

7244

RECEIVED
LEGISLATIVE AUDITOR
2009 FEB 13 AM 10:35

=

**Louisiana High School Athletic Association
Financial Statements
June 30, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/18/09

**Michael R. Choate & Company, CPAs
2915 S. Sherwood Forest Blvd., Suite B
Baton Rouge, LA 70816**

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
Table of Contents
June 30, 2008

	Page Number
Independent Accountants' Report	
Statements of Financial Position	1
Statements of Activities	2
Statements of Functional Expenses	3
Statements of Cash Flows	5
Notes to Financial Statements	6



MICHAEL R. CHOATE & COMPANY, CPAs
A PROFESSIONAL CORPORATION

2915 S. Sherwood Forest Blvd., Suite B
Baton Rouge, LA 70816 (225) 292-7434
www.choatecpa.com Fax (225) 293-3651

West Causeway Executive Center
1305 West Causeway Approach, Suite 201
Mandeville, LA 70471
(985) 674-9092 Fax (985) 626-9227

INDEPENDENT AUDITOR'S REPORT

To the Executive Committee
The Louisiana High School Athletic Association
Baton Rouge, Louisiana

I have audited the accompanying statements of financial position of The Louisiana High School Athletic Association (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended June 30, 2007 were audited by another auditor. His report dated August 26, 2007 expresses a qualified opinion.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financials 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. I believe that my audit provides a reasonable basis for my opinion.

Unconditional promises to give and depreciation have not been recorded for the year ended June 30, 2007. In the opinion of the previous auditor, accounting principles generally accepted in the United States of America require the aforementioned items to be recorded. The effects of those departures on the financial statements have not been determined.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Louisiana High School Athletic Association as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Michael R. Choate & Company
Certified Public Accountants

December 8, 2008

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30 2008 and 2007

ASSETS:	<u>2008</u>	<u>2007</u>
Current assets		
Cash and cash equivalents	\$482,997	\$92,573
Receivables due from schools and affiliate	36,010	36,888
Prepaid expenses	55,179	53,012
Investment securities	<u>1,043,778</u>	<u>707,166</u>
Total current assets	<u>1,617,964</u>	<u>889,639</u>
Property & Equipment, net	536,683	1,658,472
Total Assets	<u><u>\$2,154,647</u></u>	<u><u>\$2,548,111</u></u>
 LIABILITIES AND NET ASSETS:		
Current liabilities		
Accounts Payable	\$49,991	-
Deferred Revenue	2,400	-
Current maturities of long term debt	-	46,453
Football Bond	-	<u>10,000</u>
Total current liabilities	<u>52,391</u>	<u>56,453</u>
Long term debt	-	<u>404,530</u>
Total Liabilities	<u>52,391</u>	<u>460,983</u>
 NET ASSETS:		
Unrestricted		
Designated- operating reserve	707,166	707,166
Undesignated	<u>1,395,090</u>	<u>1,379,962</u>
Total Net Assets	<u>2,102,256</u>	<u>2,087,128</u>
Total Liabilities and Net Assets	<u><u>\$2,154,647</u></u>	<u><u>\$2,548,111</u></u>

The accompanying notes to financial statements are an integral part of these statements.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF ACTIVITIES**

For the years ended June 30, 2008 and 2007

CHANGES IN UNRESTRICTED NET ASSETS	2008	2007
Support and Revenue:		
Membership Dues	\$262,825	\$173,300
Athletic Events and Playoffs	323,127	313,494
State Championship Events	-	-
State Baseball Tournament	10,161	12,451
State Swim Meet	14,891	14,730
State Volleyball Tournament	82,255	76,571
State Wrestling	43,692	42,108
State Track	20,510	-
State Cross Country	5,766	-
State Softball	41,012	-
Superdome Classic	647,817	647,716
Top 28 Tournament- Ladies	110,362	118,525
Top 28 Tournament- Boys	299,772	510,014
Registration and Entry Fees	283,400	213,672
Marketing and Promotion	-	-
Corporate Sponsorships	727,600	492,119
Events Sponsorships	-	67,062
Sales		
Event Items	74,542	253,067
Patches, Certifications and Publications	8,200	12,232
Fines and Hearings	112,812	101,971
Net Investment Return	(7,066)	69,524
Officiating	87,872	78,809
Other Income and Reimbursements	19,239	29,291
Gain on sale of vehicles	19,107	4,458
Gain on sale of building	51,303	-
	3,239,199	3,231,114
Expenses:		
Program Services	1,387,767	1,659,519
General and administrative expenses	1,836,304	1,540,291
	3,224,071	3,199,810
(Decrease) Increase in Unrestricted Net Assets	15,128	31,304
Unrestricted Net Assets, Beginning of Year	2,087,128	2,055,824
Unrestricted Net Assets, End of Year	\$2,102,256	\$2,087,128

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2008 and 2007

Program Services:	2008	2007
Annual Meeting	\$35,924	\$32,750
Area Meetings	14,546	19,497
Certificates	21,535	74,807
Clinics and Seminars	32,574	41,211
Entry Fee Reimbursements	9,328	9,468
Executive Committee	86,772	120,747
Hall of Fame Expenses	2,250	2,000
Investigative Services	9,623	8,630
Lobbying Expenses	14,600	14,927
Marketing and Promotional Expenses	60,021	256,932
National Meetings	57,806	69,236
Officials-Associations and LHSAA Fees	52,286	61,545
Patches	6,079	6,851
Rules Compliance	96,958	79,068
School Visitations, Relations, Special Meetings	48,646	26,191
Scholarship Expenses	8,000	11,389
Staff Expenses	49,493	46,005
State and National AD Meetings	7,426	6,415
State Championship Events:		
State Swim Meet	5,285	6,943
State Track	20,886	-
State Volleyball Tournament	55,430	52,944
State Wrestling	42,533	37,591
Superdome Classic	368,056	387,095
Top 28 Tournament - Ladies	80,708	84,387
Top 28 Tournament - Boys	141,256	162,616
Other state events	19,646	-
Trophies and Plaques	40,100	40,274
	\$1,387,767	\$1,659,519
Total Program Services		

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2008 and 2007

General and Administrative:	2008	2007
Accounting Fees	\$12,447	\$7,370
Automobile Expenses	33,610	40,610
Building Interest Expenses	20,281	27,399
Building Maintenance and Rent	55,356	72,651
Computer Related Expenses	29,453	77,764
Depreciation	26,930	-
Dues and Subscriptions	7,687	5,812
Equipment Maintenance and Repairs	2,539	1,786
Equipment Leases	56,989	54,714
Insurance- Health, Liab, General	142,765	130,046
Insurance- Workman's Compensation	8,147	7,855
Legal services	59,239	43,762
Moving expenses	24,395	-
Miscellaneous Expenses	1,272	5,922
Office Expenses	59,307	61,625
Payroll and Related Expenses	1,090,224	825,122
Payroll - Retirement Plan Contribution	98,249	80,811
Postage Expense	27,547	23,174
Printing Costs	33,040	33,120
Telephone Expense	32,194	28,860
Utilities Expense	14,633	11,888
 Total General and Administrative	 \$1,836,304	 \$1,540,291

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities:		
Increase (Decrease) in unrestricted net assets	\$15,128	\$31,304
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,930	-
Gain on sale of building	(51,303)	-
Gain on sale of vehicles	(19,107)	-
Investment return, net	7,066	(69,524)
Interest expense	20,281	27,399
Decrease (Increase) in operating assets		
Accounts receivable	878	18,824
Prepaid Expenses	(2,167)	61,145
Increase (Decrease) in operating liabilities		
Accounts payable and deferred revenue	52,391	(153,510)
Net cash provided by operating activities	50,097	(84,362)
Cash Flows From Investing Activities:		
Distribution of Football Bond	(10,000)	(10,000)
Investment return, net	(7,066)	69,524
Proceeds from the sale or maturity of investment securities	-	300,000
Purchases of investment securities	(336,612)	(159,764)
Purchases of land, vehicles, furniture and equipment	(497,368)	(28,499)
Sale of building	1,643,530	-
Sale of Vehicles	19,107	4,458
Net cash provided by investing activities	811,591	175,719
Cash Flows From Financing Activities:		
Interest expense	(20,281)	(27,399)
Principal payments on Chase Bank building note	(450,983)	(44,077)
Net cash used by financing activities	(471,264)	(71,476)
Net increase in cash and equivalents	390,424	19,881
Beginning cash and cash equivalents	92,573	72,692
Ending cash and cash equivalents	\$482,997	\$92,573
Additional disclosure:		
Interest paid on Chase Bank building note	\$20,281	\$27,399

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Program

The Louisiana High School Athletic Association (LHSAA) is a nonprofit organization exempt from the federal income tax, pursuant to Section 501 (c) (3) of the Internal Revenue Code. The objective of the LHSAA is to promote, regulate, and direct interscholastic athletic activities of Louisiana High Schools.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflects all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2008, the Association has no classes of temporarily or permanently restricted net assets.

Use of Estimates

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

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

Reclassifications

Certain revenue and expense items for the year ended June 30, 2007 have been reclassified for comparison purposes.

Revenue Recognition

All revenue is recorded as unrestricted support or revenue in the year the revenue is billed.

Functional Expenses

Expenses are charged directly to program or to general and administrative categories based on specific identification.

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position.

Concentrations

The Association is a Louisiana state wide organization. All member schools are in Louisiana. Accordingly all revenue is concentrated in Louisiana. The Association also has concentrations of cash balances in banks in excess of the \$250,000 FDIC limit.

Property and equipment

Property and equipment consists of land, building, vehicles, furniture and equipment. These assets are recorded at cost and depreciated over their estimated useful lives.

Allowance for doubtful accounts

Accounts receivable deemed uncollectible are written off using the direct write off method. At June 30, 2008 no accounts receivable were deemed uncollectible.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008**

2. INVESTMENT SECURITIES

Unrealized gains and losses are included in the changes in unrestricted net assets. Investments are stated at fair value and consist primarily of money market funds, bonds, asset backed securities, and mutual funds. Accordingly, as of June 30, 2008, the Association held the following investments:

June 30, 2008

<u>Institution</u>	<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>
Sanders, Morris,	Cash, money market	\$ 1,200	\$ 1,521
Harris	American Hi Income Trust	656,572	677,350
	American Bond Fund	<u>364,334</u>	<u>364,906</u>
		<u>\$ 1,022,106</u>	<u>\$ 1,043,777</u>

Net investment return is summarized as follows:

Interest income	53,820
Net Realized/Unrealized Gains / (Losses)	<u>(60,886)</u>
Total net investment (loss)	<u>\$ (7,066)</u>

3. PREPAID EXPENSES AND DEFERRED REVENUE

At June 30, 2008 and 2007, prepaid expenses of \$55,179 and \$53,012 represented expenses paid in advance for the fiscal year ended June 30, 2008 and 2007. These expenses are primarily for vehicles, publications, computers, and insurance. At June 30, 2008, deferred revenue of \$2,400 represented primarily receipts received in advance for the fiscal year ended June 30, 2008. These items are advances on fees.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008

4. RELATED PARTY TRANSACTIONS

Individuals who are on the executive council of the LHSAA are also on the executive council of the Louisiana High School Coaches Association (LHSCA), and the Louisiana High School Hall of Fame, Inc. These individuals are certain principals and coaches from the various member schools, and the LHSAA commissioners. During the year ended June 30, 2008 and 2007, the LHSCA reimbursed the LHSAA \$19,772 and \$40,245 for staff support, salary reimbursement, as well as including \$15,000 for each year for building utilization. During the year ended June 30, 2008 and 2007, the Hall of Fame reimbursed the LHSAA \$2,000 and \$2,000 staff support.

5. LEASE COMMITMENTS

The Association leases office equipment for rental periods of 60 months. Annual minimum lease payments are due as follows:

June 30, 2009	\$ 60,000
June 30, 2010	60,000
June 30, 2011	60,000
June 30, 2012	<u>60,000</u>
	\$240,000

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments.

Cash, cash equivalents: The carrying amounts reported in the statements of financial position and cash flows approximate fair value. Any cash equivalent is considered to be highly liquid with a maturity of less than three months at the purchase date.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008**

Investment securities: These values were furnished by the outside investment advisor to the Association, valued at the report date of June 30, 2008. The fair values are based on quoted market prices for mortgage backed securities, money market funds, bond funds, and mutual funds.

7. NOTE PAYABLE

The Association has a note payable to Chase Bank in the original amount of \$700,000, payable in monthly installments of \$6,281, including interest at 5.75% per annum, collateralized by a mortgage on the property at 8075 Jefferson Highway. As of June 30, 2008, the building was sold and the note was paid off.

8. DEFINED BENEFIT PENSION PLAN

Substantially all of the LHSAA full-time employees participate in the Teacher's Retirement System of Louisiana (the System), which is a cost-sharing, multiple-employer public employee retirement system. The System is administered and controlled at the State level by a separate board of trustees, with contribution rates and benefit provisions approved by the Louisiana Legislature. With respect to the Teachers' Retirement regular plan, normal retirement is at age 60 with 10 years of service, or at any age with 20 years of service. The formula for annual maximum retirement benefits is generally 2% (with less than 25 years of service) or 2.5% (with 25 or more year of service) times the years of creditable service times the average salary of the 36 highest successive months (plus \$300 applicable to persons becoming members prior to July 1, 1986).

Contributions to the plans are determined by State statute or are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2008, for the employer and covered employees were as follows:

	<u>Employer</u>	<u>Employee</u>
Teachers' Retirement System:		
Regular Plan – June 30, 2008	15.8	8.0

Total contributions for 2008 were \$98,249.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008**

9. PROMOTIONAL ITEMS

Promotional revenue (sales) items consist of program ads, programs, sponsored sporting events, T-shirt sales, and videotape sales.

Promotional expense items consist of the costs of producing or selling the above revenue items, and also the costs of promoting the LHSAA.

Sponsored events include softball and track.

10. CONTINGENT LIABILITIES

At June 30, 2007, there were two pending lawsuits against the LHSAA. Legal counsel has indicated that the Association should prevail in both cases, with the possibility of nominal settlements. Any settlements to be awarded were indeterminate at June 30, 2008 and to the date of the audit report.

At June 30, 2008, the Association is in the final phases of an IRS audit of certain marketing and promotion expenses and related payroll taxes. The Association intends to appeal any significant findings. At the date of the audit report, the amount of any potential liability is indeterminate.

11. SALE OF BUILDING

On April 9, 2008, the Association sold its building at 8075 Jefferson Hwy in Baton Rouge, Louisiana for \$1,750,000. The use of proceeds are as follows:

Sales Price	\$1,750,000
Closing Costs	(107,922)
Payoff Mortgage	(417,736)
Purchase of Land	<u>(350,000)</u>
Cash to Seller	<u>\$ 874,342</u>

The actual gain on sale of land and building was \$51,303.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2008**

12. BUILDING LEASE

The Association is leasing an office at 3029 S. Sherwood Forest Blvd., Baton Rouge, Louisiana until construction of a new office building is completed. The first 12 months lease was at no charge. Beginning April 2009, monthly lease expense will be \$10,555 per month thru December 2009.

13. SUBSEQUENT EVENT

Land for future building was purchased in April of 2008 for \$350,000 and is located at 12830 Old Hammond Highway in Baton Rouge, Louisiana.

Construction costs are estimated at \$2.5 million. The Association intends to finance a small percentage of this project. Estimated completion date is December 2009. A capital campaign is in process.

There is no signed construction contract at the time of the audit report.

14. PROPERTY AND EQUIPMENT, NET

At June 30, 2008 property and equipment consisted of the following:

Furniture & Equipment	\$ 72,996
Vehicles	83,092
Construction Costs	57,525
Land	<u>350,000</u>
	563,613
Less accumulated depreciation	<u>(26,930)</u>
Property and equipment, net	<u>\$ 536,683</u>

Depreciation expense was \$26,930 for the year June 30, 2008.