# NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2020

**NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey State Interscholastic Athletic Association (the “Association”) which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses and cash flows for the year 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 this financial statement 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.

### Auditors’ Responsibility

Our responsibility is to express an opinion on this financial statement 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 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.



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**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Mercadien, P.C.*
*Certified Public Accountants*

October 14, 2020

**NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION**

STATEMENT OF FINANCIAL POSITION
June 30, 2020

| | |
|---|---|
| **ASSETS** | |
| Current assets | |
| Cash and cash equivalents | $ 2,055,050 |
| Accounts receivable - net of allowance of $7,500 | 143,703 |
| Prepaid expenses | 102,600 |
| Total Current assets | 2,301,353 |
| Property and Equipment - net | 911,793 |
| Total Assets | $ 3,213,146 |
| **LIABILITIES AND NET ASSETS** | |
| Current liabilities | |
| Accounts payable and accrued expenses | $ 419,461 |
| Deferred revenue | 99,000 |
| Total Current liabilities | 518,461 |
| Paycheck Protection Program (PPP) Loan | 226,279 |
| Total Liabilities | 744,740 |
| Net assets without donor restrictions | 2,468,406 |
| Total Liabilities and Net Assets | $ 3,213,146 |

**NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION**

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

| | |
|---|---|
| Support and revenue | |
| Sports activities | $ 1,587,721 |
| Membership dues | 935,995 |
| Officials dues | 430,490 |
| Corporate sponsorships | 531,401 |
| Broadcast/media | 185,400 |
| Workshops | 127,501 |
| Grants | 85,240 |
| Contributions | 33,175 |
| Other program service revenue | 56,853 |
| Interest income | 29,368 |
| Miscellaneous income | 15,226 |
| Total support and revenue | 4,018,370 |
| Expenses | |
| Program services | 3,319,392 |
| Management and general | 1,340,312 |
| Total expenses | 4,659,704 |
| Change in net assets | (641,334) |
| Net assets, beginning of year | 3,109,740 |
| Net assets, end of year | $ 2,468,406 |

**NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION**

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

| | Program Services | Management and General | Total |
|---|---|---|---|
| Payroll | $ 695,815 | $ 555,894 | $ 1,251,709 |
| Payroll taxes | 55,624 | 44,438 | 100,062 |
| Employee benefits | 183,737 | 146,790 | 330,527 |
| Grants and sponsorships | 91,796 | - | 91,796 |
| Professional fees | 208,404 | 246,948 | 455,352 |
| Sports activities | 1,366,239 | - | 1,366,239 |
| Officials | 292,903 | - | 292,903 |
| Workshops | 62,507 | - | 62,507 |
| Coaches association | 25,091 | - | 25,091 |
| Rulebooks | 65,478 | - | 65,478 |
| Corporate Hall of Fame | 1,928 | - | 1,928 |
| Office expense | 27,253 | 32,294 | 59,547 |
| Postage and delivery | 13,679 | 16,208 | 29,887 |
| Printing & reproduction | 5,838 | 6,918 | 12,756 |
| Information technology | 25,898 | 30,689 | 56,587 |
| Conferences and meetings | 15,662 | 18,558 | 34,220 |
| Repairs & maintenance | 37,569 | 44,517 | 82,086 |
| Depreciation | 63,937 | 75,763 | 139,700 |
| Business insurance | 80,034 | 94,837 | 174,871 |
| Miscellaneous | - | 26,458 | 26,458 |
| Total | $ 3,319,392 | $ 1,340,312 | $ 4,659,704 |

**NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION**

STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

| | |
|---|---|
| Cash Flows from Operating Activities | |
| Change in net assets | $ (641,334) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Depreciation | 139,700 |
| Bad debts | 10,439 |
| Increase (decrease) in cash from | |
| Accounts receivable | 73,580 |
| Deferred revenue | (273,692) |
| Prepaid expenses | (42,718) |
| Accounts payable and accrued expenses | 762 |
| Net cash from operating activities | (733,263) |
| Cash Flows from Investing Activities | |
| Purchases of property and equipment | (104,603) |
| Net cash from investing activities | (104,603) |
| Cash Flows from Financing Activities | |
| Proceeds from PPP Loan | 226,279 |
| Net cash from financing activities | 226,279 |
| Net change in cash and cash equivalents | (611,587) |
| Cash and cash equivalents, beginning of year | 2,666,637 |
| Cash and cash equivalents, end of year | $ 2,055,050 |

## A. NATURE OF ORGANIZATION

The New Jersey State Interscholastic Athletic Association ("NJSIAA" or the "Association") is a nonprofit organization incorporated under the laws of the State of New Jersey in 1918. The Association is a voluntary organization made up of all approved public, private and parochial high schools in the State of New Jersey. The Association's purpose is to foster and administer interscholastic sports among member schools. The Association promotes participation and sportsmanship to develop good citizens through interscholastic activities which provide equitable opportunities, positive recognition and learning experiences to students while maximizing the achievement of educational goals.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

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

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

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

The Association has no net assets with donor restrictions.

### Use of Estimates

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

### Cash and Cash Equivalents

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

### Accounts Receivable

Accounts receivable consist primarily of member and officials' dues. The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

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

### Property and Equipment

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

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

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

### Revenue Recognition

Contributions and grants are recognized when the donor or grantor makes a promise to give to the Association that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value.

Membership and officials dues revenue is recognized ratably over the membership period, which aligns with the Association's fiscal year. Sports activities revenue is recognized as each activity occurs. Corporate and broadcast media revenue are recognized as per terms of contracts. Workshop revenue is recognized as each event is held.

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

The Association records the value of in-kind goods and services as revenue and expense when the in-kind contribution is both budget-relieving and relates to events and programs under the Association's control.

### Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Association's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the year ended June 30, 2020.

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

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

### Income Taxes (Continued)

The Association did not record any interest or penalties on uncertain tax positions in the accompanying statement of financial position as of June 30, 2020, or in the accompanying statement of activities for the year then ended. If the Association were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

### Functional Allocation of Expenses

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

### Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through October 14, 2020, the date the financial statements were available to be issued. Other than the items described in Note H, no items were determined by management to require disclosure.

### Recently Adopted Accounting Pronouncements

The Association adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended June 30, 2020. The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in 1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance, and 2) determining whether a contribution is conditional. Because the Association's existing revenue recognition policies were in line with the provisions of ASU 2018-08, the adoption of the new standard did not have a material impact on the financial statements or related disclosures.

### Recently Issued Accounting Pronouncements

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

**ASU 2014-09**, *Revenue from Contracts with Customers (Topic 606)*, issued in May 2014, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year, and in June 2020 the FASB issued ASU 2020-05, which deferred the effective date for an additional year. The updated standard will be effective for the Association for the year ending June 30, 2021.

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

### Recently Issued Accounting Pronouncements (Continued)

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

## C. LIQUIDITY AND AVAILABILITY

The following table represents the Association's financial assets at June 30, 2020:

| | |
|---|---|
| Financial assets at year end: | |
| Cash and cash equivalents | $ 2,055,050 |
| Accounts receivable | 143,703 |
| Total financial assets available within one year | $ 2,198,753 |

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

## D. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | |
|---|---|
| Land | $ 361,346 |
| Buildings and improvements | 2,744,861 |
| Furniture and equipment | 691,312 |
| Subtotal | 3,797,519 |
| Less accumulated depreciation | 2,885,726 |
| Total | $ 911,793 |

Depreciation expense for the year ended June 30, 2020, was $139,700.

## E. OPERATING LEASES

The Association has several noncancelable operating leases, primarily for equipment, that expire at various dates through March 2023. Rent expense amounted to $22,900 for the year ended June 30, 2020. Future minimum lease payments under operating leases are as follows:

| Years ending June 30, | |
|---|---|
| 2021 | $ 17,560 |
| 2022 | 17,560 |
| 2023 | 1,848 |
| Total | $ 36,968 |

## F. RETIREMENT PLAN

The Association has a defined contribution plan covering substantially all of its employees. Under the terms of this plan, contributions begin for full-time staff members after completing one year of service. Currently, for employees hired on or after January 1, 2001, the Association contributes ten percent of each eligible staff member's salary on a quarterly basis to the retirement plan. For employees hired on or before December 31, 2000, the Association contributes nineteen percent of each eligible staff member's salary on a quarterly basis to the retirement plan. Contributions and other expenses related to the administration of the plan, totaled $142,671 for the year ended June 30, 2020.

## G. CONCENTRATION OF RISK AND UNCERTAINTIES

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

The Association is significantly affected by market factors, including demand for and price of tournament game tickets. These factors are influenced by a variety of external forces, including weather conditions, enacted legislation, heightened security concerns, and corporate sponsorships. Currently, regulation provides for fixed ticket prices for tournament games, which does not permit the Association to adjust ticket prices to respond to rising costs from changes in market factors.

## H. CORONAVIRUS OUTBREAK AND PAYCHECK PROTECTION PROGRAM LOAN

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Association, to date, the Association was forced to postpone sports activities in March 2020 and later cancelled the entirety of its spring sports season. Furthermore, while the Association is currently proceeding with plans to conduct an abbreviated Fall 2020 sports season and has announced that the season will be delayed from its traditional start date until October 1, public health measures may alter these plans at any time, which could have a significant impact on the Association's activities and financial results.

## H. CORONAVIRUS OUTBREAK AND PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

In May 2020, the Association entered into a term note agreement as part of the United States Small Business Administration's (the "SBA") Paycheck Protection Program ("PPP"). The funds will be used to retain employees. The loan is for a principal sum of $226,279 and bears interest at a rate of 1% per annum payable over a two year period after a six-month interest and principal deferral period. The PPP loan may be forgiven if certain criteria are met. The Association expects to meet the forgiveness criteria and receive formal notification that the loan will be forgiven in the year ending June 30, 2021.

## I. LITIGATION

From time to time, the Association, or the Association on behalf of its members, is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Association at June 30, 2020.