

**GEORGIA HIGH SCHOOL ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012**

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1904**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Georgia High School Association
Thomaston, Georgia

We have audited the accompanying statements of assets, liabilities, and net assets – modified cash basis of the Georgia High School Association (a nonprofit organization), as of June 30, 2013 and 2012, and the related statements of support, revenues, expenses and other changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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.

As described in Note A, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities, and net assets of the Georgia High School Association as of June 30, 2013 and 2012, and its support, revenue, expenses, and cash flows, for each of the years then ended, on the basis of accounting described in Note A.

Thomaston, Georgia
September 3, 2013

Jackson & Brown, PC

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Certified Public Accountants

GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 967,533	\$ 800,137
Short - term investments	148,364	147,255
Prepaid expenses	<u>4,750</u>	<u>4,750</u>
TOTAL CURRENT ASSETS	1,120,647	952,142
Long - term investments	3,213,037	2,733,537
Property and equipment (net of depreciation)	<u>366,889</u>	<u>390,682</u>
TOTAL ASSETS	<u>\$ 4,700,573</u>	<u>\$ 4,076,361</u>
LIABILITIES		
Current Liabilities	\$ <u> --</u>	\$ <u> --</u>
TOTAL CURRENT LIABILITIES	<u> --</u>	<u> --</u>
TOTAL LIABILITIES	<u> --</u>	<u> --</u>
COMMITMENTS AND CONTINGENCIES	<u> --</u>	<u> --</u>
NET ASSETS		
Unrestricted	4,700,573	4,076,361
Temporarily restricted	--	--
Permanently restricted	<u> --</u>	<u> --</u>
TOTAL NET ASSETS	<u>4,700,573</u>	<u>4,076,361</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,700,573</u>	<u>\$ 4,076,361</u>

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF SUPPORT, REVENUES, EXPENSES
AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012**

REVENUES	<u>2013</u>	<u>2012</u>
Invitational & regional tournaments		
Tennis	\$ 48	\$ --
Swimming	290	--
Baseball	597	696
Basketball	59,794	57,846
Cheerleading	20,584	22,483
Cross Country	2,453	1,884
Lacrosse	826	751
Soccer	1,336	1,078
Softball	13,662	13,143
Track	7,579	7,668
Volleyball	3,537	3,460
Wrestling	<u>11,867</u>	<u>13,789</u>
	122,573	122,798
State tournaments & playoffs		
Baseball	54,524	61,408
Basketball	389,003	345,365
Cheerleading	79,336	68,862
Cross Country	11,524	10,249
Football	1,351,673	1,061,466
Gymnastics	2,915	2,375
Lacrosse	19,523	14,093
Soccer	78,256	53,781
Soccer officials	141,408	123,480
Softball	68,311	52,768
Swimming	5,263	5,714
Track	8,807	11,967
Volleyball	37,106	24,149
Wrestling	67,948	74,420
Weight Appeals	<u>11,400</u>	<u>11,350</u>
	2,326,997	1,921,447

See the accompanying notes and auditor's report

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF SUPPORT, REVENUES, EXPENSES
AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Dues from member schools	\$ 102,150	\$ 88,290
Corporate sponsorships	589,251	476,486
Rule books and publications	69,361	84,810
Vendor & Licensing Royalties	132,636	89,144
Fines	210,378	230,261
Officials' registration & insignia	288,624	280,214
Community coach registration	441,042	447,129
Trophies and awards	23,515	20,181
Appeals and miscellaneous	57,565	95,206
Camp fees	91,525	99,426
Refunds	<u>---</u>	<u>---</u>
TOTAL REVENUES	<u>4,455,617</u>	<u>3,955,392</u>
EXPENSES	<u>4,315,062</u>	<u>3,998,034</u>
INCREASE (DECREASE) IN NET ASSETS – OPERATING	140,555	(42,642)
NON-OPERATING ITEMS		
Investment income	481,086	28,376
Write-off of stale checks	<u>2,571</u>	<u>1,414</u>
TOTAL NON-OPERATING ITEMS	<u>483,657</u>	<u>29,790</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	624,212	(12,852)
NET ASSETS AT BEGINNING OF YEAR	<u>4,076,361</u>	<u>4,089,213</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,700,573</u>	<u>\$ 4,076,361</u>

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
SALARIES		
Executive Director	\$ 128,000	\$ 124,000
Assistant Executive Director	79,000	76,500
Associate Executive Directors	147,654	151,616
Other	<u>298,578</u>	<u>303,001</u>
	653,232	655,117
TRAVEL EXPENSES AND ALLOWANCES		
National meetings	17,986	19,167
State Executive Committee	48,140	78,654
Executive Director	4,858	4,654
Administrative Staff	1,827	2,345
Hardship Committee	6,392	4,909
Special and miscellaneous	330	1,931
State Appeal Board	<u>--</u>	<u>691</u>
	79,533	112,351
TOURNAMENTS		
Baseball	12,414	9,801
Basketball	57,930	47,788
Payout to Schools	122,892	110,940
Cheerleading	42,432	34,154
Payout to School	23,349	23,024
Cross Country	12,694	5,236
Football	142,483	74,720
Payout to School	819,092	649,554
Golf	5,120	5,920
Gymnastics	3,832	4,195
Lacrosse	4,627	2,326
Riflery	4,951	2,561
Soccer	25,155	12,780
Payout to Officials	149,100	120,540

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Softball	27,666	20,245
Payout to Schools	21,564	17,097
Swimming	11,672	8,495
Tennis	3,096	3,102
Track	27,087	22,036
Volleyball	23,284	13,593
Payout to Schools	10,552	4,133
Wrestling	87,128	82,231
Weight Program	<u>2,682</u>	<u>10,218</u>
TOTAL SPORTS	1,640,802	1,284,689
 BOOKS AND PUBLICATIONS		
Rule books	134,600	129,306
 CLINICS AND EXAMS		
Baseball	4,965	4,151
Basketball	4,776	4,251
Cheerleading	560	3,360
Football	3,631	4,074
Riflery	--	1,451
Soccer	2,070	2,257
Softball	6,588	4,538
Swimming/Diving	--	279
Track	--	728
Volleyball	--	151
Wrestling	--	373
Gymnastics	<u>75</u>	<u>82</u>
	22,665	25,695

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
PRINTING AND SUPPLIES		
Office supplies	29,023	31,652
Constitution & by-laws	7,601	7,699
Directories	18,271	21,510
Calendar	1,135	1,302
Schedules and other	1,514	940
	<u>57,544</u>	<u>63,103</u>
BUILDING AND EQUIPMENT MAINTENANCE AND EXPENSE		
Outside services and supplies	73,340	27,168
Utilities	12,728	12,577
Repairs	3,570	4,632
	<u>89,638</u>	<u>44,377</u>
OTHER EXPENSES		
Insurance	687,919	728,638
Outside services	134,141	114,925
Postage and delivery	38,220	42,812
Telephone & communications	18,338	19,236
Professional fees	28,858	26,318
Marketing expense	55,951	74,560
State meets (non-athletic)	28,224	19,090
Flowers and honoraria	4,629	1,947
Refunds	--	1,631
Retirement expense	74,374	73,963
Community coaching program	163,849	156,793
AAASP	75,000	75,000
Sports medicine	25,000	10,000
NASO summit	4,880	60,787
Depreciation	26,846	25,172
Dues and subscriptions	6,080	5,908
Trophies and awards	71,851	50,346
Officials' evaluations	16,153	21,943
Officials' supplies	11,152	17,348
Officials' camps	65,849	57,440
Payroll taxes	48,531	48,951
City and county taxes	1,229	994
Licensing payouts	49,623	48,037
Miscellaneous	351	1,557
	<u>1,637,048</u>	<u>1,683,396</u>
	<u>\$ 4,315,062</u>	<u>\$ 3,998,034</u>

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 624,212	\$ (12,852)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	26,846	25,172
Decrease (Increase) in pre-paid expenses	<u> --</u>	<u> 4,538</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	651,058	16,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in short – term investments, net	(1,108)	(2,221)
Change in long – term investments, net	(479,501)	(25,519)
Payments for property and equipment	<u>(3,053)</u>	<u>(1,025)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(483,662)	(28,765)
CASH FLOWS FROM FINANCING ACTIVITIES	--	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	167,396	(11,907)
BEGINNING CASH AND CASH EQUIVALENTS	<u>800,137</u>	<u>812,044</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 967,533</u>	<u>\$ 800,137</u>

SUPPLEMENTAL DISCLOSURES OF CASH PAID DURING THE YEAR FOR:

Interest	\$	--	\$	--
Foreign taxes	\$	269	\$	251

See the accompanying notes and auditor's report.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Georgia High School Association (the Association) promotes education in Georgia high schools from a mental, physical, and moral viewpoint through the study of public speaking, the standardization and encouragement of athletics, and the appreciation of music, homemaking, and other fine arts through regional and state contests. The Association's support comes primarily from member dues, corporate sponsorships, and event admission receipts.

Basis of Accounting

The books of the Association are maintained on the "modified cash basis" of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, certain revenues and related assets are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Basis of Presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Catastrophic insurance premiums collected from member schools in fiscal year 2013 were \$ 175,154 and were \$ 153,075 for fiscal year 2012. This amount has been subtracted from insurance expense for statement presentation.

Property and Equipment

The Association capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

Property and Equipment (Con't)

The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using both straight line and modified accelerated cost recovery system methods over estimated useful lives ranging from five to forty-five year.

Estimates

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

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association at the members' facilities, but these services do not meet the criteria for recognition as contributed services. The Association receives more that 3,000 volunteer hours per year.

Investments

Investment 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. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

Investments (Con't)

Short-term investments consist of certificates of deposit with original maturities of twelve months or less. Long-term investments consist of money market funds and debt and equity securities with original maturities greater than twelve months.

Income Taxes

The Association is a not – for – profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

The Association's Form 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

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.

NOTE B – RESTRICTIONS OF NET ASSETS

There are no restrictions on the net assets of the Association.

NOTE C – CONCENTRATION OF CASH DEPOSITS

The Association's cash balance includes deposits held at a single bank, which exceed the federally insured limit of \$250,000. No losses are anticipated due to this condition.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE D – INVESTMENTS

The fair values of short-term investments totaled \$148,364 and \$147,255 at June 30, 2013 and 2012, respectively. The fair values of long-term investments totaled \$3,213,037 and \$2,733,537 at June 30, 2013 and 2012, respectively.

The following schedule summarizes investment returns and their classification in the statement of activities for the years ended:

	<u>June 30, 2013</u>		<u>June 30, 2012</u>	
	<u>Unrestricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Total</u>
Interest & dividend income	\$ 62,235	\$ 62,235	\$ 33,918	\$ 33,918
Net realized & unrealized gains (Losses)	<u>418,851</u>	<u>418,851</u>	<u>(5,542)</u>	<u>(5,542)</u>
Total investment income	<u>\$ 481,086</u>	<u>\$ 481,086</u>	<u>\$ 28,376</u>	<u>\$ 28,376</u>

NOTE E – FAIR VALUE MEASUREMENTS

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis are as follows:

<u>Description</u>	<u>June 30, 2013</u>		<u>June 30, 2012</u>	
	<u>Fair Value</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Short-term Investments				
Certificates of Deposit	<u>\$ 148,364</u>	<u>\$ 148,364</u>	<u>\$ 147,255</u>	<u>\$ 147,255</u>
Total short-term Investments	<u>\$ 148,364</u>	<u>\$ 148,364</u>	<u>\$ 147,255</u>	<u>\$ 147,255</u>
Long-term Investments				
Money Market Funds	\$ 94,209	\$ 94,209	\$ 113,631	\$ 113,631
Common Stocks	2,175,382	2,175,382	1,790,293	1,790,293
Government Securities	<u>943,446</u>	<u>943,446</u>	<u>829,613</u>	<u>829,613</u>
Total long-term Investments	<u>\$ 3,213,037</u>	<u>\$ 3,213,037</u>	<u>\$ 2,733,537</u>	<u>\$ 2,733,537</u>

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS (Con't)

The Association recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2013 and 2012.

Short-term investments and long-term investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Land – office building	\$ 6,210	\$ 6,210
Land – other	11,774	11,774
Office building & improvements	593,906	593,906
Office furniture, fixtures, and equipment	<u>502,031</u>	<u>498,978</u>
	1,113,921	1,110,868
Accumulated depreciation	<u>(747,032)</u>	<u>(720,186)</u>
	<u>\$ 366,889</u>	<u>\$ 390,682</u>

NOTE G – RETIREMENT PLANS

Historically, the Association's employees were covered by the Georgia Teacher Retirement System. However, legislation passed by the 1984 Georgia General Assembly provided that no person employed by the Georgia High School Association after June 30, 1984 would be eligible for coverage under the Georgia Teacher Retirement System.

Subsequently, the Association agreed to make a contribution on behalf of all new employees at the same rate as that made on behalf of those employees covered by the Georgia Teacher Retirement System. These contributions are made to various tax sheltered annuities (TSA's) established in the names of the individuals.

Retirement expense recognized by the Association for fiscal years 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Tax sheltered annuities	<u>\$ 74,374</u>	<u>\$ 73,963</u>
Total Retirement Expense	<u>\$ 74,374</u>	<u>\$ 73,963</u>

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE H – CONTINGENCIES

As of September 3, 2013 (the date of this report), The Georgia High School Association was not involved in any threatened or pending litigation.

Counsel is not aware of any unasserted claims or assessments against the GHSA.

NOTE I – STATEMENT OF CASH FLOWS

The Association has no non-cash investing or financing transactions.

NOTE J – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 3, 2013, the date which the financial statements were available to be issued.