - |
| Total future minimum capital lease payments | <u>\$ 57,943</u> |
| Less: Amount representing interest | <u>5,251</u> |
| Present value of minimum lease payments | \$ 52,692 |
| Less: current maturities | <u>14,870</u> |
| Portion due in excess of one year | <u>\$ 37,822</u> |

Note 10. 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 \$43,000 and \$40,000 each year for the years ended June 30, 2013 and 2012, 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 \$508,058 and \$521,910 were allocated to MSSAA for the years ended June 30, 2013 and 2012, respectively. MSSAA reimburses the Association monthly. The Association owed \$7,293 and was owed \$430 by MSSAA at June 30, 2013 and 2012, respectively.

Note 11. Concentration of Credit Risk and Revenue Source

As of June 30, 2013 balances of cash which consisted of demand accounts and certificates of deposit exceeded the federally insured limits by \$346,541. For the year ended June 30, 2012 due to a special federal act all cash was federally insured.

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

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

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 September 19, 2013 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 6.

The mortgage loan described in Note 8 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, 2013, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
SCHEDULES OF ATHLETIC EVENT REVENUE AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|----------------|----------------|
| <u>Revenue</u> | | |
| Gate receipts | \$ 3,440,135 | \$ 3,537,561 |
| Other | 36,544 | 38,371 |
| Radio-media fees | <u>9,525</u> | <u>14,890</u> |
| Total revenue | 3,486,204 | 3,590,822 |
| <u>Expenses</u> | | |
| Tournament personnel expenses: | | |
| Directors and site managers | 315,615 | 323,219 |
| Game officials | 299,440 | 305,845 |
| Ticket sellers and takers | 174,177 | 175,828 |
| Auxiliary officials | <u>121,911</u> | <u>137,286</u> |
| Total tournament personnel expenses | 911,143 | 942,178 |
| Tournament site expenses: | | |
| Facility rentals | 826,490 | 860,745 |
| Police and security | 228,475 | 195,352 |
| Medical/trainers/fire | 78,209 | 77,677 |
| Custodial matron | 46,639 | 45,759 |
| Site preparation | <u>29,433</u> | <u>26,974</u> |
| Total tournament site expenses | 1,209,246 | 1,206,507 |
| Tournament supply expenses: | | |
| Other expenses | 78,162 | 74,697 |
| Trophies and awards | 60,887 | 60,389 |
| Equipment rental | 26,541 | 21,611 |
| Secretary/format preparation | 13,590 | 14,170 |
| Program printing | <u>12,802</u> | <u>15,462</u> |
| Total tournament supply expenses | 191,982 | 186,329 |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
SCHEDULES OF ATHLETIC EVENT REVENUE AND EXPENSES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Service charge-MIAA | \$ 330,000 | \$ 330,000 |
| Tournament administration expenses: | | |
| Committee meetings | 66,553 | 61,393 |
| Mail/telephone | <u>25,525</u> | <u>21,913</u> |
| Total tournament administration expenses | <u>92,078</u> | <u>83,306</u> |
| Total expenses | <u>2,734,449</u> | <u>2,748,320</u> |
| Excess of athletic event revenue and expenses | <u>\$ 751,755</u> | <u>\$ 842,502</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Other general and administrative | | |
| Tournament administration | \$ 156,843 | \$ 146,865 |
| Office operations | 131,291 | 107,149 |
| Depreciation | 118,421 | 103,614 |
| Building and grounds | 112,236 | 99,532 |
| Other professional fees | 70,675 | 70,452 |
| Legal and accounting | 40,928 | 51,636 |
| Committee meetings | 33,525 | 20,085 |
| Miscellaneous | 8,174 | 6,825 |
| National Meetings | 30,659 | 12,420 |
| Public information | 19,411 | 24,872 |
| Grant expenses | 10,092 | - |
| MIAA Handbooks | 4,295 | 3,626 |
| | <u>736,550</u> | <u>647,076</u> |
| Total other general and administrative expenses | <u>\$ 736,550</u> | <u>\$ 647,076</u> |