

**Florida High School Athletic
Association, Inc. and Affiliates**

Combined Financial Statements

June 30, 2018



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Florida High School Athletic Association, Inc. and Affiliates

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florida High School Athletic Association, Inc.

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Florida High School Athletic Association, Inc. (a nonprofit organization) and Affiliates (the "Association"), which comprise the combined statement of financial position as of June 30, 2018, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Car, Riggs & Ingram, L.L.C.

Gainesville, Florida
October 8, 2018

Florida High School Athletic Association, Inc. and Affiliates

Combined Statement of Financial Position
June 30, 2018

Assets

Current assets:		
Cash	\$	1,006,280
Accounts receivable (net of allowance for doubtful accounts of \$30,076)		301,275
Prepaid expenses		13,995
<hr/>		
Total current assets		1,321,550
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Noncurrent assets:		
Investments		5,270,433
Property and equipment, net		1,975,053
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Total noncurrent assets		7,245,486
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Total assets	\$	8,567,036

Liabilities and net assets

Current liabilities:		
Accounts payable	\$	96,583
Accrued payroll and payroll taxes		35,437
Deferred revenue		171,930
Compensated absences		99,000
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Total current liabilities		402,950
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Noncurrent liabilities:		
Compensated absences, net of current portion		175,769
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Total liabilities		578,719
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Net assets		7,988,317
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Total liabilities and net assets	\$	8,567,036

See accompanying notes.

Florida High School Athletic Association, Inc. and Affiliates

**Combined Statement of Activities
Year ended June 30, 2018**

Unrestricted revenue

General athletics	\$ 1,358,771
Championships	1,115,454
Member dues	218,356
Investment income and other	151,338
Corporate marketing	2,252,607
Officials programs	466,746
Compliance	212,389
Recognition	30,360

Total unrestricted revenue	5,806,021
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Expenses

General athletics	1,378,516
Championships	716,682
Board/executive director	567,327
Other	108,247
Fiscal	447,613
Corporate marketing	34,836
Officials programs	357,273
Compliance	650,114
Communications	896,877
Information services	92,880
Recognition	131,173
Custodial	62,147
Maintenance/building	8,670
General administration	10,483

Total expenses	5,462,838
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Change in net assets	343,183
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Net assets, beginning of year	7,645,134
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Net assets, end of year	\$ 7,988,317
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See accompanying notes.

Florida High School Athletic Association, Inc. and Affiliates

Combined Statement of Cash Flows Year ended June 30, 2018

Cash flows from operating activities

Change in net assets	\$	343,183
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		101,352
Net gain on investments		(34,325)
Interest and dividend reinvestment		(71,950)
Change in:		
Accounts receivable		19,720
Prepaid expenses		(919)
Accounts payable		(26,505)
Accrued expenses		1,567
Deferred revenue		7,004
Liability for compensated absences		31,927
<hr/>		
Net cash provided (used) by operating activities		371,054
Cash flows from investing activities		
Cash paid for equipment and improvements		(40,575)
<hr/>		
Change in cash		330,479
Cash, beginning of year		675,801
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Cash, end of year	\$	1,006,280

Noncash investing activities:

Net gain on investments	\$	34,325
Interest and dividend reinvestment	\$	71,950

See accompanying notes.

Notes to Combined Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Combined Financial Statements

The financial statements include the combined accounts of Florida High School Athletic Association, Inc., an organization established in 1920, designated as a 501C(3) in 1951 and Incorporated as a State of Florida not for profit corporation in 1962; and the Florida High School Athletic Association's Land Corporation, established in 1950, incorporated as a State of Florida not for profit corporation in 1993 and designated by the IRS as a 501C(2) organization, collectively referred to as the "Association." These entities have the same board of directors and are under the operational control of the Executive Director of the Association. The accounts of these organizations have been combined and all interorganization transactions and balances have been eliminated.

Nature of Activities

The Association regulates, promotes and administers high school interscholastic athletic competition within the State of Florida for both public and private member schools. The Association conducts interscholastic athletic post season tournaments throughout the state, promotes values of high school curriculums, promotes sportsmanship and safety of participants and provides training of coaches, athletic directors and game officials. In 1976, the Florida Legislature designated the FHSAA, Inc. as the governing non-profit organization of athletics in Florida public schools, a designation that continues today as specified in Florida Statute 1006.20(1). The Association also registers, tests, and certifies high school athletic officials. Athletic program revenue includes a share of the gate receipts from FHSAA State Series post season playoff games and state championship games as well as fees for other sanctioned athletic events that occur pre and post season.

Basis of Accounting

Basis of accounting refers to the timing of revenue and expense recognition in the accounts and financial statements. The Association uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Cash

The Association's cash consists of cash in bank checking accounts. At times, amounts in these accounts exceed FDIC insurance limits.

Accounts Receivable

Accounts receivable are recorded at net realizable value. The Association requires no collateral for accounts receivable. There are no identifiable concentrations of credit risk related to accounts receivable.

Notes to Combined Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

Bad debts are recognized using the allowance method based upon historical experience and management's evaluation of outstanding accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense.

Net Assets

All of the Association's net assets are unrestricted.

Income Taxes

The Association is exempt from federal income tax under Sections 501(c)(2) and 501(c)(3) of the Internal Revenue Code. In addition, the Association has been classified as an organization that is not a private foundation. In 1996, the Association filed form 5768 making it eligible to make expenditures to influence legislation.

Estimates

The preparation of financial statements in accordance 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 these estimates.

NOTE 2 – INVESTMENTS

The investment objectives of the Association are to provide a reserve fund for future long-term uncertainty and to provide current income to smooth income fluctuations from other revenue sources. The Association invests long-term and generally accepts a conservative yield for minimum risk. Investments are generally held to maturity.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Association's financial condition.

Florida High School Athletic Association, Inc. and Affiliates

Notes to Combined Financial Statements

NOTE 2 – INVESTMENTS (CONTINUED)

Investments are stated at fair value and consist of the following at June 30, 2018:

Cash and money market	\$	528,344
Fixed Income:		
Mortgage backed securities		46,850
Corporate securities		3,444,890
US treasury securities		252,044
Equities		998,305
Total investments	\$	5,270,433

Investment income for the year consisted of the following:

Interest and dividend income		101,901
Net gain		34,325
Net investment income	\$	136,226

NOTE 3 – FAIR VALUE MEASUREMENTS

The Association measures fair value on a recurring basis for its investments. When possible, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions, such as a matrix pricing model, or fundamental analysis. The following tabulation summarizes such measurements.

Description	Fair value measurements at reporting date using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money markets	\$ 528,344	\$ -	\$ -
Fixed income:			
Mortgage backed securities	-	46,850	-
Corporate securities	3,146,819	298,071	-
US treasury securities	252,044	-	-
Equities	-	804,410	193,895
Total	\$ 3,927,207	\$ 1,149,331	\$ 193,895

Notes to Combined Financial Statements

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of changes in the Level 3 investments:

Beginning Balance	Transfers to Level 2	Ending Balance
\$ 223,260	\$ 29,365	\$ 193,895

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Cash and money markets — The fair value of cash and money markets is determined using trade prices in an active market, then uses a discounted cash flow model to determine the price.

Mortgage backed securities — The fair value of mortgage backed securities is determined using an active TBA market for mortgage pools, which is the basis for determining many prices, yields, and option-adjusted spreads in the mortgage arena.

Corporate securities and equities — The fair value of corporate securities and equities are determined using the discounted cash flow model. The key inputs to the discounted cash flow model are the coupon, yield, expected maturity date, and any applicable options.

US Treasury securities — The fair value of US Treasury securities is determined using the yield on the on-the-run treasury that is most similar to the US Treasury being valued. The yield is adjusted for variances in maturity, coupon, and other features. A discounted cash flow model is used to discount the payments using the yield determined for most US Treasury securities.

While the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Notes to Combined Financial Statements

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Depreciable assets:	
Buildings and improvements	\$ 2,277,702
Furniture and equipment	165,496
Total cost	2,443,198
Less: accumulated depreciation	858,174
Net depreciable assets	1,585,024
Land	390,029
Total	\$ 1,975,053

Buildings and improvements are depreciated on a straight-line basis over estimated useful lives of 15 to 40 years. Furniture and equipment with a cost greater than or equal to \$600 is capitalized at historical cost and depreciated on a straight-line basis over estimated useful lives of three to five years. Depreciation expense was \$101,352 for the year ended June 30, 2018.

NOTE 5 – FUNCTIONAL CLASSIFICATION OF EXPENSES

The functional classification of the Association’s expenses is as follows:

Program services:	
General athletics	\$ 1,443,828
Championships	716,682
Compliance	676,239
Communications	936,064
Officials	370,336
Recognition	131,173
Total program services	4,274,322
Program support and general and administrative	1,188,516
Total expenses	\$ 5,462,838

NOTE 6 – RETIREMENT PLAN

The Association provides a defined contribution retirement plan for all employees aged 20 and over. Contributions to the plan amounted to \$296,223, 15% of the gross annual wages for the year ended June 30, 2018.

Notes to Combined Financial Statements

NOTE 7 – UNCERTAIN TAX POSITIONS

The Association has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 8, 2018 the date the financial statements were available to be issued.

Supplementary Information

Florida High School Athletic Association, Inc. and Affiliates

Combining Statement of Financial Position June 30, 2018

	Florida High School Athletic Association, Inc.	Land Corporation	Eliminations	Total
Assets				
Current assets:				
Cash	\$ 745,983	\$ 260,297	\$ -	\$ 1,006,280
Accounts receivable, net	301,275	-	-	301,275
Prepaid expenses	13,995	-	-	13,995
Total current assets	1,061,253	260,297	-	1,321,550
Noncurrent assets:				
Investments	5,270,433	-	-	5,270,433
Property and equipment, net	-	1,975,053	-	1,975,053
Total noncurrent assets	5,270,433	1,975,053	-	7,245,486
Total assets	\$ 6,331,686	\$ 2,235,350	\$ -	\$ 8,567,036
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 96,583	\$ -	\$ -	\$ 96,583
Accrued payroll and payroll taxes	35,437	-	-	35,437
Deferred revenue	171,930	-	-	171,930
Compensated absences	99,000	-	-	99,000
Total current liabilities	402,950	-	-	402,950
Noncurrent liabilities:				
Compensated absences, net of current portion	175,769	-	-	175,769
Total liabilities	578,719	-	-	578,719
Net assets	5,752,967	2,235,350	-	7,988,317
Total liabilities and net assets	\$ 6,331,686	\$ 2,235,350	\$ -	\$ 8,567,036

Florida High School Athletic Association, Inc. and Affiliates

Combining Statement of Activities Year ended June 30, 2018

	Florida High School Athletic Association, Inc.	Land Corporation	Eliminations	Total
Unrestricted revenue				
General athletics	\$ 1,358,771	\$ -	\$ -	\$ 1,358,771
Championships	1,115,454	-	-	1,115,454
Member dues	218,356	-	-	218,356
Investment income and other	139,315	12,023	-	151,338
Corporate marketing	2,252,607	-	-	2,252,607
Officials programs	466,746	-	-	466,746
Compliance	212,389	-	-	212,389
Recognition	30,360	-	-	30,360
Transfer from Association	-	120,000	(120,000)	-
Total unrestricted revenue	5,793,998	132,023	(120,000)	5,806,021
Expenses				
General athletics	1,378,516	-	-	1,378,516
Championships	716,682	-	-	716,682
Board/executive director	567,327	-	-	567,327
Other	-	108,247	-	108,247
Fiscal	439,847	7,766	-	447,613
Corporate marketing	34,836	-	-	34,836
Officials programs	357,273	-	-	357,273
Compliance	650,114	-	-	650,114
Communications	896,877	-	-	896,877
Information services	92,880	-	-	92,880
Recognition	131,173	-	-	131,173
Custodial	-	62,147	-	62,147
Maintenance/building	-	8,670	-	8,670
General administration	10,483	-	-	10,483
Transfer to Land Corporation	120,000	-	(120,000)	-
Total expenses	5,396,008	186,830	(120,000)	5,462,838
Change in net assets	397,990	(54,807)	-	343,183
Net assets, beginning of year	5,354,977	2,290,157	-	7,645,134
Net assets, end of year	\$ 5,752,967	\$ 2,235,350	\$ -	\$ 7,988,317

Florida High School Athletic Association, Inc. and Affiliates

**Combining Statement of Cash Flows
Year ended June 30, 2018**

	Florida High School Athletic Association, Inc.	Land Corporation	Eliminations	Total
Cash flows from operating activities				
Change in net assets	\$ 397,990	\$ (54,807)	\$ -	\$ 343,183
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	-	101,352	-	101,352
Net gain on investments	(34,325)	-	-	(34,325)
Interest and dividend reinvestment	(71,950)	-	-	(71,950)
Change in:				
Accounts receivable	19,720	-	-	19,720
Prepaid expenses	(919)	-	-	(919)
Accounts payable	(26,505)	-	-	(26,505)
Accrued expenses	1,567	-	-	1,567
Deferred revenue	7,004	-	-	7,004
Liability for compensated absences	31,927	-	-	31,927
Intercompany balances	1,460	(1,460)	-	-
Net cash provided (used) by operating activities	325,969	45,085	-	371,054
Cash flows from investing activities				
Cash paid for equipment and improvements	-	(40,575)	-	(40,575)
Change in cash	325,969	4,510	-	330,479
Cash, beginning of year	420,014	255,787	-	675,801
Cash, end of year	\$ 745,983	\$ 260,297	\$ -	\$ 1,006,280

Noncash investing activities:

Net gain on investments	\$ 34,325	\$ -	\$ -	\$ 34,325
Interest and dividend reinvestment	\$ 71,950	\$ -	\$ -	\$ 71,950