

**KENTUCKY HIGH SCHOOL
ATHLETIC ASSOCIATION**

Report on Audited Financial Statements

For the Years Ended June 30, 2005 and 2004

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MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS
"INNOVATORS OF SOLUTION TECHNOLOGY"SM

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Kentucky High School Athletic Association (a nonprofit organization) as of June 30, 2005 and 2004, 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 audits 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 opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kentucky High School Athletic Association as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses on page 14 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 audits 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.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky
August 18, 2005

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

	2005	2004
Assets		
Cash:		
Operating accounts	\$ 604,620	\$ 794,358
Cash balance allocated for Dawahares Hall of Fame Project	152,669	151,694
Investments	400,000	401,682
Investments designated for debt repayment	225,491	245,543
Accounts receivable	65,928	101,301
Land, buildings, and equipment, net of accumulated depreciation	2,686,232	2,774,695
Debt issuance cost, net of amortization	23,732	33,225
 Total assets	 \$ 4,158,672	 \$ 4,502,498
Liabilities		
Accounts payable	\$ 227,075	\$ 188,174
Accrued wages	13,962	19,955
Deferred revenues	273,563	246,012
Accrued sick leave	91,379	82,387
Notes payable	516,825	725,273
 Total Liabilities	 1,122,804	 1,261,801
Net Assets		
Unrestricted:		
Operating	2,313,710	2,615,587
Board designated	466,158	385,110
Debt service reserve	224,000	224,000
 Total unrestricted	3,003,868	3,224,697
Temporarily restricted	32,000	16,000
 Total net assets	 3,035,868	 3,240,697
 Total liabilities and net assets	 \$ 4,158,672	 \$ 4,502,498

The accompanying notes are an integral part of the financial statements.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2005 and 2004

	2005	2004
Changes in unrestricted net assets:		
Revenues, gains and support:		
Boys state basketball tournament	\$ 1,484,624	\$ 1,545,371
Member fees	487,615	485,500
Girls state basketball tournament	311,852	297,995
Football playoffs	250,115	288,457
Other tournaments	418,611	382,603
Interest earned	18,388	6,051
Hall of fame events	51,928	53,471
Public and other support	380,140	320,198
Advertising and publications	18,833	13,895
	3,422,106	3,393,541
Expenses and losses:		
General and administrative	2,453,945	2,144,012
Boys state basketball tournament	507,563	505,227
Other tournaments	363,788	304,843
Girls state basketball tournament	151,447	150,708
Football playoffs	80,701	89,090
Hall of fame events	56,436	51,564
Fundraising	29,055	26,623
	3,642,935	3,272,067
Increase (decrease) in unrestricted net assets	(220,829)	121,474
Changes in temporarily restricted net assets:		
Contributions	32,000	16,000
Net assets released from restrictions	(16,000)	
Increase in temporarily restricted net assets	16,000	16,000
Increase (decrease) in net assets	(204,829)	137,474
Net assets, beginning of year	3,240,697	3,103,223
Net assets, end of year	\$ 3,035,868	\$ 3,240,697

The accompanying notes are an integral part of the financial statements.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Increase (decrease) in net assets:	\$ (204,829)	\$ 137,474
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization	109,473	105,013
Change in:		
Accounts receivable	35,373	(7,447)
Prepaid insurance		3,553
Accounts payable	51,420	108,355
Unearned revenues	27,551	38,315
Accrued expenses	2,999	17,147
Net cash provided by operating activities	21,987	402,410
Cash flows from investing activities:		
Purchase of building improvements and equipment	(24,036)	(22,817)
Transfer to account for Dawahares Hall of Fame Project	(975)	(50,770)
Purchase of investments	(21,450)	(493,938)
Maturity of investments	43,184	494,871
Net cash provided (used) by investing activities	(3,277)	(72,654)
Cash flows from financing activities:		
Reduction of debt	(208,448)	(179,579)
Net cash (used) by financing activities	(208,448)	(179,579)
Change in cash and cash equivalents	(189,738)	150,177
Cash and cash equivalents, beginning of year	794,358	644,181
Cash and cash equivalents, end of year	\$ 604,620	\$ 794,358
Supplemental Data:		
Cash paid for interest during the year	\$ 34,218	\$ 44,421
Supplemental Schedule of Noncash Activity:		
Purchase of Fixed Assets Included in Accounts Payable	\$ 3,400	\$ 15,919
Non cash interest expense	\$ 7,266	\$ 5,874

The accompanying notes are an integral part of the financial statements.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities. The 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.

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 generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 not collectible. Generally accepted accounting principles requires that an allowance for uncollectible account balances be established for uncollectible account balances, and write-offs 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.

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 those 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 and depreciated over their useful life.

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>Years</u>
Furniture and equipment	3-10
Building	40

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

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

Financial Statement Presentation. These financial statements are presented in accordance with established standards for external financial reporting by not-for profit organizations, which requires resources be classified for accounting and reporting purposes into three classes of net asset categories according to externally (donor) imposed restrictions:

- a. Unrestricted net assets encompass the portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations,
- b. 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.
- c. 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.

2. Cash on Deposit with Banks

As of June 30, 2005 and 2004, the carrying amount of the Associations' cash deposits with banks was \$757,289 and \$946,052, respectively. Of the balances at June 30, 2005 and 2004, amounts totaling \$198,646 and \$216,585, respectively, were covered by federal depository insurance, and \$613,582 and \$831,703, respectively, were collateralized in conjunction with other public service accounts by designated funds at Fifth Third Bank.

3. Investments

Investments at June 30, 2005 and 2004 are summarized as follows:

<u>Type of Investment</u>	<u>2005</u>	<u>2004</u>
Money market account - Board designated funding	\$ 400,000	\$ 401,682
Money market account - Debt service repayment	<u>225,491</u>	<u>245,543</u>
Totals	<u>\$ 625,491</u>	<u>\$ 647,225</u>

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

Total investment return for the years ended June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Interest earned on money market accounts	\$ 5,015	\$ 2,127
Interest earned on Mutual Fund	<u>6,156</u>	<u>1,684</u>
	<u>\$ 11,171</u>	<u>\$ 3,811</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.

4. Land, Buildings, & Equipment

Land, buildings, and equipment for the years ended June 30, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Land	\$ 431,341	\$ 431,341
Building	3,192,225	3,192,225
Equipment	<u>419,413</u>	<u>407,896</u>
	4,042,979	4,031,462
Accumulated depreciation	<u>(1,356,747)</u>	<u>(1,256,767)</u>
	<u>\$ 2,686,232</u>	<u>\$ 2,774,695</u>

Depreciation expense for the years ended June 30, 2005 and 2004 was \$99,980 and \$95,520, respectively.

5. Deferred Revenues

Deferred revenues for the years ended June 30, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Unearned dues paid by member schools	\$ 65,800	\$ 72,600
Unearned registration fees paid by officials	101,195	52,150
Unearned portion of Dawahares Hall of Fame Support	<u>106,568</u>	<u>121,262</u>
	<u>\$ 273,563</u>	<u>\$ 246,012</u>

In 2003, the Association entered into an agreement with Dawahares to ensure the long-term financial success of the Hall of Fame projects. Under the Agreement, the premium amount paid by Dawahares for the sponsorship is \$20,000 per year for ten years, with the option of pre-payment in three

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
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For the Years Ended June 30, 2005 and 2004

consecutive \$50,000 payments. Dawahares elected the sponsorship prepayment, which reduced the amount by 25% to a total of \$150,000. Deferred revenue on the Dawahares' contract for the years ended June 2005 and 2004 totaled \$106,568 and \$121,262, respectively. In return, Dawahares receives a variety of advertising at various tournaments, which is recognized as advertising revenue at year-end against the unearned portion. Interest expense on the Dawahares contract for the years ended June 30, 2005 and 2004 totaled \$7,266 and \$5,874, respectively.

6. Accrued Sick Leave

Association 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 have a choice between retirement service credit and a lump sum settlement.

As of June 30, 2005 and 2004, the estimated accrued sick leave liability is \$91,379 and \$82,387, respectively.

7. Notes Payable

On February 1, 1994, the Association entered into a loan agreement with the Lexington-Fayette Urban County Government relating to the Industrial Building Revenue Refunding Bonds (KHSAA PROJECT) of 1994. The Lexington-Fayette Urban County Government issued Industrial Building Revenue Bonds that were sold in a private sale to The Fifth Third Bank of Central Kentucky, Inc. The Association signed a fifteen year promissory note with the Lexington-Fayette Urban County Government. Interest on the note was 5.1% through and including January 31, 1999, to be adjusted each fifth year. Effective February 1, 1999, the rate was renegotiated to 5.4% fixed through the remaining life of the loan. Payments on the promissory note have been irrevocably assigned to The Fifth Third Bank as trustee. The balance of the loan was \$516,825 and \$725,273 at June 30, 2005 and 2004, respectively.

The terms of the loan agreement require, among other covenants, the following:

- Annual audited financial statements,
- Prior written consent before assets, applicable to the loan, are transferred, pledged or encumbered,
- Maintenance of nonprofit and tax exempt status,
- Prior approval of additional indebtedness greater than \$50,000,
- Cash flow coverage of 1.2 to 1, and
- Maintenance of a debt service reserve fund.

Cash flow coverage is defined as the ratio of the sum of the increase in net assets plus depreciation plus interest expense to the sum of current maturities of long-term debt plus interest expense, as such appear on the audited financial statement. The Association had no cash flow for the year ended June 30, 2005 and a cash flow coverage ratio of 1.20 for the year ended June 30, 2004.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

Subsequent to June 30, 2005, the Association received a waiver of non-compliance with the "Cash Flow Coverage" covenant of the bond indenture for the year ending June 30, 2005. This waiver releases the Association from call provisions on its debt to Fifth-Third Bank of Central Kentucky, Inc. only as it pertains to the year ended June 30, 2005.

The debt service reserve fund is required to be "the least of (i) maximum annual debt service on the Bonds, (ii) 125% of average annual debt service on the Bonds or (iii) 10% of the principal amount of the Bonds, provided that in no event shall any portion of the Debt Service Reserve Fund funded with proceeds from the sale of the bonds exceed 10% of the sale proceeds of the Bonds." At June 30, 2005 and 2004, the debt service reserve was \$224,000, using option (i) and the required debt service reserve at June 30, 2005 and 2004 was \$51,683 and \$72,527, respectively.

The expected principal payments over the next five year period and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal Obligation</u>
2006	\$ 200,436
2007	211,690
2008	104,699
2009	-0-
2010	-0-
	<hr style="width: 100%; border: 0.5px solid black;"/>
	<u>\$ 516,825</u>

Interest expense on this note for the years ended June 30, 2005 and 2004 totaled \$34,218 and \$44,421, respectively. Debt issuance costs of \$120,331 associated with the issuance of the debt are amortized over the life of the loan (15 years) and are presented on the balance sheet net of amortization. The balance for the years ended June 30, 2005 and 2004 is \$23,732 and \$33,225, respectively.

8. Pensions

- a. **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 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 years ended June 30, 2005 and 2004 was \$347,695 and \$334,183, respectively.

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

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) years of Kentucky service or complete twenty-seven (27) years 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 (2½) 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 is the average of the employee's five (5) highest annual salaries, and for employees retiring at the age of fifty-five or over, it is the average of the employee's three (3) highest annual salaries. New members (including second retirement accounts started) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% 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) years of service may retire and receive 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) years 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 payroll. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee contributions plus interest earned are refunded to the employee upon his or her request.

Schedule of Contributions

	<u>Required Employee Contribution</u>	<u>Required Employer Contribution</u>	<u>Required Total Contribution</u>	<u>Percentage of Required Contribution Actually Made</u>
2005	\$ 34,283	\$ 45,078	\$ 79,361	100%
2004	33,321	44,286	77,607	100%
2003	31,175	41,297	72,472	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

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

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 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.

- b. **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 years ended June 30, 2005 and 2004 was \$173,723 and \$167,830, respectively.

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 65 and have 48 or more months of service or accumulate 27 years 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 years multiplied by the number of years of service credit divided by twelve. Members' retirement benefits become fully vested when they complete sixty months of service, twelve of which are current service. For the years ended June 30, 2005 and 2004, participating employees contributed 5% of creditable compensation to the System. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one percent (1%) 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 7.53% and 5.89% of members' non-hazardous compensation for the years ended June 30, 2005 and 2004, respectively.

Early Retirement Benefits. Members retiring at less than 55 years of age with 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.

Schedule of Contributions

	<u>Required Employee Contribution</u>	<u>Required Employer Contribution</u>	<u>Required Total Contribution</u>	<u>Percentage of Required Contribution Actually Made</u>
2005	\$ 9,731	\$ 11,464	\$ 21,195	100%
2004	8,722	9,922	18,644	100%
2003	8,058	9,509	17,567	100%

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

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.

9. Temporarily Restricted and Board Designated Net Assets

Temporarily restricted net assets are restricted for the National City Bank scholarships, and totaled \$32,000 and \$16,000 at June 30, 2005 and 2004, respectively.

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

	2005	2004
Debt prepayment	\$ -0-	\$ 5,000
Museum development	105,276	15,676
Trademark/Novelty reserve	51,615	55,704
Officials division	18,164	16,672
Plant emergencies	101,562	102,261
Equipment replacement	75,735	60,203
Training/development reserve	10,381	31,404
Title IX Project	81,363	84,411
Sportsmanship Scholarships	12,009	10,564
Sportsmanship Awards	10,053	3,215
	\$ 466,158	\$ 385,110

10. 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 are included as revenue and expenses to program activities. Donated services that are recognized in the basic financial statements for the years ended June 30, 2005 and 2004 are as follows:

	2005	2004
Vehicles	\$ 14,650	\$ 12,400
Phones	12,878	12,558
	\$ 27,528	\$ 24,958

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2005 and 2004

11. Concentrations of Credit Risk

Major Activities. The Association earned \$1,484,624 and \$1,545,371 in gross revenue from the Boys State Basketball Tournament for the years ended June 30, 2005 and 2004, respectively. This represents approximately 44% and 46% of the Association's total gross revenues and support for 2005 and 2004, respectively.

The Association earned \$487,615 and \$485,500 in fees from member schools and officials for the years ended June 30, 2005 and 2004, respectively. These fees represent approximately 14% of the Association's total gross revenues and support for 2005 and 2004, respectively.

SUPPLEMENTAL DATA

KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2005
with Comparative Totals for the Year Ended June 30, 2004

	Boys State		Other Tournaments							Girls State		Hall of Fame		2005		2004			
	General & Administrative	Basketball Tournament	Baseball	Track	Soccer	Softball	Tennis	Country	Cross	Other Sports	Basketball Tournament	Football	Events	Raising	Fund	Total	Total	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Personnel	748,356																		723,857
Professional fees	437,073																		341,445
Other event costs	217,994	16,606	30,316	4,424	3,469	1,161	5,990	2,959	15,914		12,005	12,587	56,436	1,130				380,991	209,787
Tournament facility rental		200,212	2,985	11,246	10,970	1,370	1,314	8,397	8,406		8,087	15,173						268,160	285,386
Printing and publications	154,363	43,400	2,756	3,719	2,372	2,634	2,337	2,271	12,101		22,076	19,304						267,333	249,160
Team expenses and awards		51,217	16,302	16,114	10,846	21,594	6,657	6,178	23,737		51,612	13,459						217,716	230,072
Insurance	204,090																	204,090	191,832
Tournament workers		23,295	15,070	17,600	13,876	9,786	4,415	4,941	34,148		27,174	14,402						164,707	138,642
Radio network		81,704	6,200								19,348	1,405						108,657	100,402
Sponsorship expense		81,647	10,095				4,998		3,382		6,775							106,897	96,472
Miscellaneous	105,601																	105,601	107,911
Depreciation	99,980																	99,980	95,520
Clinics and officials' expenses	68,774																	68,774	66,650
Board of Control	63,705																	63,705	59,505
Repairs and maintenance	63,690																	63,690	53,650
Utilities and telephone	59,317																	59,317	58,579
Postage	50,886																	50,886	46,806
Dues	43,130																	43,130	43,270
Interest expense	41,484																	41,484	50,295
Professional development	37,001																	37,001	30,141
Sales commissions		4,856			188						1,230	2,417		27,925				36,616	35,773
Auto usage	27,528																	27,528	24,958
Administrative travel	21,480																	21,480	19,503
Audio visual expense		4,626			200				350		3,140	1,954						10,270	2,958
Amortization of debt cost	9,493																	9,493	
Total expenses	2,453,945	507,563	83,724	53,103	41,921	36,545	25,711	24,746	98,038	151,447	80,701	56,436	29,055	3,642,935	3,272,067	3,642,935	3,272,067		