

**KENTUCKY HIGH SCHOOL ATHLETIC
ASSOCIATION
LEXINGTON, KENTUCKY**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

**STIVERS & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS**

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STIVERS & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Commissioners and Board of Control
Kentucky High School Athletic Association
Lexington, Kentucky

We have audited the accompanying statement of financial position of Kentucky High School Athletic Association, (a non-profit organization) as of June 30, 2009, and the related statements of activities, and cash flows for the year 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 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 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 audit provide a reasonable basis for our 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, 2009 and changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stivers & Associates, PSC

January 13, 2010

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS	
CURRENT ASSETS	
Cash	\$ 157,730
Investments	120,126
Accounts receivable	184,992
Prepaid expenses	7,480
TOTAL CURRENT ASSETS	<u>470,328</u>
RESTRICTED CASH	
Board designated	812,222
Temporarily restricted	62,219
TOTAL RESTRICTED CASH	<u>874,441</u>
PROPERTY AND EQUIPMENT, NET	<u>2,628,026</u>
TOTAL ASSETS	<u>\$ 3,972,795</u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 287,620
Other accrued liabilities	2,346
Deferred revenues	106,989
Accrued sick leave	98,683
TOTAL CURRENT LIABILITIES	<u>495,638</u>
NET ASSETS	
Unrestricted - undesignated	2,602,716
Unrestricted - board designated	812,222
Temporarily restricted	62,219
TOTAL NET ASSETS	<u>3,477,157</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,972,795</u>

See Notes to Financial Statements.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

UNRESTRICTED SUPPORT AND OTHER REVENUE	
Advertising and publications	\$ 14,131
Boy's state basketball tournament	1,770,085
Football playoffs	245,572
Girl's state basketball tournament	360,054
Hall of fame events	23,227
Interest	5,733
Member fees	513,065
Other tournaments	561,706
Public and other support	<u>1,043,246</u>
TOTAL UNRESTRICTED SUPPORT AND OTHER REVENUE	4,536,819
UNRESTRICTED EXPENSES	
Boy's state basketball tournament	542,998
Football playoffs	142,418
Fundraising	27,153
General and administrative	3,012,235
Girl's state basketball tournament	161,847
Hall of fame events	50,361
Other tournaments	<u>464,463</u>
TOTAL UNRESTRICTED EXPENSES	<u>4,401,475</u>
CHANGE IN UNRESTRICTED NET ASSETS	135,344
TEMPORARILY RESTRICTED SUPPORT AND REVENUE	
Contributions	<u>18,500</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>18,500</u>
TOTAL CHANGE IN NET ASSETS	153,844
NET ASSETS, BEGINNING OF YEAR	<u>3,323,313</u>
NET ASSETS, END OF YEAR	<u>\$ 3,477,157</u>

See Notes to Financial Statements.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 153,844
Adjustments to reconcile change in net assets to net change from operating activities:	
Depreciation and amortization	138,905
(Increase) decrease in operating assets:	
Accounts receivable	(88,240)
Prepaid expenses	(4,872)
Increase (decrease) in operating liabilities:	
Accounts payable	36,505
Deferred revenue	(74,151)
Accrued sick leave	(9,289)
Other accrued liabilities	119
NET CHANGE FROM OPERATING ACTIVITIES	<u>152,821</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(51,356)
Transfer from account for Dawahares Hall of Fame Project	99,219
Maturity of investments	(1,840)
NET CHANGE FROM INVESTING ACTIVITIES	<u>46,023</u>
NET CHANGE IN CASH	198,844
CASH, BEGINNING OF YEAR	<u>833,327</u>
CASH, END OF YEAR	<u><u>\$ 1,032,171</u></u>

See Notes to Financial Statements

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Kentucky High School Athletic Association (Association) is a nonprofit association organized for the purpose of development, regulation and purification of high school athletic activities in the Commonwealth of Kentucky.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Property and Equipment

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Assets with useful lives of more than one year and a cost greater than \$500 are capitalized, included in fixed assets and depreciated over their useful lives.

Property and equipment are stated at cost and are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Year</u>
Furniture and improvements	3-10
Building	40
Computer and electronics	3

Cash and Cash Equivalents

Cash and cash equivalents consist of operating cash in bank accounts and certificates of deposit with original maturities of three months or less.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Receivable balances are stated at their unpaid balance. Management evaluates the collectibility of accounts receivable on an individual account basis and, using the specific write-off method, charges to expense the balance of accounts that are deemed uncollectible. Generally accepted accounting principles requires that an allowance for uncollectible account balances be established for uncollectible account balances, and write-off's charged to the allowance account when collection efforts have been exhausted. The difference in accounting treatment is not material to these financial statements.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses, if any, are included in the change in net assets.

Net Assets

The Association reports three classes of net asset categories:

- 1) Unrestricted net assets encompass the portion of net assets that are not temporarily restricted by donor-imposed stipulations.
- 2) Temporarily restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations.
- 3) Permanently restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of the donor restrictions.

Recognition of Donor Restrictions

The Association reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE B - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

Concentration of Revenues

The Association earned \$1,786,085 in gross revenue from the Boys State Basketball Tournament for the year ended June 30, 2009. This represents approximately 39% of the Association's total gross revenues and support for 2009.

Concentration of Credit Risk

The Association has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of the amount insured by the FDIC. The Association has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to these accounts.

NOTE C - INVESTMENTS

Investments at June 30, 2009 are summarized as follows:

Type of Investment

Money market account - Board designated fund \$120,126

Total investment returns for the year ended June 30, 2009 are as follows:

Interest earned on money market accounts	\$ 1,840
Interest earned on checking accounts	<u>3,893</u>
	<u>\$ 5,733</u>

The Association has a repurchase agreement with Fifth Third Bank. Under this agreement, the Bank does not segregate the securities to be sold and repurchased. However, the Association's interest in the underlying securities was noted in the Bank's records. The securities were held as collateral for the Association's investment. The Association cannot resell, pledge, assign, or otherwise dispose of the securities so purchased.

NOTE D - LAND, BUILDINGS, & EQUIPMENT

Land, buildings, and equipment for the year ended June 30, 2009 consists of the following:

Land	\$ 431,341
Building	3,314,186
Equipment	<u>717,152</u>
	4,462,679
Accumulated depreciation	<u>(1,834,653)</u>
	<u>\$2,628,026</u>

Depreciation expense for the year ended June 30, 2009 was \$138,905.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE E - DEFERRED REVENUES

Deferred revenues for the year ended June 30, 2009 consist of the following:

Unearned dues paid by member schools	\$ 11,200
Unearned registration fees paid by officials	79,410
Unearned corporate sponsorship support	14,339
Unearned soccer camp fees	2,040
	<u>\$106,989</u>

NOTE F - ACCRUED SICK LEAVE

The Association's employees are granted sick leave in accordance with administrative policy. Employees earn one day per month with unlimited accumulation. Employees are compensated for 30% of unused accumulated sick leave upon retirement. Compensation shall be the daily rate of pay being received at the time of retirement, based upon 260 work days per year. KERS members receive a retirement service credit while KTRS members receive retirement service credit from KTRS and a board-funded sick leave payment. As of June 30, 2009, the estimated accrued sick leave liability is \$98,683.

NOTE G - PENSIONS

Kentucky Teachers' Retirement System

Eligible employees of the Association participate in the Statewide Kentucky Teachers' Retirement System (System), a cost sharing multi-employer public employee retirement system established and administered by the Commonwealth of Kentucky to provide benefit pension plan coverage for local school districts and other public educational agencies within the state.

Chapter 161 Section 220 of the Kentucky Revised Statutes stipulates who may become a member of the Kentucky Teachers' Retirement System. Generally, eligible persons are employed by local boards of education, the State Department of Education, some state universities, and some non-state supported organizations. The payroll for the Association's employees covered by the System for the year ended June 30, 2009 was \$437,873.

Normal Retirement Date

Employees are entitled to an annual retirement benefit, payable monthly for life, if they either attain the age of fifty-five (55) and complete five (5) year of Kentucky service or complete twenty-seven (27) year of Kentucky service.

Normal Retirement Benefits

Non-university employees receive monthly payments equal to either two (2) percent (service prior to July 1, 1983) or two and one half (2.5) percent (service after July 1, 1983) of their final average salary for each year of credited service. The final average salary for employees retiring under the age of fifty-five (55) is the average of the employee's five (5) highest annual salaries, and for employees retiring at the age of fifty-five (55) or older, it is the average of the employee's

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSIONS (continued)

three (3) highest annual salaries. New members (including second retirement accounts started) after July 1, 2002 will receive monthly benefits equal to two (2) percent of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more year of total service will receive monthly benefits equal to two and one half (2.5) percent of their final average salary for each year of service, including the first ten (10) years. In addition, members who retire July 1, 2004 and later with more than thirty (30) year of service will have their multiplier increased for all years over thirty (30) from two and one half (2.5) percent to three (3) percent to be used in their benefit calculation. The system also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary.

Early Retirement Benefits

Employees with less than twenty-seven (27) year of service may retire and received reduced benefits.

Other Benefits

A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly. Members' retirement benefits become vested when they complete five (5) year of credited service.

Members are required by statute to contribute 9.855% of their salaries to the System. The Association contributes the remaining amounts necessary to finance the participation of employees in the System. Employer contributions are determined as a level percentage of payrolls. If an employee leaves covered employment before accumulating five (5) year of credited service, accumulated employee contributions plus interest earned are refunded to the employee upon his or her request. Participating employers contributed at 13.105% for employees hired prior to September 1, 2008 and 14.105% for employees hired after September 1, 2008, of members' non-hazardous compensation for the year ended June 30, 2009.

Schedule of Contributions

	Required Employee Contribution	Required Employer Contribution	Required Total Contribution	Percentage of Required Contribution Actually Made
2009	\$ 43,899	\$ 58,129	\$102,028	100%

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess KTRS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSIONS (continued)

make comparisons among public employee retirement systems.

A copy of the Kentucky Teachers' Retirement System's audited financial statements can be obtained from the Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or on the internet at <http://ktrs.ky.gov>.

Kentucky Employees' Retirement System

Certain other eligible employees participate in the Statewide Kentucky Employees' Retirement System (Plan), a cost-sharing multi-employer public employee retirement system, established and administered by the Commonwealth of Kentucky.

The System is a defined benefit plan which covers substantially all regular full-time employees of any state department, board, or agency directed by Executive order to participate in the System. The payroll for employees covered by the System for the year ended June 30, 2009 was \$248,782.

Normal Retirement Date

Eligible members of the Kentucky Retirement Systems are entitled to an annual retirement benefit, payable monthly for life, if they either attain the age of sixty-five (65) and have forty-eight (48) or more months of service or accumulate twenty-seven (27) year of service credit.

Normal Retirement Benefits

The monthly retirement allowance is equal to 1.97% of the average annual salary of the members' five highest earnings year multiplied by the number of years of service credit divided by twelve. Members' retirement benefits become fully vested when they complete sixty (60) months of service, twelve (12) of which are current service. For the year ended June 30, 2009, participating employees contributed five (5) percent of creditable compensation to the System. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one (1) percent of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. Participating employers contributed at 10.01% of members' non-hazardous compensation for the year ended June 30, 2009.

Early Retirement Benefits

Members retiring at less than fifty-five (55) years of age with twenty-five (25) or more years of service credit are entitled to reduced benefits.

Other Benefits

In addition to normal and retirement benefits provided by the System, disability, death, and medical insurance benefits are available.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSIONS (continued)

	Schedule of Contributions			Percentage of
	Required Employee Contribution	Required Employer Contribution	Required Total Contribution	Required Contribution Actually Made
2009	\$ 12,401	\$ 25,194	\$ 37,595	100%

A copy of the Kentucky Employees' Retirement System's audited financial statements can be obtained from the Kentucky Retirement System, perimeter park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or on the Internet at www.kyret.com

NOTE H - TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

Museum development	\$ 17,488
National City Bank scholarships	38,916
Fifth-Third Baseball scholarships	3,530
Fifth-Third Bank Tennis scholarships	785
Leachman scholarships	500
Pannell swim scholarships	1,000
	<u>\$ 62,219</u>

Unrestricted net assets have been designated by the Board of Control for the following purposes:

Museum development	\$216,930
Trademark/novelty reserve	47,306
Officials division recognition	25,889
Physical plant emergencies	80,929
Equipment replacement	118,408
Title IX Project	59,747
Promotion media reserve	73,654
Sportsmanship awards	12,841
Archives reserve	20,560
Web development reserve	6,275
Accrued sick leave	98,683
Dawahares Hall of Fame reserve	51,000
	<u>\$812,222</u>

NOTE I - IN-KIND SUPPORT AND EXPENDITURES

The Association receives donated services from a variety of unpaid vendors. These non-cash benefits are traded out for tickets or admission to various tournaments. The fair market value of these benefits is included as revenue and expenses to program activities. Donated services that are recognized in the basic financial statements for the year ended June 30, 2009 are as follows:

Vehicles	\$ 21,000
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**KENTUCKY HIGH SCHOOL ATHLETIC
ASSOCIATION
LEXINGTON, KENTUCKY**

SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2009

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

	General & Administrative	Boy's State Basketball Tournament	Other Tournaments	Girl's State Basketball Tournament	Football Playoffs	Hall of Fame Events	Fund Raising	Total Expenses
Administrative travel	\$ 31,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,922
Audio visual expense	-	1,792	5,052	225	2,085	-	-	9,154
Board of Control	66,531	-	-	-	-	-	-	66,531
Clinic and officials' expenses	498,303	-	-	-	-	-	-	498,303
Depreciation	138,905	-	-	-	-	-	-	138,905
Dues	5,000	-	-	-	-	-	-	5,000
Equipment and technology	64,613	-	-	-	-	-	-	64,613
Insurance	246,906	-	-	-	-	-	-	246,906
Miscellaneous	171,299	-	-	-	-	-	-	171,299
Other event costs	62,593	15,208	36,941	8,217	18,171	50,361	531	192,022
Personnel	956,371	-	-	-	-	-	-	956,371
Printing and publications	227,932	39,728	29,300	24,513	22,792	-	-	344,265
Professional fees	176,036	-	-	-	-	-	-	176,036
Radio network	-	95,335	3,506	35,000	4,104	-	-	137,945
Repairs and maintenance	3,202	-	-	-	-	-	-	3,202
Sales and commissions	-	4,376	236	1,079	940	-	26,622	33,253
Scholarships	-	19,076	-	4,000	-	-	-	23,076
Sponsorship expense	281,549	85,352	20,211	4,370	-	-	-	391,482
Team expenses and awards	-	54,949	116,143	52,444	24,562	-	-	248,098
Tournament facility rental	-	200,748	123,005	2,905	49,287	-	-	375,945
Tournament workers	-	26,434	130,069	29,094	20,477	-	-	206,074
Utilities and telephone	81,073	-	-	-	-	-	-	81,073
Total Expenses	\$ 3,012,235	\$ 542,998	\$ 464,463	\$ 161,847	\$ 142,418	\$ 50,361	\$ 27,153	\$ 4,401,475

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES

-CONTINUED-

YEAR ENDED JUNE 30, 2009

Other Tournaments

	Baseball	Track	Soccer	Softball	Tennis	Cross Country	Other Sports	Total Expenses
Audio visual expense	\$ 121	\$ 1,081	\$ 299	\$ 393	\$ 284	\$ 420	\$ 2,454	\$ 5,052
Other event costs	7,013	3,475	4,438	2,040	7,035	5,465	7,475	36,941
Printing and publications	2,649	5,856	2,087	2,885	1,891	1,991	11,941	29,300
Radio network	3,506	-	-	-	-	-	-	3,506
Sales and commissions	-	-	236	-	-	-	-	236
Sponsorship expense	8,414	-	-	-	-	-	11,797	20,211
Team expenses and awards	16,192	21,836	11,661	21,906	9,615	8,949	25,984	116,143
Tournament facility rental	71,391	11,330	12,425	-	2,223	8,192	17,444	123,005
Tournament workers	18,090	21,064	15,756	14,426	4,770	10,831	45,132	130,069
Total Expenses	\$ 127,376	\$ 64,642	\$ 46,902	\$ 41,650	\$ 25,818	\$ 35,848	\$ 122,227	\$ 464,463