

Marco Seidman, CPA PC

**MASSACHUSETTS INTERSCHOLASTIC
ATHLETIC ASSOCIATION, INC.**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

Marco Seidman, CPA PC

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.

JUNE 30, 2020 AND 2019

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October 21, 2020

Independent Auditors' Report

To The Board of Directors
Massachusetts Interscholastic
Athletic Association, Inc.
Franklin, Massachusetts

We have audited the accompanying financial statements of Massachusetts Interscholastic Athletic Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and June 30, 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Interscholastic Athletic Association, Inc. as of June 30, 2020 and June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The World Health Organization has declared COVID-19 a global pandemic leading to broader global economic uncertainties. On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security (“CARES”) Act to provide certain relief as a result of the COVID 19 pandemic. The Association is currently evaluating the impacts of COVID-19 and the CARES Act will have on its financial position, results of operations, and cash flows (see Note 14). Our opinion is not modified with respect to this matter.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash | \$ 524,399 | \$ 345,500 |
| Investments available for sale (Cost of \$580,348 as of June 30, 2020 and \$572,462 as of June 30, 2019) (Notes 1 and 3) | 586,868 | 702,814 |
| Accounts receivable (Note 1) | | |
| Association receivables, net of allowance for doubtful accounts of \$12,584 for June 30, 2020 and \$9,988 for June 30, 2019 | 220,406 | 180,936 |
| Tournament income receivable | 1,631 | 6,218 |
| Prepaid expenses | 30,036 | 61,642 |
| Due from related party (Note 9) | 7,452 | 8,828 |
| TOTAL CURRENT ASSETS | 1,370,792 | 1,305,938 |
| Property and equipment, net (Notes 1 and 4) | 1,513,469 | 1,675,695 |
| Other assets: | | |
| Designated Investments (Note 3) | 137,149 | 141,219 |
| Cash surrender value life insurance (Note 5) | 33,263 | 31,502 |
| Postretirement benefits-over funded (Notes 1 and 6) | 631,805 | 1,017,845 |
| Total Assets | \$ 3,686,478 | \$ 4,172,199 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 39,752 | \$ 290,501 |
| Deferred revenue | 43,420 | 82,925 |
| Loan Payable | 52,927 | - |
| Capital lease obligations, current portion (Note 8) | - | 1,849 |
| Postretirement obligations, current portion (Notes 1 and 6) | 14,599 | 24,153 |
| TOTAL CURRENT LIABILITES | 150,698 | 399,428 |
| Noncurrent Liabilities: | | |
| Accrued pension benefits (Notes 1 and 6) | 12,907 | - |
| Accrued vacation and sick pay (Note 6) | 183,340 | 143,498 |
| Deferred compensation (Note 7) | 35,781 | 53,095 |
| TOTAL NONCURRENT LIABILITES | 232,028 | 196,593 |
| Total Liabilities – balance carried forward | 382,726 | 596,021 |

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MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Total Liabilities brought forward | 382,726 | 596,021 |
| Net Assets: | | |
| Without donor restrictions | | |
| Undesignated | 3,127,836 | 3,420,790 |
| Board designated for endowment fund (Note 2) | 56,511 | 56,511 |
| Total without donor restrictions | 3,184,347 | 3,477,301 |
| With donor restrictions (Note 2) | 119,405 | 98,877 |
| Total net assets | 3,303,752 | 3,576,178 |
| Total Liabilities and Net Assets | <u>\$ 3,686,478</u> | <u>\$ 4,172,199</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| <u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u> | | |
| <u>Revenue and Support</u> | | |
| Athletic events | \$ 2,683,671 | \$ 3,261,989 |
| Membership dues | 1,149,600 | 1,139,620 |
| PPP Forgiveness | 291,340 | - |
| Educational Athletics | 273,187 | 331,548 |
| Corporate Sponsorships | 266,524 | 87,177 |
| Ball agreements | 234,000 | 257,000 |
| Grant Income | 193,725 | 187,075 |
| Tournament souvenirs | 117,000 | 115,000 |
| Officials enrollment | 98,141 | 255,851 |
| Rules Publication | 34,580 | 15,538 |
| Miscellaneous income | 9,817 | 9,710 |
| Conferences and workshops | <u>2,760</u> | <u>48,810</u> |
| Total revenue and support without donor restrictions | 5,354,345 | 5,709,318 |
| <u>Expenses (Note 13)</u> | | |
| Program services: | | |
| Athletic events | 2,952,510 | 3,433,621 |
| Educational Athletics | 802,269 | 941,735 |
| Other Programs | <u>193,847</u> | <u>346,519</u> |
| | 3,948,626 | 4,721,875 |
| General and administrative | 933,544 | 1,116,226 |
| Fundraising | <u>131,234</u> | <u>139,848</u> |
| Total expenses | <u>5,013,404</u> | <u>5,977,949</u> |
| Increase (Decrease) in net assets from operations (balance forward) | 340,941 | \$ (268,631) |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Balance brought forward | \$ 340,941 | \$ (268,631) |
| <u>Other Revenue (Expenses) without Donor Restrictions</u> | | |
| Rental income | 58,000 | 55,000 |
| Investment Return, net | (45,012) | 56,256 |
| Interest expense | <u>-</u> | <u>(254)</u> |
| Total other unrestricted revenue (expenses) | <u>12,988</u> | <u>111,002</u> |
| <u>Increase (Decrease) In Net Assets without Donor Restrictions from Operating Activities</u> | 353,929 | (157,629) |
| <u>Postretirement Benefit Changes Other Than Net Periodic Pension Costs (Note 6)</u> | <u>(646,883)</u> | <u>1,645,281</u> |
| <u>Increase (Decrease) In Net Assets without Donor Restrictions</u> | <u>(292,954)</u> | <u>1,487,652</u> |
| <u>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</u> | | |
| Contributions – Endowment Fund | 9,450 | 8,050 |
| Special Events – Endowment Fund | 11,078 | 14,040 |
| Scholarships Granted | <u>-</u> | <u>(1,633)</u> |
| Increase in net assets with donor restrictions | 20,528 | 20,457 |
| Increase (decrease) in net assets | (272,426) | 1,508,109 |
| <u>NET ASSETS AT THE BEGINNING OF THE YEAR</u> | <u>3,576,178</u> | <u>2,068,069</u> |
| <u>NET ASSETS AT THE END OF THE YEAR</u> | <u>\$ 3,303,752</u> | <u>\$ 3,576,178</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|------------------|-----------------|
| <u>Cash Flows From Operating Activities</u> | | |
| Change in net assets | \$ (272,426) | \$ 1,508,109 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 162,226 | 193,907 |
| Unrealized (gain) loss on investments | 132,136 | (27,863) |
| PPP Loan Forgiveness | (291,340) | - |
| (Increase) decrease in assets: | | |
| Accounts receivable | (34,883) | 27,489 |
| Prepaid expenses | 31,606 | 34,537 |
| Due from related party | 1,376 | 5,192 |
| Cash surrender value life insurance | (1,761) | (1,761) |
| Postretirement benefits-over funded | 386,040 | (1,017,845) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (250,749) | (84,120) |
| Accrued postretirement benefits | 43,195 | (549,222) |
| Deferred revenue | (39,505) | (45,000) |
| Deferred compensation | (17,314) | (16,815) |
| Net cash provided (used) by operating activities | <u>(151,399)</u> | <u>26,608</u> |
| <u>Cash Flows From Investing Activities</u> | | |
| Proceeds from sales of investments | 407,895 | 363,801 |
| Purchase of investments | (420,015) | (392,194) |
| Acquisition of property and equipment | - | (11,331) |
| Net cash provided (used) by investing activities | <u>(12,120)</u> | <u>(39,724)</u> |
| <u>Cash Flows From Financing Activities</u> | | |
| PPP loan proceeds | 344,267 | - |
| Principal payments of capital lease obligations | (1,849) | (21,967) |
| Net cash provided (used) by financing activities | <u>342,418</u> | <u>(21,967)</u> |

Marco Seidman, CPA PC

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| <u>Increase (Decrease) In Cash</u> | \$ 178,899 | \$ (35,083) |
| <u>Cash and Cash Equivalents At Beginning of Year</u> | <u>345,500</u> | <u>380,583</u> |
| <u>Cash and Cash Equivalents At End of Year</u> | <u>\$ 524,399</u> | <u>\$ 345,500</u> |

Supplemental Information

| | | |
|----------------|-------------|---------------|
| Cash paid for: | | |
| Interest | <u>\$ -</u> | <u>\$ 254</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1. Summary of Significant Accounting Policies

A summary of significant accounting policies employed by the Association is as follows:

Nature of Activities

Massachusetts Interscholastic Athletic Association, Inc., (“the Association”) is a voluntary, nonprofit association organized by its member high schools to provide leadership and support for the conduct of education-based athletics and activities designed to impart life lessons, and convey or reinforce values that will ensure an enhanced quality of life for all student participants.

Through its commitment to educational athletics the Association provides extensive programming in the areas of wellness, sportsmanship, citizenship, leadership and coaches’ education.

The Association's revenue comes primarily from the conduct of sports tournaments, programs, activities and member dues.

Basis of Presentation

The Association reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

The governing board has designated an endowment from net assets without donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Association, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

Income Tax Status

The Association is exempt from federal income and state excise taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities in 2020 and 2019. Therefore, the Association has made no provision for federal income and state excise tax in the accompanying financial statements.

Investments

The Association follows ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. Under ASC 958-320 investments 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.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to accounts receivable.

Property and Equipment

Property and equipment are recorded at cost. The Association capitalizes property and equipment with costs greater than \$1,000 and with useful lives in excess of one year. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

| | |
|---------------------------|--------------------------|
| Furniture and equipment | Five – Ten Years |
| Building and improvements | Ten - Thirty-three Years |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Income from membership dues and program fees received in advance is deferred, and recognized over the periods to which the dues and fees relate.

Postretirement Benefits

The Association has adopted Financial Accounting Standard Board Codification FASB ASC 715 *Employers' Accounting for Postretirement Benefits*. FASB ASC 715 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the Statement of Financial Position and to recognize changes in funded status in the year in which the changes occur through changes in net assets without donor restrictions.

Fair Values of Financial Instruments

FASB ASC 825-10 requires the Association to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Association's financial instruments:

The carrying amounts of cash, receivables, and accrued liabilities approximate fair value because of the relatively short maturity of those instruments. Marketable securities are valued at quoted prices in active markets.

Use of Estimates

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

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.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 1. Summary of Significant Accounting Policies (Continued)

Expense Allocation

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses (Note 14) presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis. Personnel costs, professional services, office expense, information technology, insurance, and other expenses are allocated on the basis of estimates of time, effort and/or usage.

Note 2. Restrictions on Net Assets

The Association receives donations to the MIAA Education Based Athletics Endowment Fund. The Endowment was established to fund educational programs for student-athletes. The board of directors approves the amount available for scholarships annually for the coming year.

Endowment Funds are comprised of:

| | |
|---|-----------|
| Donor Funds – With Donor Restrictions | \$119,405 |
| Board Designated Funds-Without Donor Restrictions | \$ 56,511 |

Note 3. Investments

Investments are reported at aggregate fair value based on quoted market prices for those investments (Level 1 measurement). Unrealized gains and losses are included in earnings and reported in the statement of activities. The specific identification cost basis is used to determine realized gain or loss of securities. All securities are considered available for sale. Money market funds held within the brokerage accounts are treated as investments.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 3. Investments (Continued)

The Association held the following investments at June 30, 2020 and 2019:

| | June 30, 2020 | | |
|------------------------------|---------------|---------------------------------|-----------------|
| | Cost | Unrealized Gain or (Loss) | Market Value |
| Equity and Debt Securities | \$ 716,321 | \$ 491 | \$ 716,812 |
| Money Market Funds | 7,205 | - | 7,205 |
| | \$ 723,526 | \$ 491 | \$ 724,017 |
| Designated to Endowment Fund | (143,178) | 6,029 | (137,149) |
| | \$580,348 | \$ 6,520 | \$ 586,868 |
| | June 30, 2019 | | |
| | Cost | Unrealized Gain or (Loss) | Market Value |
| Equity and Debt Securities | \$ 665,770 | \$ 132,627 | \$ 798,397 |
| Money Market Funds | 45,636 | - | 45,636 |
| | \$ 711,406 | \$ 132,627 | \$ 844,033 |
| Designated to Endowment Fund | (138,944) | (2,275) | (141,219) |
| | \$ 572,462 | \$ 130,352 | \$ 702,814 |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 3. Investments (Continued)

Components of investment return are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|------------------|
| Unrealized gains (losses) | \$ (132,136) | \$ 27,863 |
| Realized gains (losses) | 62,672 | 12,477 |
| Dividends and interest | <u>25,731</u> | <u>22,249</u> |
| Total unrestricted return on investment | \$ (43,733) | \$ 62,589 |
| Investment Expense | <u>(1,279)</u> | <u>(6,333)</u> |
| Investment Return, net | <u>\$ (45,012)</u> | <u>\$ 56,256</u> |

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair market value hierarchy are described below:

(i) Level 1-Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

(ii) Level 2-Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means

(iii) Level 3-Inputs to the valuation methodology are unobservable with asset values based on models. Assumptions from market participants are used when pricing the asset or liability, given there is no readily available market information on them. Level 3 assets are not actively traded, and their values can only be estimated using a combination of complex market prices, mathematical models, and subjective assumptions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 4. Property and Equipment

Property and equipment consists of the following:

| | 2020 | 2019 |
|--------------------------------|--------------------|---------------------|
| Land | \$ 350,000 | \$ 350,000 |
| Building and improvements | 2,487,278 | 2,487,278 |
| Furniture & equipment | <u>1,066,112</u> | <u>1,066,112</u> |
| | 3,903,390 | 3,903,390 |
| Less: Accumulated depreciation | <u>(2,389,921)</u> | <u>(2,227,695)</u> |
| | <u>\$1,513,469</u> | <u>\$ 1,675,695</u> |

Depreciation charged to operations totaled \$162,226 and \$193,907 for the years ended June 30, 2020 and 2019, respectively.

Note 5. Cash Surrender Value Life Insurance

Cash surrender value life insurance represents the Association's assigned interest in a split dollar life insurance policy on a key employee. The cash value amounts represent premiums paid by the Association under a split dollar arrangement.

Note 6. Pension and Other Postretirement Plans

The Association maintains a 403(b) Plan, the MIAA/MSAA Pension Plan (the "Pension Plan"), which was originally effective July 1, 1996. The Association contributes to the Plan on behalf of eligible employees (as defined in the Plan), a percentage of Plan Compensation from 7% to 11.5% based on years of Service regardless of whether or not a Participant makes pre-tax contributions to the Plan. The Association's contribution is subject to 100% vesting upon entry.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 6. Pension and Other Postretirement Plans (Continued)

Effective July 1, 2008, the Association established the MIAA/MSAA Retirement Plan (the "Retirement Plan"), a contributory defined benefit pension plan for its eligible employees (as defined in the Plan). The Retirement Plan benefit formula is generally based on the Massachusetts Teacher's Retirement System Plan. The Plan's benefit formula considers age, years of service (up to a maximum of 32 years) and applies a percentage factor to Plan defined compensation. The resulting amount is offset by a calculation (as specified in the Plan) that annuitizes the "Theoretical Employer Account Balance" attributable to the Association's contribution to the MIAA/MSAA pension 403(b) plan. The benefit amount is then further offset by the Participant's annual Social Security Benefit (as defined in the Plan) payable at their "Social Security Retirement Age". This figure ("Benefit 1") is then grossed up for the applicable Massachusetts state Income Tax Rate. The Participant's annual Normal Retirement benefit is then determined to be the greater of (i) Benefit 1 or (ii) a minimum annual benefit of \$120.00 times a participant's years of service. The normal retirement benefit is subject to a seven-year graded vesting schedule. Participants are guaranteed of receiving at a minimum, a return of the participant's "Mandatory Employee Contributions" of 4.8% of salary with interest, in accordance with Plan terms.

The Association also maintains the MIAA/MSAA Post-Retirement Medical Insurance Premium Plan (the "Plan"), effective July 1, 2008, to subsidize the cost of post-retirement medical insurance premiums for the Association's post-retirement medical insurance policy then in effect for eligible retired employees and their "Immediate Family Members" ("Participants") (as defined in the Plan), based on Years of Service. In order to fund the Association's share of the cost, it established a Voluntary Employee Benefit Association or "VEBA" pursuant to Sections 501 (c) (9) and 512 of the Internal Revenue Code of 1986 as amended.

During 2019 the Association amended the post-retirement medical insurance plan to cap benefits to \$250 per month each, for the retiree and his/her spouse.

The accrued unfunded (overfunded) postretirement benefits reflected in the statement of financial position is made up of the following:

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 6. Pension and Other Postretirement Plans (Continued)

| | 2020 | 2019 |
|---|--------------|----------------|
| Accrued pension benefits (overfunded) | \$ - | \$ (457,324) |
| Accrued postretirement health benefits (overfunded) | (617,206) | (536,368) |
| Add: Current portion | (14,599) | (24,153) |
| Postretirement benefits overfunded | \$ (631,805) | \$ (1,017,845) |
| | 2020 | 2019 |
| Accrued pension benefits underfunded | \$ 12,907 | \$ - |
| Accrued vacation and sick pay | \$ 183,340 | \$ 143,498 |
| Post retirement obligations, current portion | \$ (14,599) | \$ (24,153) |

The following table sets forth the funded status of both postretirement plans reconciled with the amount shown in the Association's statement of financial position at June 30, 2020 and 2019.

| | Pension Benefits | | Postretirement Health Benefits | |
|---|------------------|---------------|--------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Postretirement benefit obligation | \$2,462,685 | \$2,228,389 | \$ 332,325 | \$ 483,371 |
| Plan assets at fair value | (2,449,778) | (2,685,713) | (949,531) | (1,019,739) |
| Postretirement benefit obligation in excess of plan assets included in the Statements of Financial Position | \$ 12,907 | \$ (457,324) | \$ (617,206) | \$ (536,368) |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 6. Pension and Other Postretirement Plans (Continued)

The accumulated postretirement health benefit is the portion of the total obligation earned to date and is used as the postretirement health benefit obligation in these financial statements.

Included under Insurance and Employee Benefits are the following pension and postretirement health plan expenses.

| | 2020 | 2019 |
|--------------------------------|--------------|---------------|
| Pension Plan | \$ (140,414) | \$ (29,413) |
| 403(b) Plan | 115,359 | 126,919 |
| Postretirement health benefits | (117,076) | 112,852 |
| | \$ (142,131) | \$ 210,358 |

Net periodic postretirement benefit costs for June 30, 2020 and 2019 included the following components:

| | Pension Benefits | | Postretirement Health Benefits | |
|---|------------------|-------------|--------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Service cost – benefits attributed to service during the period | \$ - | \$ - | \$ 11,757 | \$ 71,487 |
| Interest cost on accumulated postretirement benefit obligation | 69,825 | 100,458 | 15,317 | 58,861 |
| Expected return on plan assets | (210,239) | (202,260) | (30,384) | (28,505) |
| Amortization of transition obligation | - | - | 21,705 | 21,705 |
| Prior Service Cost | - | - | (134,843) | (10,696) |
| Recognition of (gains)/losses | - | 72,389 | (628) | - |
| Net periodic postretirement benefit cost deducted under administrative operations in the Statements of Activities | \$(140,414) | \$(29,413) | \$(117,076) | \$ 112,852 |

The assumptions at June 30, used by the Association to calculate the benefit obligations as of that date and to determine the benefit cost in the subsequent year are as follows:

| | Pension Benefits | | Postretirement Health Benefits | |
|---|-------------------------------------|--------|--------------------------------|--------|
| | Weighted-average assumptions | | | |
| Discount rate (beginning of period) | 3.25% | 3.875% | 3.25% | 4.125% |
| Discount rate (end of period) | 3.25% | 3.25% | 2.5% | 3.250% |
| Rate of increase in compensation levels (beginning of period) | 5.00% | 5.00% | | - |
| Rate of increase in compensation levels (end of period) | 5.00% | 5.00% | | - |
| Expected return on plan assets | 8.00% | 8.00% | 3.00% | 3.00% |
| Health care cost trend rates: | | | | |
| Pre-Medicare | - | - | - | 5.50% |
| Medicare | - | - | - | 2.50% |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 7. Deferred Compensation Liability

Effective February 1, 2001, the Association adopted an executive compensation plan that allows certain designated executives to defer payment of a portion of their current compensation until retirement or termination. The plan is a nonqualified deferred compensation arrangement which constitutes an unsecured promise to pay an employee in the future for services rendered today. The plan is frozen and exists to pay benefits to the one participant.

Note 8. Capital Leases

The Association leases certain office equipment under capital leases. The economic substance of the leases is that the Association is financing the acquisition of the equipment. Accordingly, the equipment is recorded as an asset and the leases are recorded as a liability. Amortization of the leases is included in depreciation.

The following is an analysis of the leased asset included in property and equipment.

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|------------------|------------------|
| Equipment under capital lease | \$ 119,843 | \$ 119,843 |
| Less: Accumulated depreciation | <u>(119,843)</u> | <u>(119,543)</u> |
| | <u>\$ 0</u> | <u>\$ 300</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 9. Related Party Transactions

The Association shares its building and employees with the Massachusetts School Administrators' Association, Inc. (MSAA). Rent payments to Massachusetts Interscholastic Athletic Association, Inc. total \$58,000 and \$55,000 each year for the years ended June 30, 2020 and 2019, respectively. Several employees including executive staff perform services for the Association and MSAA. The salaries of individuals working for both organizations, occupancy costs (including rent), and other mutual expenses totaling \$774,184 and \$745,291 were allocated to MSAA for the years ended June 30, 2020 and 2019, respectively. MSAA reimburses the Association monthly. The Association was owed \$7,452 and \$8,828 by MSAA at June 30, 2020 and 2019, respectively.

Note 10. Concentration of Credit Risk and Revenue Source

As of June 30, 2020 and 2019 balances of cash which consisted of demand accounts and certificates of deposit exceeded the federally insured limits by \$279,575 and \$136,574 respectively.

The major portion of the Association's gross revenue comes from the conduct of high school post season athletic tournaments held in Massachusetts and member dues.

Note 11. Commitments

On December 2, 2009 the Board of Directors voted and the Association agreed to continue the disability benefits for two executives beyond the point at which the Association disability policy stops coverage, for the duration of and to the extent of its obligation under their existing contracts. As of June 30, 2020, only one of the two executives remains under contract.

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 12. Liquidity

The following reflects the Association's financial assets (cash, investments and receivables) as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | <u>June 30, 2020</u> |
|---|----------------------|
| Financial assets at year end | \$ 1,477,905 |
| Less those unavailable for general Expenditures within one year due to: | |
| Donor restricted endowment fund | 119,405 |
| Board restricted endowment fund | <u>56,511</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,301,989</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 13. Functional Classification of Expenses

As required by ASU 2016-14, all nonprofit organizations must present an analysis of expenses by their functional expense classification. The primary functional expense classifications are program services and supporting services. Expenses for the year ended June 30, 2020 and 2019 respectively, were allocated as follows:

| | <u>Program Services</u> | | | <u>Supporting Services</u> | | <u>Total</u> | <u>Total June 30, 2019</u> |
|-------------------------------------|----------------------------|----------------------------------|---------------------------|-----------------------------------|--------------------|--------------------|------------------------------------|
| | <u>Athletic Events</u> | <u>Educational Athletics</u> | <u>Other Programs</u> | <u>Management and general</u> | <u>Fundraising</u> | | |
| | ----- June 30, 2020 ----- | | | | | | |
| Athletic events | \$2,410,764 | \$ | \$ | \$ 35,000 | \$ | \$2,445,764 | \$2,841,611 |
| Educational athletics | | 480,943 | | | | 480,943 | 563,891 |
| Game officials | | | 76,590 | | | 76,590 | 187,145 |
| Conferences and workshops | | | 6,460 | | | 6,460 | 29,065 |
| Salaries | 349,950 | 207,566 | 71,571 | 425,202 | 28,477 | 1,082,765 | 1,037,828 |
| Insurance and employee benefits | 61,741 | 36,620 | 12,627 | 75,017 | 5,024 | 191,029 | 469,852 |
| Payroll taxes and administration | 41,072 | 24,361 | 8,400 | 49,904 | 3,342 | 127,079 | 112,654 |
| Fundraising | | | | | | - | 1,195 |
| Depreciation | 52,431 | 31,099 | 10,723 | 63,706 | 4,267 | 162,226 | 193,907 |
| Office operations | | | | 124,009 | | 124,009 | 158,154 |
| Buildings and grounds | 36,552 | 21,680 | 7,476 | 44,412 | 2,974 | 113,095 | 156,786 |
| Other professional fees | | | | 19,323 | 87,150 | 106,473 | 106,013 |
| Legal and accounting | | | | 41,840 | | 41,840 | 50,520 |
| Committee meetings | | | | 25,221 | | 25,221 | 32,101 |
| National Meetings | | | | 19,093 | | 19,093 | 30,425 |
| Miscellaneous | | | | 7,074 | | 7,074 | 4,331 |
| MIAA Handbooks | | | | 1,609 | | 1,609 | 2,471 |
| Public Information | | | | 2,134 | | 2,134 | - |
| Total | <u>\$2,952,510</u> | <u>\$ 802,269</u> | <u>\$ 193,847</u> | <u>\$ 933,544</u> | <u>\$ 131,234</u> | <u>\$5,013,404</u> | <u>\$ 5,977,949</u> |

MASSACHUSETTS INTERSCHOLASTIC ATHLETIC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020 AND 2019

Note 14. Pandemic

The pandemic has had a significant effect on operations, and has resulted in reduced revenue and reduced expenses. The winter sports' revenue, for example, is lower by almost \$200,000, and the spring revenue is lower by over \$400,000 as compared to the prior year. Expenses are lower as well when compared to last year. For example, program costs are down by over \$770,000.

The association has benefited from a paycheck protection loan which is expected to be fully forgiven. For the current year this has resulted in income of \$291,340.

As discussed in the note addressing subsequent events, management is continuing to address the pandemic and adjust its operations accordingly.

Note 15. Evaluation of Subsequent Events

The Association has evaluated subsequent events through October 21, 2020 the date which the financial statements were available to be issued.

The COVID-19 pandemic has had a significant effect on the Association's operations. In response, the Association has taken steps and implemented strategies to maintain cash flow and mitigate losses.

The Association is now offering online webinars, holding online meetings, and is moving toward increasing on-line ticket sales (when tournaments resume). This is having the effect of continuing the stream of income, while reducing expenses.

Additional, new revenue stream opportunities are being pursued: A Diversity and Inclusion grant application has been filed with the National Federation of State High School Associations requesting \$50,000. Government assistance loans and grants totaling approximately \$500,000 have already been received.

The Association's multi-year agreement with Teall Properties Group ("TPG"), as the exclusive agent for strategic business partnerships, athletic sponsorships and multimedia rights will continue to lead to beneficial business relationships which, in turn, benefits its member schools. TPG also will continue to assist with regional and national recognition of the Association's championships and student-athletes across its 38 sports.

Although a loss is anticipated for the fiscal year ending June 30, 2021, as of October, 2020, the Association's expected revenue, along with cash and investments available of approximately \$1,500,000 are projected to be sufficient to meet the expenses incurred throughout the fiscal year.

The Association has an unused \$150,000 line of credit available at Citizens Bank. Further, the Association owns the building in which it operates — and is investigating the option of obtaining an equity line of credit.