

**OHIO HIGH SCHOOL
ATHLETIC ASSOCIATION**

**AUDITED FINANCIAL STATEMENTS
JULY 31, 2001 AND 2000**

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

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Rea & Associates, Inc.
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November 19,2001

Ohio High School Athletic Association
Columbus, Ohio 43214

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of the Ohio High School Athletic Association (a nonprofit organization) as of July 31, 2001 and 2000, 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 audit 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 report dated October 12, 2000, we expressed an opinion that except for the effects of not accounting for the defined benefit pension plan in accordance with generally accepted accounting principles, the July 31, 2000 financial statements did fairly present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. The departure from such principles was the Association had not determined the cost of its defined benefit pension plan in accordance with the generally accepted accounting principles, which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. As described in Note 6, the Association has changed its method of accounting for these items to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the July 31, 2000 financial statements as presented herein, is different from that expressed in our previo

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ohio High School Athletic Association (a nonprofit organization) as of July 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



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OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

BALANCE SHEETS
AS OF JULY 31, 2001 AND 2000

ASSETS

	<u>2001</u>	<u>2000</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,190,203	\$ 4,284,221
Accounts receivable	186,904	172,855
Short-term investments	1,432,998	281,695
Prepaid expenses	<u>235,975</u>	<u>148,079</u>
Total current assets	5,046,080	4,886,850
INVESTMENTS – BUILDING FUND	307,695	0
NON-CURRENT ASSETS:		
Vehicles	109,961	115,866
Furniture and fixtures	973,977	931,973
Building	<u>1,113,215</u>	<u>1,083,973</u>
	2,197,153	2,131,812
less: accumulated depreciation	<u>1,350,240</u>	<u>1,189,789</u>
	846,913	942,023
 Land	 <u>44,000</u>	 <u>44,000</u>
Total non-current assets	890,913	986,023
 Total assets	 <u>\$ 6,244,688</u>	 <u>\$ 5,872,873</u>

<u>LIABILITIES AND NET ASSETS</u>		
	<u>2001</u>	<u>2000</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 369,932	\$ 168,082
Deferred official's dues income	463,361	454,786
Accrued employee benefits	<u>340,956</u>	<u>243,565</u>
Total current liabilities	1,174,249	866,433
UNRESTRICTED NET ASSETS:		
Operating	4,727,524	4,973,142
Board designated	<u>342,915</u>	<u>33,298</u>
Total net assets	<u>5,070,439</u>	<u>5,006,440</u>
Total liabilities and net assets	<u>\$ 6,244,688</u>	<u>\$ 5,872,873</u>

The accompanying notes are an integral part of these statements.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JULY 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
REVENUES AND OTHER SUPPORT:		
Tournament revenue	\$ 14,323,646	\$ 13,828,926
Other support	<u>1,291,390</u>	<u>1,244,971</u>
Total revenues and other support	15,615,036	15,073,897
 EXPENSES:		
Tournament expenses	11,043,890	10,280,940
General and administrative expenses	<u>4,503,144</u>	<u>4,415,845</u>
	15,547,034	14,696,785
 OTHER EXPENSES:		
Contribution/donations	3,672	1,405
Unrealized loss	<u>331</u>	<u>0</u>
Total expenses	<u>15,551,037</u>	<u>14,698,190</u>
Changes in net assets	63,999	375,707
 NET ASSETS, beginning of year	<u>5,006,440</u>	<u>4,630,733</u>
 NET ASSETS, end of year	\$ <u><u>5,070,439</u></u>	\$ <u><u>5,006,440</u></u>

The accompanying notes are an integral part of these statements.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from tournaments, sales and fees	\$ 15,406,175	\$ 14,921,101
Cash paid to suppliers and employees	(15,127,773)	(14,355,674)
Interest received	200,315	153,666
Interest paid	0	(820)
Net cash provided by operating activities	<u>478,717</u>	<u>718,273</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(113,406)	(92,353)
Sale of property and equipment	0	2,100
Proceeds from maturity of short-term investments	281,695	77,971
Purchase of short-term investments	(1,432,998)	0
Purchase of debt and equity securities	(308,026)	0
Net cash used by investing activities	<u>(1,572,735)</u>	<u>(12,282)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of capital lease obligations	0	(23,356)
Net cash used by financing activities	<u>0</u>	<u>(23,356)</u>
 Net (decrease) increase in cash	 (1,094,018)	 682,635
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>4,284,221</u>	 <u>3,601,586</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u>\$ 3,190,203</u>	 <u>\$ 4,284,221</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 63,999	\$ 375,707
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	203,013	202,314
Gain (loss) on sale of non-current assets	0	(573)
Unrealized loss on investments	331	0
(Increase) decrease in assets:		
Accounts receivable	(8,546)	2,734
Prepaid expenses	(87,896)	4,869
Increase in liabilities:		
Accounts payable	201,850	15,463
Accrued liabilities	105,966	117,759
Net cash provided by operating activities	<u>\$ 478,717</u>	<u>\$ 718,273</u>

The accompanying notes are an integral part of these statements.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Columbus office is the administrative and main office of the organization and is supported by six district organizations throughout the state. These financial statements include all districts and the administrative office. The purpose of the Ohio High School Athletic Association shall be to regulate, supervise and administer interscholastic athletic competition among its member schools to the end that the interscholastic program be an integral factor in the total educational program of the schools. This shall be accomplished by cooperation with all agencies vitally concerned with the health and educational welfare of high school, middle school and junior high school students; determining qualifications of individual contestants, coaches, and officials; providing information through literature and other materials to facilitate athletic relations among member schools; establishing standards for sportsmanship and competition; furnishing protection against exploitation of school or student and in any manner directed by the member schools.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments which materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowance for depreciation are eliminated from the accounts and any resulting gain or loss is reflected in income. The useful lives and methods used are as follows:

<u>DESCRIPTION</u>	<u>USEFUL LIFE</u>	<u>METHOD</u>
Building	31-40 years	Straight line
Furniture and fixtures	5-10 years	Straight line and accelerated method
Vehicles	3-5 years	Accelerated method

Income Taxes

The Association is a nonprofit, unincorporated organization exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

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

Advertising

The Association expenses the production costs of advertising the first time the advertising takes place.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SHORT-TERM INVESTMENTS

Short-term investments are carried at cost, which approximates market value. At July 31, 2001 and 2000 these investments were primarily interest-bearing bank certificates of deposit with maturity dates of greater than three months.

NOTE 3: INVESTMENTS

Investments are stated at fair value as of July 31, 2001 and consist of the following:

Trading Securities	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	\$ 177,000	\$ 0	\$ 2,201	\$ 174,799
U.S. government	30,403	384	0	30,787
Corporate bonds	100,623	1,486	0	102,109
	<u>\$ 308,026</u>	<u>\$ 1,870</u>	<u>\$ 2,201</u>	<u>\$ 307,695</u>

Net unrealized loss was \$331 for the year ended July 31, 2001. The organization did not hold any such investments at July 31, 2000.

These funds represent board designated amounts set aside for the purpose of upgrading, remodeling and replacing significant components of the building.

NOTE 4: OHSAA FOUNDATION

In 1998 the OHSAA provided the initial funding of \$400,000 to start the OHSAA Foundation. The foundation is a separately formed, controlled and operated not-for-profit organization. The foundation was formed to provide scholarships and conferences for Ohio student athletes. The OHSAA does provide accounting and clerical services for no charge. As of July

	2001	2000
Assets	\$ 452,180	\$ 440,246
Liabilities	\$ 22,376	\$ 12,000
Net Assets	\$ 429,804	\$ 428,246
Revenue	\$ 59,566	\$ 36,395
Expense	\$ 58,008	\$ 16,229

NOTE 5: DEFERRED INCOME

Annual official's dues received prior to August 1 for the licensing period August 1 to July 31 are recorded as deferred income. This deferred income was approximately \$463,361 and \$454,786 as of July 31, 2001 and 2000, respectively.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 6: DEFINED BENEFIT PENSION PLAN

The Association has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and an employee's compensation during the last five years of employment. The organizations funding policy is to contribute annually the amount determined by the actuary.

The Association for the year ending July 31, 2001 adopted FAS No. 87. The following summarizes plan activity:

Fair value of plan assets	\$	2,776,798
Benefit obligation		2,840,230
Funded status	\$	<u>(63,432)</u>
Accrued benefit cost recognized in the balance sheet	\$	110,000
Weighted – average assumptions:		
Discount rate		7.25%
Expected return on plan assets		8.00%
Average compensation increase		5.00%
Benefit cost	\$	111,418
Employer contributions	\$	115,000
Plan participant contributions	\$	0
Benefits paid	\$	100,899

Currently, the Association is expensing the contribution made or accrued to the plan as computed annually by an actuary. The pension expense for the years ending July 21, 2001 and 2000 was approximately \$110,000 and \$119,000, respectively.

NOTE 7: OPERATING LEASES

The Association leases particular office equipment under operating leases, which expire in the year 2003. Future minimum lease payments are as follows for the years ending July 31:

2002	\$	40,752
2003		10,188
	\$	<u>50,940</u>

Total rent expense for the years ending July 31, 2001 and 2000 was \$44,304 and \$46,109, respectively.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE 8: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash investments. The Association places these investments with financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Association had uninsured cash balances at both years ended July 31, 2001 and 2000. A substantial portion of the Association's receivables are tournament proceeds owed to them by independent tournament directors. None of these funds have ever become uncollectible.

NOTE 9: UNRESTRICTED NET ASSETS-BOARD DESIGNATED

The Organization has designated funds as noted in Note 3 for the purpose of upgrading, remodeling and replacing significant components of the building. The value as of July 31, 2001 and 2000 was \$307,695 and \$0, respectively. Funds have also been designated for the Fred Durkle Scholarship Fund. Scholarship money is presented annually to senior athletes in the name of the late Fred Durkle. The amount accumulated in this fund as of July 31, 2001 and 2000 was \$35,220 and \$33,298, respectively.

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November 19,2001

Ohio High School Athletic Association
Columbus, Ohio 43214

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Our report on our audits of the basic financial statements of the Ohio High School Athletic Association for the years ended July 31, 2001 and 2000 appears on Page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II for the year ended July 31, 2001 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effect on the schedules of not accounting for its defined benefit pension plan in accordance with generally accepted accounting principles as explained in the third paragraph of our report on Page 1, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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