

*Marco Seidman, CPA PC*

**MASSACHUSETTS INTERSCHOLASTIC  
ATHLETIC ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018**

*Marco Seidman, CPA PC*

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**

**JUNE 30, 2019 AND 2018**

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October 29, 2019

### 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, 2019 and June 30, 2018, 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

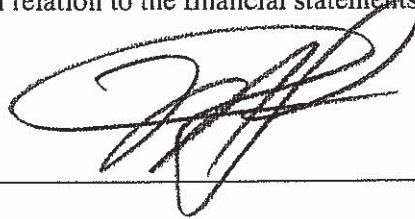
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2019 and June 30, 2018, 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.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 24 through 26 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.



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**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash	\$ 345,500	\$ 380,583
Investments available for sale (Cost of \$572,462 as of June 30, 2019 and \$546,306 as of June 30, 2018) (Notes 1 and 3)	702,814	651,427
Accounts receivable (Note 1)		
Association receivables, net of allowance for doubtful accounts of \$9,988 for June 30, 2019 and \$12,258 for June 30, 2018	180,936	209,785
Tournament income receivable	6,218	4,858
Prepaid expenses	61,642	96,179
Due from related party (Note 9)	8,828	14,020
<b>TOTAL CURRENT ASSETS</b>	<b>1,305,938</b>	<b>1,356,852</b>
<b>Property and equipment, net</b> (Notes 1 and 4)	1,675,695	1,858,270
<b>Other assets:</b>		
Designated Investments (Note 3)	141,219	136,350
Cash surrender value life insurance (Note 5)	31,502	29,741
Postretirement benefits-over funded (Notes 1 and 6)	1,017,845	-
<b>Total Assets</b>	<b>\$ 4,172,199</b>	<b>\$ 3,381,213</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 290,501	\$ 374,620
Deferred revenue	82,925	127,925
Capital lease obligations, current portion (Note 8)	1,849	21,967
Postretirement obligations, current portion (Notes 1 and 6)	24,153	7,716
<b>TOTAL CURRENT LIABILITES</b>	<b>399,428</b>	<b>532,228</b>
<b>Noncurrent Liabilities:</b>		
Accrued postretirement benefits, net of current portion (Notes 1 and 6)	143,498	709,157
Deferred compensation (Note 7)	53,095	69,910
Capital lease obligations, net of current portion	-	1,849
<b>TOTAL NONCURRENT LIABILITES</b>	<b>196,593</b>	<b>780,916</b>
<b>Total Liabilities – balance carried forward</b>	<b>596,021</b>	<b>1,313,144</b>

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**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Total Liabilities</b> brought forward	596,021	1,313,144
<b>Net Assets:</b> (Note 12)		
Without donor restrictions		
Undesignated	3,420,790	1,933,988
Board designated for endowment fund (Note 2)	56,511	55,661
Total without donor restrictions	3,477,301	1,989,649
With donor restrictions (Note 2)	98,877	78,420
Total net assets	3,576,178	2,068,069
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,172,199</b>	<b>\$ 3,381,213</b>

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**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u></b>		
<b><u>Revenue and Support</u></b>		
Athletic events	\$ 3,261,989	\$ 3,281,145
Membership dues	1,139,620	1,055,080
Educational Athletics	331,548	369,599
Ball agreements	257,000	242,000
Officials enrollment	255,851	103,100
Grant Income	187,075	196,029
Tournament souvenirs	115,000	122,350
Corporate Sponsorships	87,177	97,400
Conferences and workshops	48,810	48,585
Rules Publication	15,538	-
Miscellaneous income	9,710	14,996
	<u>5,709,318</u>	<u>5,530,284</u>
<b><u>Expenses (Note 14)</u></b>		
Program services:		
Athletic events	2,841,611	2,966,298
Educational Athletics	563,891	453,693
Game officials	187,145	51,295
Conferences and workshops	29,065	27,707
	<u>3,621,712</u>	<u>3,498,993</u>
General and administrative:		
Personnel costs:		
Salaries	1,037,828	1,078,742
Insurance and employee benefits	469,852	513,443
Payroll taxes and administration	112,654	107,508
Other general and administrative expenses	734,708	776,072
Total general and administrative expense	<u>2,355,042</u>	<u>2,475,765</u>
Fundraising	1,195	-
	<u>5,977,949</u>	<u>5,974,758</u>
Increase (Decrease) in net assets from operations (balance forward)	\$ (268,631 )	\$ (444,474 )

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**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Balance brought forward	\$ (268,631 )	\$ (444,474 )
<b><u>Other Revenue (Expenses) without Donor Restrictions</u></b>		
Special Events	-	(73,939)
Rental income	55,000	50,000
Investment Return, net	56,256	70,848
Interest expense	<u>(254)</u>	<u>(654)</u>
Total other unrestricted revenue (expenses)	<u>111,002</u>	<u>46,255</u>
<b><u>Increase (Decrease) In Net Assets without Donor Restrictions from Operating Activities</u></b>	(157,629)	(398,219)
<b><u>Postretirement Benefit Changes Other Than Net Periodic Pension Costs (Note 6)</u></b>	<u>1,645,281</u>	<u>174,450</u>
<b><u>Increase (Decrease) In Net Assets without Donor Restrictions</u></b>	<u>1,487,652</u>	<u>(223,769)</u>
<b><u>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</u></b>		
Contributions – Endowment Fund	8,050	15,535
Special Events – Endowment Fund	14,040	15,376
Scholarships Granted	<u>(1,633)</u>	<u>(5,202)</u>
Increase in net assets with donor restrictions	20,457	25,709
Increase (decrease) in net assets	1,508,109	(198,060)
<b><u>NET ASSETS AT THE BEGINNING OF THE YEAR</u></b>	<u>2,068,069</u>	<u>2,266,129</u>
<b><u>NET ASSETS AT THE END OF THE YEAR</u></b>	<u>\$ 3,576,178</u>	<u>\$ 2,068,069</u>



**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Change in net assets	\$ 1,508,109	\$ (198,060)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	193,907	192,790
Unrealized (gain) loss on investments	(27,863)	41,456
(Increase) decrease in assets:		
Accounts receivable	27,489	(37,466)
Prepaid expenses	34,537	44,753
Due from related party	5,192	(3,981)
Cash surrender value life insurance	(1,761)	(1,760)
Employee loan	-	606
Postretirement benefits-over funded	(1,017,845)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(84,120)	(56,096)
Accrued postretirement benefits	(549,222)	(64,308)
Deferred revenue	(45,000)	550
Deferred compensation	(16,815)	909
Net cash provided (used) by operating activities	<u>26,608</u>	<u>(80,607)</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Proceeds from sales of investments	363,801	512,136
Purchase of investments	(392,194)	(264,990)
Acquisition of property and equipment	(11,331)	(124,082)
Net cash provided (used) by investing activities	<u>(39,724)</u>	<u>123,064</u>
<b><u>Cash Flows From Financing Activities</u></b>		
Principal payments of capital lease obligations	(21,967)	(21,567)
Net cash provided (used) by financing activities	<u>(21,967)</u>	<u>(21,567)</u>

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**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Increase (Decrease) In Cash</u></b>	\$ (35,083 )	\$ 20,890
<b><u>Cash and Cash Equivalents At Beginning of Year</u></b>	<u>380,583</u>	<u>359,693</u>
<b><u>Cash and Cash Equivalents At End of Year</u></b>	<u>\$ 345,500</u>	<u>\$ 380,583</u>

**Supplemental Information**

Cash paid for:		
Interest	<u>\$ 254</u>	<u>\$ 654</u>

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

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

The Association reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The governing board has designated an endowment from net assets without donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Association, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

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 2019 and 2018. Therefore, the Association has made no provision for federal income and state excise tax in the accompanying financial statements.

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 reduction to accounts receivable.

Property and Equipment

Property and equipment are recorded at cost. The Association capitalizes property and equipment with costs greater than \$1,000 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 – Ten Years
Building and improvements	Ten - Thirty-three Years

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Income from membership dues and program fees received in advance is deferred, and recognized over the periods to which the dues and fees relate.

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 net assets without donor restrictions.

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.

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements, as explained in detail in note 12.

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 1. Summary of Significant Accounting Policies (Continued)

Expense Allocation

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses (Note 14). presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis. Personnel costs, professional services, office expense, information technology, insurance, and other expenses are allocated on the basis of estimates of time and effort.

Note 2. Restrictions on Net Assets

The Association receives donations to the MIAA Education Based Athletics Endowment Fund. The Endowment was established to fund educational programs for student-athletes. The board of directors approves the amount available for scholarships annually for the coming year.

Endowment Funds are comprised of:

Donor Funds – With Donor Restrictions	\$ 98,877
Board Designated Funds-Without Donor Restrictions	\$ 56,511

Note 3. Investments

Investments are reported at aggregate fair value based on quoted market prices for those investments (Level 1 measurement). 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, 2019 AND 2018**

Note 3. Investments (Continued)

The Association held the following investments at June 30, 2019 and 2018:

	<u>June 30, 2019</u>		
	<u>Cost</u>	<u>Unrealized Gain or (Loss)</u>	<u>Market Value</u>
Equity and Debt Securities	\$ 665,770	\$ 132,627	\$ 798,397
Money Market Funds	45,636	-	45,636
	<u>\$ 711,406</u>	<u>\$ 132,627</u>	<u>\$ 844,033</u>
Designated to Endowment Fund	<u>(138,944)</u>	<u>(2,275)</u>	<u>(141,219)</u>
Investments available for sale	<u>\$ 572,462</u>	<u>\$ 130,352</u>	<u>\$ 702,814</u>
	<u>June 30, 2018</u>		
	<u>Cost</u>	<u>Unrealized Gain or (Loss)</u>	<u>Market Value</u>
Equity and Debt Securities	\$ 661,373	\$ 104,763	\$ 766,136
Money Market Funds	21,641	-	21,641
	<u>\$ 683,014</u>	<u>\$ 104,763</u>	<u>\$ 787,777</u>
Designated to Endowment Fund	<u>(136,708)</u>	<u>358</u>	<u>(136,350)</u>
Investments available for sale	<u>\$ 546,306</u>	<u>\$ 105,121</u>	<u>\$ 651,427</u>

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 3. Investments (Continued)

Components of investment return are as follows:

	<u>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ 27,863	\$ (41,456)
Realized gains (losses)	12,477	97,509
Dividends and interest	<u>22,249</u>	<u>20,127</u>
Total unrestricted return on investment	\$ 62,589	\$ 76,180
Investment Expense	<u>(6,333)</u>	<u>(5,332)</u>
Investment Return, net	<u>\$ 56,256</u>	<u>\$ 70,848</u>

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair market value hierarchy are described below:

(i) Level 1-Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

(ii) Level 2-Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means

(iii) Level 3-Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.



MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

Note 4. Property and Equipment

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 350,000	\$ 350,000
Building and improvements	2,487,278	2,487,278
Furniture & equipment	<u>1,066,112</u>	<u>1,054,781</u>
	3,903,390	3,892,059
Less: Accumulated depreciation	<u>(2,227,695)</u>	<u>(2,033,789)</u>
	<u>\$ 1,675,695</u>	<u>\$ 1,858,270</u>

Depreciation charged to operations totaled \$193,907 and \$192,790 for the years ended June 30, 2019 and 2018, respectively.

Note 5. Cash Surrender Value Life Insurance

Cash surrender value life insurance represents the Association's assigned interest in a split dollar life insurance policy on a key employee. The cash value amounts represent premiums paid by the Association under a split dollar arrangement.

Note 6. Pension and Other Postretirement Plans

The Association maintains a 403(b) Plan, the MIAA/MSAA Pension Plan (the "Pension Plan"), which was originally effective July 1, 1996. The Association contributes to the Plan on behalf of eligible employees (as defined in the Plan), a percentage of Plan Compensation from 7% to 11.5% based on years of Service regardless of whether or not a Participant makes pre-tax contributions to the Plan. The Association's contribution is subject to 100% vesting upon entry.

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 6. Pension and Other Postretirement Plans (Continued)

Effective July 1, 2008, the Association established the MIAA/MSAA Retirement Plan (the "Retirement Plan"), a contributory defined benefit pension plan for its eligible employees (as defined in the Plan). The Retirement Plan benefit formula is generally based on the Massachusetts Teacher's Retirement System Plan. The Plan's benefit formula considers age, years of service (up to a maximum of 32 years) and applies a percentage factor to Plan defined compensation. The resulting amount is offset by a calculation (as specified in the Plan) that annuitizes the "Theoretical Employer Account Balance" attributable to the Association's contribution to the MIAA/MSAA pension 403(B) plan. The benefit amount is then further offset by the Participant's annual Social Security Benefit (as defined in the Plan) payable at their "Social Security Retirement Age". This figure ("Benefit 1") is then grossed up for the applicable Massachusetts state Income Tax Rate. The Participant's annual Normal Retirement benefit is then determined to be the greater of (i) Benefit 1, (ii) a calculation (as defined in the plan) based on the participant's "Mandatory Employee Contributions" of 4.8% of salary with interest, in accordance with Plan terms or (iii) a minimum benefit of \$120.00 times a participant's years of service. The normal retirement benefit is subject to a seven-year graded vesting schedule.

The Association also maintains the MIAA/MSAA Post-Retirement Medical Insurance Premium Plan (the "Plan"), effective July 1, 2008, to subsidize the cost of post-retirement medical insurance premiums for the Association's post-retirement medical insurance policy then in effect for eligible retired employees and their "Immediate Family Members" ("Participants") (as defined in the Plan), based on Years of Service. In order to fund the Association's share of the cost, it established a Voluntary Employee Benefit Association or "VEBA" pursuant to Sections 501 (c) (9) and 512 of the Internal Revenue Code of 1986 as amended.

During 2019 the Association amended the post-retirement medical insurance plan to cap benefits to \$250 per month for retiree and his/her spouse.

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

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 6. Pension and Other Postretirement Plans (Continued)

	2019	2018
Accrued pension benefits overfunded	\$ 457,324	\$ -
Accrued postretirement health benefits overfunded	536,368	-
Add: Current portion	24,153	-
Postretirement benefits overfunded	<u>\$ 1,017,845</u>	<u>\$ -</u>
	2019	2018
Accrued pension benefits (underfunded)	\$ -	\$ (86,437)
Accrued postretirement health benefits (underfunded)	-	(481,713)
Accrued vacation and sick pay	(143,498)	(148,723)
Less: Current portion	-	7,716
Accrued postretirement benefits, net of current portion	<u>\$ (143,498)</u>	<u>\$ (709,157)</u>
Post retirement obligations, current portion	<u>\$ (24,153)</u>	<u>\$ (7,716)</u>

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, 2019 and 2018.

	Pension Benefits		Postretirement Health Benefits	
	2019	2018	2019	2018
Postretirement benefit obligation	\$2,228,389	\$2,685,232	\$ 483,371	\$1,440,207
Plan assets at fair value	<u>(2,685,713 )</u>	<u>(2,598,795 )</u>	<u>(1,019,739 )</u>	<u>(958,494 )</u>
Postretirement benefit obligation in excess of plan assets included in the Statements of Financial Position	<u>\$ (457,324 )</u>	<u>\$ 86,437</u>	<u>\$(536,368)</u>	<u>\$ 481,713</u>

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

**Note 6. Pension and Other Postretirement Plans (Continued)**

The accumulated postretirement health 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.

	2019	2018
Pension Plan	\$ ( 29,413 )	\$ ( 10,345 )
403(b) Plan	126,919	128,248
Postretirement health benefits	112,852	112,852
	\$ 210,358	\$ 230,755

Net periodic postretirement benefit costs for June 30, 2019 and 2018 included the following components:

	Pension Benefits		Postretirement Health Benefits	
	2019	2018	2019	2018
Service cost – benefits attributed to service during the period	\$ -	\$ -	\$ 71,487	\$ 71,487
Interest cost on accumulated postretirement benefit obligation	100,458	94,176	58,861	58,861
Expected return on plan assets	(202,260 )	(192,672 )	(28,505 )	(28,505 )
Amortization of transition obligation	-	-	21,705	21,705
Prior Service Cost	-	-	(10,696 )	(10,696 )
Recognition of (gains)/losses	72,389	88,151	-	-
Net periodic postretirement benefit cost deducted under administrative operations in the Statements of Activities	\$ (29,413 )	\$ (10,345 )	\$ 112,852	\$ 112,852

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	
<b>Weighted-average assumptions</b>				
Discount rate (beginning of period)	3.875%	3.625%	4.125%	3.875%
Discount rate (end of period)	3.25%	3.875%	3.250%	4.125%
Rate of increase in compensation levels (beginning of period)	5.00%	5.00%	-	-
Rate of increase in compensation levels (end of period)	5.00%	5.00%	-	-
Expected return on plan assets	8.00%	8.00%	3.00%	3.00%
Health care cost trend rates:				
Pre-Medicare	-	-	5.50%	5.50%
Medicare	-	-	2.50%	2.50%

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

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.

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. 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>2019</u>	<u>2018</u>
Equipment under capital lease	\$ 119,843	\$ 119,843
Less: Accumulated depreciation	<u>(119,543)</u>	<u>(98,330)</u>
	<u>\$ 300</u>	<u>\$ 21,513</u>

Future minimum lease payments under capital leases as of June 30, 2019 for each of the remaining years and in the aggregate are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 1,852
Total future minimum capital lease payments	<u>1,852</u>
Less: Amount representing interest	<u>3</u>
Present value of minimum lease payments	-
Less: current maturities	<u>1,849</u>
Portion due in excess of one year	<u>\$ -</u>

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 9. Related Party Transactions

The Association shares its building and employees with the Massachusetts School Administrators' Association, Inc. (MSAA). Rent payments to Massachusetts Interscholastic Athletic Association, Inc. total \$55,000 and \$50,000 each year for the years ended June 30, 2019 and 2018, respectively. Several employees including executive staff perform services for the Association and MSAA. The salaries of individuals working for both organizations, occupancy costs (including rent), and other mutual expenses totaling \$745,291 and \$713,049 were allocated to MSAA for the years ended June 30, 2019 and 2018, respectively. MSAA reimburses the Association monthly. The Association was owed \$8,828 and \$14,020 by MSAA at June 30, 2019 and 2018, respectively.

Note 10. Concentration of Credit Risk and Revenue Source

As of June 30, 2019 and 2018 balances of cash which consisted of demand accounts and certificates of deposit exceeded the federally insured limits by \$136,574 and \$ 199,023 respectively.

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

Note 11. 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, 2019, only one of the two executives remains under contract.

Note 12. Changes in Accounting Principles

1) On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topics 958)- Presentation of Financial Statements of Not-for-Profit Entities*. The Association has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted net asset class has been renamed *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 13).

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

Note 12. Changes in Accounting Principles (Continued)

The changes have the following effect on net assets as of June 30, 2018:

Net Asset Class	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-4</u>
Unrestricted net assets	\$ 1,989,649	\$ -
Temporarily restricted net assets	\$ 78,420	\$ -
Net assets without donor restrictions	\$ -	\$ 1,989,649
Net assets with donor restrictions	\$ -	\$ 78,420
Total net assets	<u>\$ 2,068,069</u>	<u>\$ 2,068,069</u>

2) Prior to the year ended June 30, 2019, the association changed a long standing policy of recording self-charged service fees to individual tournaments as a means of allocating salaries and administrative costs to tournaments. In place of this policy the association has gone to a direct allocation of salary and administrative costs in tournaments totaling the \$380,000. The prior year was restated to reflect this change.

Note 13. Liquidity

The following reflects the Association's financial assets (cash, investments and receivables) as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>June 30, 2019</u>
Financial assets at year end	\$ 1,385,515
Less those unavailable for general Expenditures within one year due to:	
Donor restricted endowment fund	98,877
Board restricted endowment fund	<u>56,511</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,230,127</u>

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

**Note 14. Functional Classification of Expenses**

As required by ASU 2016-14, all nonprofit organizations must present an analysis of expenses by their functional expense classification. The primary functional expense classifications are program services and supporting services. Expenses for the year ended June 30, 2019, were allocated as follows

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Total</u>	<u>Athletic Events</u>	<u>Educational Athletics</u>	<u>Other Programs</u>	<u>Management and general</u>	<u>Fundraising</u>
Athletic events	\$ 2,841,611	\$ 2,796,611	\$	\$	\$ 45,000	\$
Educational athletics	563,891		563,891			
Game officials	187,145			187,145		
Conferences and workshops	29,065			29,065		
Salaries	1,037,828	335,412	198,951	68,613	407,549	27,302
Insurance and employee benefits	469,852	151,850	90,070	31,063	184,508	12,361
Payroll taxes and administration	112,654	36,408	21,596	7,448	44,239	2,964
Fundraising	1,195					1,195
Depreciation	193,907	62,668	37,172	12,820	76,146	5,101
Office operations	158,154				158,154	
Buildings and grounds	156,786	50,672	30,055	10,365	61,569	4,125
Other professional fees	106,013				19,213	86,800
Legal and accounting	50,520				50,520	
Committee meetings	32,101				32,101	
National Meetings	30,425				30,425	
Miscellaneous	4,331				4,331	
MIAA Handbooks	2,471				2,471	
<b>Total</b>	<b><u>\$ 5,977,949</u></b>	<b><u>\$ 3,433,621</u></b>	<b><u>\$ 941,735</u></b>	<b><u>\$ 346,519</u></b>	<b><u>\$ 1,116,226</u></b>	<b><u>\$ 139,848</u></b>



*Marco Seidman, CPA PC*

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

Note 15. Evaluation of Subsequent Events

The Association has evaluated subsequent events through October 29, 2019 the date which the financial statements were available to be issue.

*Marco Seidman, CPA PC*

SUPPLEMENTARY INFORMATION

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**SCHEDULES OF ATHLETIC EVENT REVENUE AND EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Revenue</u></b>		
Gate receipts	\$ 3,231,635	\$ 3,231,805
Other	26,029	34,640
Radio-media fees	<u>4,325</u>	<u>14,700</u>
Total revenue	3,261,989	3,281,145
<b><u>Expenses</u></b>		
Tournament personnel expenses:		
Game officials	345,400	342,205
Directors and site managers	295,695	319,214
Auxiliary officials	205,745	234,480
Ticket sellers and takers	177,311	187,657
Medical/trainers/fire	<u>85,423</u>	<u>87,605</u>
Total tournament personnel expenses	1,109,574	1,171,161
Tournament site expenses:		
Facility rentals	794,197	796,044
Police and security	115,010	114,374
Custodial matron	61,034	67,712
Foxboro user charge	57,486	72,674
Equipment rental	36,319	36,773
Site preparation	<u>20,764</u>	<u>27,031</u>
Total tournament site expenses	1,084,810	1,114,608
Tournament supply expenses:		
Other expenses	87,633	97,049
Trophies and awards	75,026	76,218
Program printing	7,813	23,242
Secretary/format preparation	<u>5,400</u>	<u>5,600</u>
Total tournament supply expenses	175,872	202,109

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**SCHEDULES OF ATHLETIC EVENT REVENUE AND EXPENSES (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Tournament administration expenses:		
Administrative costs	\$ 380,000	\$ 380,000
Committee meetings	68,750	73,878
Mail/telephone	<u>22,605</u>	<u>24,542</u>
Total tournament administration expenses	<u>471,355</u>	<u>478,420</u>
Total expenses	<u>2,841,611</u>	<u>2,966,298</u>
Excess of athletic event revenue and expenses	<u>\$ 420,378</u>	<u>\$ 314,847</u>

**MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.**  
**SCHEDULES OF OTHER GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Other general and administrative		
Depreciation	\$ 193,907	\$ 192,790
Office operations	158,154	163,025
Building and grounds	156,786	158,398
Other professional fees	106,013	100,763
Legal and accounting	50,520	74,562
Committee meetings	32,101	26,433
National Meetings	30,425	25,462
Miscellaneous	4,331	18,016
MIAA Handbooks	2,471	2,273
Public information	-	14,350
	<u>                    </u>	<u>                    </u>
Total other general and administrative expenses	<u>\$ 734,708</u>	<u>\$ 776,072</u>