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**MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA**

ANNUAL FINANCIAL REPORT

2002-2003

YEAR ENDED JULY 31, 2003

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**MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA**

ANNUAL FINANCIAL REPORT

YEAR ENDED JULY 31, 2003

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Organization 2003

Term Expires

BOARD OF DIRECTORS

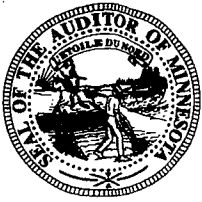
Jeffrey Olson, President	2003
Wayne Pender, Vice President	2004
Tim Dittberner, Treasurer	2003
Lee Alto	2004
Sharon Euerle	2005
Chuck Evert	2005
Al Frost, Jr.	2003
Tim Hermann *	2003
Lou Kanavati	2006
Warren Keller	2006
Margaret Lambert	2004
Todd Lundberg	2006
Joanne McCabe	2005
Steve Olsen	2003
Al Olson	2003
Gary Palm	2004
Cathy Peterson *	2006
Jeanne Swanson	2004
Darrell Thompson *	2004
Ann Yonamine *	2005

EXECUTIVE STAFF

David Stead, Executive Director	Indefinite
Lisa Lissimore, Associate Director	Indefinite
Kevin Merkle, Associate Director	Indefinite
Skip Peltier, Associate Director	Indefinite
Jody Redman, Associate Director	Indefinite

* Appointed by the Governor

FINANCIAL SECTION



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota State High School League

We have audited the accompanying basic financial statements of the Minnesota State High School League as of and for the year ended July 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Minnesota State High School League's management. Our responsibility is to express an opinion on these financial statements based on our audit.

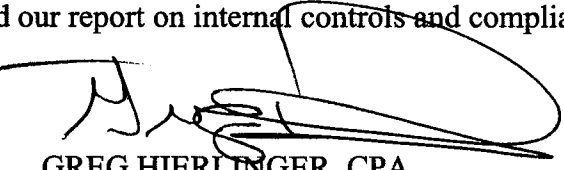

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Minnesota State High School League as of July 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules listed as supplemental information in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The information in these schedules 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.



We have also issued our separate management letter report dated December 4, 2003, which includes a Schedule of Findings and Recommendations and our report on internal controls and compliance.



PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: December 4, 2003

BASIC FINANCIAL STATEMENTS

MINNESOTA STATE HIGH SCHOOL LEAGUE BROOKLYN CENTER, MINNESOTA

BALANCE SHEET JULY 31, 2003

	MSHSL OFFICE	1A	2A	3A	4A	5A	6A
<u>Assets</u>							
Current Assets							
Cash and cash equivalents (Note 2)	\$ 377,943	34,696	23,194	105,152	26,256	62,152	42,520
Investments (Note 2)	1,394,353	-	50,000	-	-	13,676	20,000
Accounts receivable	49,109	-	-	-	1,969	-	-
Accrued interest receivable	3,538	-	-	-	-	-	92
Prepaid items	13,100	-	-	-	-	-	-
Total current assets	\$ 1,838,043	34,696	73,194	105,152	28,225	75,828	62,612
Other Assets							
Property and equipment	\$ 2,370,894	-	615	-	-	-	28,781
Accumulated depreciation	(929,559)	-	(615)	-	-	-	(17,106)
Net property and equipment (Note 3)	\$ 1,441,335	-	-	-	-	-	11,675
Investments held for retirement benefits (Note 7)	264,204	-	-	-	-	-	-
Deferred compensation (Note 10)	212,239	-	-	-	-	-	-
Total other assets	\$ 1,917,778	-	-	-	-	-	11,675
Total Assets	\$ 3,755,821	34,696	73,194	105,152	28,225	75,828	74,287
<u>Liabilities and Fund Balance</u>							
Current Liabilities							
Salaries payable	\$ 59,727	-	-	-	-	-	-
Accounts payable	45,606	-	2,652	-	-	-	-
School expense reimbursement payable	245,008	10,000	54,691	46,663	-	11,880	-
Accrued employee benefits payable (Note 6)	71,116	-	-	-	-	-	-
Deferred income (Note 5)	112,586	-	-	-	-	-	-
Total current liabilities	\$ 534,043	10,000	57,343	46,663	-	11,880	-
Long-Term Liabilities							
Accrued employee benefits payable (Note 6)	\$ 262,322	-	-	-	-	-	-
Deferred compensation (Note 10)	212,239	-	-	-	-	-	-
Total long-term liabilities	\$ 474,561	-	-	-	-	-	-
Total Liabilities	\$ 1,008,604	10,000	57,343	46,663	-	11,880	-
Fund Balance (Note 8)							
Reserved for future expenses	\$ -	-	-	-	-	-	-
Reserved for future building expenses	57,788	-	-	-	-	-	-
Reserved for gymnastics equipment	25,000	-	-	-	-	-	-
Reserved for retirement benefits	1,882	-	-	-	-	-	-
Unreserved net equity in fixed assets	1,441,335	-	-	-	-	-	11,675
Unreserved	1,221,212	24,696	15,851	58,489	28,225	63,948	62,612
Total Fund Balance	\$ 2,747,217	24,696	15,851	58,489	28,225	63,948	74,287
Total Liabilities and Fund Balance	\$ 3,755,821	34,696	73,194	105,152	28,225	75,828	74,287

The notes to the financial statements are an integral part of this statement

EXHIBIT 1

ADMINISTRATIVE REGIONS										TOTAL	COMBINED
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA	ADMINISTRATIVE	TOTAL
85,752	80,811	39,335	63,304	31,553	119,588	93,799	91,445	41,625	30,702	\$ 971,884	\$ 1,349,827
-	-	-	-	-	-	-	-	-	-	83,676	1,478,029
-	-	-	242	-	-	-	-	-	-	2,211	51,320
-	-	-	-	-	-	-	-	-	-	92	3,630
-	-	-	-	-	-	-	-	-	-	-	13,100
<u>85,752</u>	<u>80,811</u>	<u>39,335</u>	<u>63,546</u>	<u>31,553</u>	<u>119,588</u>	<u>93,799</u>	<u>91,445</u>	<u>41,625</u>	<u>30,702</u>	\$ <u>1,057,863</u>	\$ <u>2,895,906</u>
-	1,125	-	-	-	-	500	584	-	-	\$ 31,605	\$ 2,402,499
-	(450)	-	-	-	-	(500)	(584)	-	-	(19,255)	(948,814)
-	675	-	-	-	-	-	-	-	-	\$ 12,350	\$ 1,453,685
-	-	-	-	-	-	-	-	-	-	-	264,204
-	-	-	-	-	-	-	-	-	-	-	212,239
-	675	-	-	-	-	-	-	-	-	\$ 12,350	\$ 1,930,128
<u>85,752</u>	<u>81,486</u>	<u>39,335</u>	<u>63,546</u>	<u>31,553</u>	<u>119,588</u>	<u>93,799</u>	<u>91,445</u>	<u>41,625</u>	<u>30,702</u>	\$ <u>1,070,213</u>	\$ <u>4,826,034</u>
-	-	-	-	-	-	-	-	-	-	\$ -	\$ 59,727
-	-	-	-	-	-	-	-	-	-	2,652	48,258
34,400	23,967	-	31,288	-	75,143	48,000	38,853	-	-	374,885	619,893
-	-	-	-	-	-	-	-	-	-	-	71,116
-	-	-	-	-	-	-	-	-	-	-	112,586
<u>34,400</u>	<u>23,967</u>	<u>-</u>	<u>31,288</u>	<u>-</u>	<u>75,143</u>	<u>48,000</u>	<u>38,853</u>	<u>-</u>	<u>-</u>	\$ <u>377,537</u>	\$ <u>911,580</u>
-	-	-	-	-	-	-	-	-	-	\$ -	\$ 262,322
-	-	-	-	-	-	-	-	-	-	-	212,239
-	-	-	-	-	-	-	-	-	-	\$ -	\$ 474,561
<u>34,400</u>	<u>23,967</u>	<u>-</u>	<u>31,288</u>	<u>-</u>	<u>75,143</u>	<u>48,000</u>	<u>38,853</u>	<u>-</u>	<u>-</u>	\$ <u>377,537</u>	\$ <u>1,386,141</u>
2,785	-	-	-	-	-	2,301	-	-	-	\$ 5,086	\$ 5,086
-	-	-	-	-	-	-	-	-	-	-	57,788
-	-	-	-	-	-	-	-	-	-	-	25,000
-	-	-	-	-	-	-	-	-	-	-	1,882
-	675	-	-	-	-	-	-	-	-	12,350	1,453,685
<u>48,567</u>	<u>56,844</u>	<u>39,335</u>	<u>32,258</u>	<u>31,553</u>	<u>44,445</u>	<u>43,498</u>	<u>52,592</u>	<u>41,625</u>	<u>30,702</u>	<u>675,240</u>	<u>1,896,452</u>
<u>51,352</u>	<u>57,519</u>	<u>39,335</u>	<u>32,258</u>	<u>31,553</u>	<u>44,445</u>	<u>45,799</u>	<u>52,592</u>	<u>41,625</u>	<u>30,702</u>	\$ <u>692,676</u>	\$ <u>3,439,893</u>
<u>85,752</u>	<u>81,486</u>	<u>39,335</u>	<u>63,546</u>	<u>31,553</u>	<u>119,588</u>	<u>93,799</u>	<u>91,445</u>	<u>41,625</u>	<u>30,702</u>	\$ <u>1,070,213</u>	\$ <u>4,826,034</u>

MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2003

	MSHSL OFFICE						
		1A	2A	3A	4A	5A	6A
Revenues							
Tournaments	\$ 4,212,031	364,134	317,687	377,387	211,054	302,777	313,638
Membership services	388,195	-	-	-	-	-	-
Assessments from schools	-	-	-	-	2,500	-	-
Contest officials registration	209,390	-	-	-	-	-	-
Sales of handbooks, rule books, and supplies	214,556	-	-	-	-	-	-
Corporate partnership	334,500	-	-	-	-	-	-
Interest	17,912	137	736	341	-	649	850
Other	128,878	78	-	207	-	267	-
Total Revenues	\$ 5,505,462	364,349	318,423	377,935	213,554	303,693	314,488
Expenses							
Tournaments	\$ 1,982,825	310,480	206,592	243,078	161,854	253,541	248,529
School expense reimbursement	245,008	43,593	88,666	46,663	-	11,880	-
Membership services							
Insurance	239,162	450	450	450	450	450	450
Handbooks, rule books, and supplies	189,751	-	-	-	-	-	-
Other	53,461	-	-	-	-	-	-
Fine arts programs	11,348	-	-	-	-	-	-
Officials program	132,686	-	-	-	-	-	-
Committees	14,055	3,825	4,001	10,508	2,832	6,059	8,856
Board of directors	73,858	-	-	-	-	-	-
Salaries	1,257,208	16,600	17,200	11,000	11,700	14,250	17,500
Employee benefits	583,240	1,270	1,316	842	895	1,090	1,339
Insurance	12,793	-	-	-	-	-	-
Legal	52,522	-	-	-	-	-	-
Other professional services	73,194	22,884	5,446	25,029	23,059	28,753	19,250
Maintenance	111,879	-	-	-	-	-	-
Utilities	44,876	-	-	-	-	-	-
Postage	69,150	-	-	-	-	-	-
Supplies	27,985	6,271	4,496	1,307	2,239	6,325	15,116
Data processing and office equipment	49,914	-	-	-	-	-	-
Public relations	53,806	3,217	6,270	229	-	8,678	1,000
Corporate sponsor commission	48,295	-	-	-	-	-	-
Depreciation	89,810	-	-	-	-	-	6,595
Other	133,449	81	-	-	967	594	4,807
Total Expenses	\$ 5,550,275	408,671	334,437	339,106	203,996	331,620	323,442
Excess of Revenues Over (Under) Expenses	\$ (44,813)	(44,322)	(16,014)	38,829	9,558	(27,927)	(8,954)
Operating Transfers In	-	24,981	35,126	19,301	21,031	77,639	43,863
Operating Transfers Out	-	(11,176)	(50,336)	(43,204)	(37,880)	(46,768)	(39,934)
Excess of Revenues and Operating Transfers in Over (Under) Expenses and Operating Transfers Out	\$ (44,813)	(30,517)	(31,224)	14,926	(7,291)	2,944	(5,025)
Fund Balance - August 1	2,792,030	55,213	47,075	43,563	35,516	61,004	79,312
Fund Balance - July 31	\$ 2,747,217	24,696	15,851	58,489	28,225	63,948	74,287

The notes to the financial statements are an integral part of this statement

EXHIBIT 2

ADMINISTRATIVE REGIONS										TOTAL	ADMINISTRATIVE	COMBINED
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA	REGIONS	TOTAL	
274,991	312,270	279,699	161,938	206,625	311,523	258,877	325,934	196,879	283,311	\$ 4,498,724	\$ 8,710,755	
-	-	-	-	-	-	-	-	-	-	-	388,195	
-	-	-	-	-	-	-	-	-	-	2,500	2,500	
-	-	-	-	-	-	-	-	-	-	-	209,390	
-	-	-	-	-	-	-	-	-	-	-	214,556	
-	-	-	-	-	-	-	-	-	-	-	334,500	
1,086	1,007	243	275	108	239	1,231	408	494	96	7,900	25,812	
672	792	-	-	4,695	3,148	858	366	452	970	12,505	141,383	
<u>276,749</u>	<u>314,069</u>	<u>279,942</u>	<u>162,213</u>	<u>211,428</u>	<u>314,910</u>	<u>260,966</u>	<u>326,708</u>	<u>197,825</u>	<u>284,377</u>	<u>\$ 4,521,629</u>	<u>\$ 10,027,091</u>	
203,700	229,240	181,358	125,278	172,275	197,174	179,040	236,079	172,527	205,820	\$ 3,326,565	\$ 5,309,390	
33,400	23,967	70,500	31,195	-	75,143	35,516	38,775	452	35,346	535,096	780,104	
450	450	450	450	450	450	450	450	450	450	7,200	246,362	
-	-	-	-	-	-	-	-	-	-	-	189,751	
-	-	-	-	-	-	-	-	-	-	-	53,461	
-	-	-	-	-	-	-	-	-	-	-	11,348	
-	-	-	-	-	-	-	-	-	-	-	132,686	
12,696	10,797	3,695	4,259	2,413	1,756	1,083	1,173	6,161	6,900	87,014	101,069	
-	-	-	-	-	-	-	-	-	-	-	73,858	
16,500	16,500	16,500	16,500	16,300	13,900	18,000	18,000	20,362	16,923	257,735	1,514,943	
1,262	1,262	1,262	1,262	1,247	1,063	1,377	1,377	1,553	1,304	19,721	602,961	
-	-	-	-	-	-	-	-	-	-	-	12,793	
-	-	-	-	-	-	-	-	-	-	-	52,522	
3,361	13,956	2,528	2,482	3,429	5,658	11,793	2,348	2,581	2,728	175,285	248,479	
-	-	-	-	-	-	-	-	-	-	-	111,879	
-	-	-	-	-	-	-	-	-	-	-	44,876	
-	-	-	-	-	-	-	-	-	-	-	69,150	
4,100	3,417	2,342	3,361	998	1,440	3,863	2,808	2,403	3,738	64,224	92,209	
-	-	-	-	-	-	-	-	-	-	-	49,914	
234	4,167	2,926	6,489	9,653	-	-	-	2,329	9,889	55,081	108,887	
-	-	-	-	-	-	-	-	-	-	-	48,295	
-	225	-	-	-	-	-	-	-	-	6,820	96,630	
535	4,206	747	-	837	795	1,885	726	340	2,013	18,533	151,982	
<u>276,238</u>	<u>308,187</u>	<u>282,308</u>	<u>191,276</u>	<u>207,602</u>	<u>297,379</u>	<u>253,007</u>	<u>301,736</u>	<u>209,158</u>	<u>285,111</u>	<u>\$ 4,553,274</u>	<u>\$ 10,103,549</u>	
511	5,882	(2,366)	(29,063)	3,826	17,531	7,959	24,972	(11,333)	(734)	\$ (31,645)	\$ (76,458)	
16,636	25,015	24,094	52,768	32,519	31,140	49,039	36,145	39,871	31,307	560,475	560,475	
(20,758)	(37,347)	(22,192)	(25,789)	(19,216)	(42,829)	(52,814)	(58,542)	(24,294)	(27,396)	(560,475)	(560,475)	
(3,611)	(6,450)	(464)	(2,084)	17,129	5,842	4,184	2,575	4,244	3,177	\$ (31,645)	\$ (76,458)	
54,963	63,969	39,799	34,342	14,424	38,603	41,615	50,017	37,381	27,525	724,321	3,516,351	
<u>51,352</u>	<u>57,519</u>	<u>39,335</u>	<u>32,258</u>	<u>31,553</u>	<u>44,445</u>	<u>45,799</u>	<u>52,592</u>	<u>41,625</u>	<u>30,702</u>	<u>\$ 692,676</u>	<u>\$ 3,439,893</u>	

MINNESOTA STATE HIGH SCHOOL LEAGUE BROOKLYN CENTER, MINNESOTA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JULY 31, 2003

	MSHSL OFFICE					
		1A	2A	3A	4A	5A
Increase (Decrease) in Cash and Cash Equivalents						
Operating activities						
Excess of revenues over (under) expenses	\$ (44,813)	(44,322)	(16,014)	38,829	9,558	(27,927)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities						
Depreciation	\$ 89,810	-	-	-	-	-
Interest on investments	(17,912)	(137)	(736)	(341)	-	(649)
Loss on sale of equipment	94	-	-	-	-	-
(Increase) Decrease in other current assets	168,599	-	-	-	(756)	-
Increase (Decrease) in current liabilities	(257,937)	10,000	27,103	46,663	32,117	11,880
Increase (Decrease) in long-term accrued employee benefits payable	104,774	-	-	-	-	-
Total adjustments	\$ 87,428	9,863	26,367	46,322	31,361	11,231
Net cash provided by (used in) operating activities	\$ 42,615	(34,459)	10,353	85,151	40,919	(16,696)
Investing activities						
Net proceeds (purchases) of investment securities	\$ (225,854)	-	10,000	-	-	26,135
Interest on investments	21,355	137	736	341	-	649
Net cash provided by (used in) investing activities	\$ (204,499)	137	10,736	341	-	26,784
Non-Capital and Related Financing Activities						
Operating transfer in	\$ -	24,981	35,126	19,301	21,031	77,639
Operating transfers out	-	(11,176)	(50,336)	(43,204)	(37,880)	(46,768)
Net cash provided by (used in) non-capital and related financing activities	\$ -	13,805	(15,210)	(23,903)	(16,849)	30,871
Capital and related financing activities						
Proceeds from sale of equipment	\$ 7,139	-	-	-	-	-
Capital expenditures	(14,484)	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	\$ (7,345)	-	-	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (169,229)	(20,517)	5,879	61,589	24,070	40,959
Cash and Cash Equivalents - August 1	547,172	55,213	17,315	43,563	2,186	21,193
Cash and Cash Equivalents - July 31	\$ 377,943	34,696	23,194	105,152	26,256	62,152

Supplemental Disclosure of Non-Cash Information

For the MSHSL Office, a receivable transaction occurred during the year related to the sale of fixed assets for \$3,126

EXHIBIT 3

ADMINISTRATIVE REGIONS											TOTAL ADMINISTRATIVE COMBINED	
6A	7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA	REGIONS	TOTAL
(8,954)	511	5,882	(2,366)	(29,063)	3,826	17,531	7,959	24,972	(11,333)	(734)	\$ (31,645)	\$ (76,458)
6,595	-	225	-	-	-	-	-	-	-	-	\$ 6,820	\$ 96,630
(850)	(1,086)	(1,007)	(243)	(275)	(108)	(239)	(1,231)	(408)	(494)	(96)	(7,900)	(25,812)
-	-	-	-	-	-	-	-	-	-	-	-	94
49	1,968	-	-	(242)	-	-	-	-	-	-	1,019	169,618
-	14,400	23,967	-	(2,165)	-	37,303	35,486	19,575	-	-	256,329	(1,608)
-	-	-	-	-	-	-	-	-	-	-	-	104,774
5,794	15,282	23,185	(243)	(2,682)	(108)	37,064	34,255	19,167	(494)	(96)	\$ 256,268	\$ 343,696
(3,160)	15,793	29,067	(2,609)	(31,745)	3,718	54,595	42,214	44,139	(11,827)	(830)	\$ 224,623	\$ 267,238
-	-	-	-	-	-	-	-	-	-	-	\$ 36,135	\$ (189,719)
850	1,086	1,007	243	275	108	239	1,231	408	494	96	7,900	29,255
850	1,086	1,007	243	275	108	239	1,231	408	494	96	\$ 44,035	\$ (160,464)
43,863	16,636	25,015	24,094	52,768	32,519	31,140	49,039	36,145	39,871	31,307	560,475	\$ 560,475
(39,934)	(20,758)	(37,347)	(22,192)	(25,789)	(19,216)	(42,829)	(52,814)	(58,542)	(24,294)	(27,396)	(560,475)	(560,475)
3,929	(4,122)	(12,332)	1,902	26,979	13,303	(11,689)	(3,775)	(22,397)	15,577	3,911	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	\$ -	\$ 7,139
(2,980)	-	-	-	-	-	-	-	-	-	-	(2,980)	(17,464)
(2,980)	-	-	-	-	-	-	-	-	-	-	\$ (2,980)	\$ (10,325)
(1,361)	12,757	17,742	(464)	(4,491)	17,129	43,145	39,670	22,150	4,244	3,177	\$ 265,678	\$ 96,449
43,881	72,995	63,069	39,799	67,795	14,424	76,443	54,129	69,295	37,381	27,525	706,206	1,253,378
42,520	85,752	80,811	39,335	63,304	31,553	119,588	93,799	91,445	41,625	30,702	\$ 971,884	\$ 1,349,827

**MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2003

1. Summary of Significant Accounting Policies

Nature of Operations - The Minnesota State High School League (MSHSL) is a nonprofit corporation whose Articles of Incorporation and Constitution were filed with the Secretary of State on May 27, 1960. The MSHSL is a voluntary association of high schools whose governing boards have delegated their control of extracurricular activities to the MSHSL. These activities include statewide athletic programs for both able-bodied athletes and athletes with disabilities, music, drama, speech, and debate.

Reporting Entity - The Board of Directors is responsible for the management of the affairs of the MSHSL. The League's Constitution directs the Board of Directors to divide the state into regions and to have control of all region and section contests. Each Administrative Region Committee is charged with the immediate management of the activities assigned by the Board. The Administrative Region Committees must adhere to the League's Constitution, Articles of Incorporation, and policies developed by the Board of Directors. They do not have the authority to determine or interpret eligibility bylaws, nor may they penalize a school for bylaw infractions. Because the Administrative Regions are not legally separate entities, the July 31, 2003 financial statements of the MSHSL include the financial information of all 16 Administrative Regions.

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Cash and Cash Equivalents - For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased, excluding investments held for retirement benefits, are considered to be cash equivalents.

Investments - Investments are stated at fair value. Certain investments have been designated by the Board of Directors for the payment of retirement benefits.

Property and Equipment - Property and equipment are stated at cost. Replacements or improvements are capitalized. The capitalization threshold is \$250. Maintenance and repairs which do not improve or extend the lives of the assets are expensed as incurred. Depreciation is recorded using the straight-line method over the assets' estimated useful lives:

Land improvements	40 years
Buildings and building improvements	40 years
Furniture and equipment	5-10 years
Computer equipment	3 years

School Expense Reimbursement - A liability is set up to report the proportionate return of excess nonappropriated funds to member schools based on their participation in MSHSL-sponsored tournaments.

Sick Pay Policy - The MSHSL employees are entitled to 15 days of paid sick leave per year. Employees are not compensated for unused sick leave upon termination of employment; however, unused sick leave enters into the calculation of deferred compensation for qualified employees.

1. Summary of Significant Accounting Policies (Continued)

Tax-Exempt Status - The MSHSL is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state statutes.

**MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2003

2. Deposits and Investments

A. Deposits

As of July 31, 2003, the carrying value of the bank accounts for the MSHSL and Administrative Regions was \$1,273,744. Bank balances were \$1,578,648 of which \$1,473,382 was covered by federal depository insurance.

B. Investments

The MSHSL's investments are authorized by state law and its own internal policies. Generally accepted accounting principles have determined three levels of custodial credit risk for investments:

- (1) Insured or registered, or securities held by the MSHSL or its agent in the MSHSL's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the MSHSL's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the MSHSL's name.

The MSHSL's investment in negotiable certificates of deposit are categorized as follows:

Category One	Category Three	Total
\$ 500,000	\$ 892,733	\$ 1,392,733

Fair value is the same as the carrying amount for the negotiable certificates of deposit.

The MSHSL's investment in mutual funds is not required to be classified by custodial credit risk. Fair value is the same as the carrying amount for the mutual fund.

	2003
Investments in mutual funds	\$ 425,379
Investments in negotiable certificates of deposit	1,392,733
Carrying value of deposits	1,273,744
Petty cash	204
Deferred compensation	212,239
	<hr/>
Total Cash, Cash Equivalents, and Investments	\$ 3,304,299

Cash and cash equivalents (from Exhibit 1)	\$ 1,349,827
Investments (from Exhibit 1)	1,478,029
Investments held for retirement benefits (from Exhibit 1)	264,204
Deferred compensation (from Exhibit 1)	212,239
	<hr/>
Total Cash, Cash Equivalents, and Investments	\$ 3,304,299

**MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2003

3. Property and Equipment

Property and equipment comprise the following at July 31, 2003:

Land and land improvements	\$ 318,564
Building and building improvements	1,508,659
Furniture and equipment	408,111
Computer equipment	<u>167,165</u>
 Total	 \$ 2,402,499
 Less: accumulated depreciation	 <u>(948,814)</u>
 Net Property and Equipment	 <u>\$ 1,453,685</u>

4. Operating Lease

The MSHSL is obligated under operating leases for mailing equipment and photocopying equipment. Expenses associated with these leases were \$20,128 for the year ended July 31, 2003. Future minimum lease payments at July 31, 2003 are as follows:

2004	\$ 11,069
2005	11,069
2006	10,329
2007	<u>8,849</u>
 Total	 <u>\$ 41,316</u>

5. Deferred Income

Deferred income consists of amounts received for television fees, corporate sponsorship and official handbooks, yearbooks, and rules books which are not yet ready for distribution. This income is recognized in subsequent years.

6. Accrued Employee Benefits Payable

Accrued employee benefits payable at July 31, 2003:

Current Liabilities	
Vacation leave	<u>\$ 71,116</u>
 Long-Term Liabilities	
Retirement benefits	<u>\$ 262,322</u>

**MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2003

7. Retirement Benefits Payable

The MSHSL has a retirement plan that provides certain deferred compensation and post-retirement health care and life insurance benefits for eligible employees.

Following 15 years of service to the MSHSL and after the employee reaches age 55, the employee may receive a payment for unused sick leave at the time of separation from the MSHSL. Said payment shall be calculated by multiplying the number of unused sick leave days times the daily rate of pay at separation. The maximum deferred compensation payment shall not exceed one year's salary.

Retirement benefits payable at July 31, 2003 is \$262,322. Costs associated with employees who have earned benefits but whose benefits have not vested because they have not yet met the requirements of the plan have not been accrued because the ultimate cost to the MSHSL cannot be reasonably estimated. The MSHSL has designated certain investments to be used for payment of future retirement benefits. These amounts exceeded the accrued liability by \$1,882 for the year ended July 31, 2003.

Following retirement, if the employee has reached the age of 60 and has been employed by the MSHSL for 20 years, payment of medical, hospitalization, dental, and term life insurance premiums for the employee will be made by the MSHSL as if the individual were still on staff until the conclusion of the fiscal year the employee reaches age 65, subject to the approval of the insurance carriers.

Post-retirement health care and life insurance benefits are provided through insurance companies whose premiums are based on the benefits paid during the year. The MSHSL recognizes the cost of providing those benefits in the year paid; no cost was recognized for year ended July 31, 2003.

8. Fund Balance

The reserved for future expenses represents that portion of fund balance to be used to cover future expenses.

The reserved for future building expenses represents that portion of fund balance to be used to cover the cost of future building repairs.

The reserved for gymnastics equipment represents that portion of fund balance to be used to purchase gymnastics equipment.

The reserved for retirement benefits represents the excess of assets set aside for payment of future retirement benefits over the retirement benefits payable at July 31.

The net equity in fixed assets portion of fund balance represents the net property and equipment.

**MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2003

9. MSHSL 403(b) Plan

The MSHSL participates with eligible employees, who so elect, in a 403(b) plan. Employees must contribute at least six percent of their gross wages to receive the MSHSL's contribution.

The MSHSL contributed 13 percent of the participating employees' wages. The only obligation of the MSHSL is to make contributions for the term of the participating employees' employment. In accordance with the plan terms, each employee's share of the MSHSL's contribution is fully vested with the employee. The MSHSL's contributions were \$163,841 for the year ended July 31, 2003.

10. Deferred Compensation

The MSHSL established in the year ending July 31, 1992, a deferred compensation plan under Section 457 of the Internal Revenue Code for the executive staff. Under the provisions of the plan, the MSHSL contributes four percent for each of the executive staff's salary to the plan. The MSHSL established in the year ending July 31, 1993 a whole life insurance policy, under Section 457(f) of the Internal Revenue Code for the Executive Director. Under the provisions of the plan the MSHSL contributes three percent of the Executive Director's annual salary for the insurance premium.

The assets in the plan are held by the MSHSL, subject to the claims of its general creditors, until the employee becomes eligible for withdrawals as provided in the plan agreement. The assets (held in investment options in accordance with the employee's selection) and the related liability are shown on the MSHSL's balance sheet at July 31, 2003.

11. Risk Management

The MSHSL is exposed to various risks of loss related to: torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; natural disasters; and catastrophic injury. To cover its liabilities, the MSHSL purchases commercial insurance. There were no significant reductions in insurance coverage from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

SUPPLEMENTAL INFORMATION

MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA

Schedule 1

SCHEDULE OF TOURNAMENT REVENUES AND DIRECT EXPENSES
FOR THE YEAR ENDED JULY 31, 2003

	MSHSL OFFICE			ADMINISTRATIVE REGIONS			COMBINED TOTAL		
	Revenues	Direct Expenses	Excess (Deficiency) of Revenues Over Direct Expenses	Revenues	Direct Expenses	Excess (Deficiency) of Revenues Over Direct Expenses	Revenues	Direct Expenses	Excess (Deficiency) of Revenues Over Direct Expenses
Tournament									
Baseball	\$ 73,232	\$ 67,772	\$ 5,460	\$ 245,491	\$ 213,673	\$ 31,818	\$ 318,723	\$ 281,445	\$ 37,278
Boys' basketball	547,314	187,112	360,202	909,219	308,689	600,530	1,456,533	495,801	960,732
Girls' basketball	324,616	168,527	156,089	489,891	281,050	208,841	814,507	449,577	364,930
Cross country running	12,334	24,967	(12,633)	3,246	30,142	(26,896)	15,580	55,109	(39,529)
Football	769,381	258,141	511,240	918,351	418,218	500,133	1,687,732	676,359	1,011,373
Golf	4,763	29,529	(24,766)	3,160	68,154	(64,994)	7,923	97,683	(89,760)
Girls' gymnastics	38,445	57,879	(19,434)	19,078	40,884	(21,806)	57,523	98,763	(41,240)
Boys' hockey	1,350,947	268,396	1,082,551	516,767	176,423	340,344	1,867,714	444,819	1,422,895
Nordic ski racing	2,734	12,413	(9,679)	-	20,661	(20,661)	2,734	33,074	(30,340)
Alpine skiing	1,821	10,775	(8,954)	-	26,545	(26,545)	1,821	37,320	(35,499)
Soccer	130,289	96,582	33,727	156,759	118,653	38,106	287,048	215,215	71,833
Girls' softball	42,862	46,195	(3,333)	121,778	140,453	(18,675)	164,640	186,648	(22,008)
Boys' swimming	40,433	40,214	219	37,147	41,186	(4,039)	77,580	81,400	(3,820)
Girls' swimming	44,222	40,194	4,028	48,417	52,069	(3,652)	92,639	92,263	376
Boys' tennis	3,700	21,863	(18,163)	710	22,320	(21,610)	4,410	44,183	(39,773)
Girls' tennis	5,114	25,037	(19,923)	1,114	40,103	(38,989)	6,228	65,140	(58,912)
Track and field	77,210	71,113	6,097	120,709	175,706	(54,997)	197,919	246,819	(48,900)
Girls' volleyball	120,802	89,353	31,449	338,261	216,026	122,235	459,063	305,379	153,684
Wrestling	377,555	175,947	201,608	255,795	214,189	41,606	633,350	390,136	243,214
Synchronized swimming	-	239	(239)	-	-	-	-	239	(239)
Adapted soccer	5,812	14,351	(8,539)	-	-	-	5,812	14,351	(8,539)
Adapted floor hockey	9,012	14,645	(5,633)	-	-	-	9,012	14,645	(5,633)
Adapted softball	5,028	14,839	(9,811)	-	-	-	5,028	14,839	(9,811)
Adapted bowling	313	2,832	(2,519)	-	-	-	313	2,832	(2,519)
Debate	308	10,568	(10,260)	780	16,818	(16,038)	1,088	27,386	(26,298)
Speech	3,964	37,487	(33,523)	39,323	203,774	(164,451)	43,287	241,261	(197,974)
One-act play	10,552	11,165	(613)	15,495	56,630	(41,135)	26,047	67,795	(41,748)
Girls' hockey	118,892	106,911	11,981	88,034	90,354	(2,320)	206,926	197,265	9,661
Music	-	-	-	124,661	304,998	(180,337)	124,661	304,998	(180,337)
Cheerleading	-	7,231	(7,231)	-	-	-	-	7,231	(7,231)
Girls' dance team	90,376	69,661	20,715	41,341	32,480	8,861	131,717	102,141	29,576
Girls' lacrosse	-	-	-	-	-	-	-	-	-
Visual Arts	-	907	(907)	3,197	16,367	(13,170)	3,197	17,274	(14,077)
Total	\$ 4,212,031	\$ 1,982,825	\$ 2,229,206	\$ 4,498,724	\$ 3,326,565	\$ 1,172,159	\$ 8,710,755	\$ 5,309,390	\$ 3,401,365

MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA

SCHEDULE OF REVENUES AND EXPENSES - STATUTORY BASIS
FOR THE YEARS ENDED JULY 31, 2000, 2001, 2002, and 2003

	MSHSL OFFICE						2000	2001
	2000	2001	2002	2003	2000 to 2003			
					Dollar Difference	Percent Change		
Revenues								
Tournaments	\$ 3,896,249	\$ 4,089,019	\$ 4,105,723	\$ 4,212,031	\$ 315,782	8.1 %	\$ 3,969,151	\$ 3,930,707
Membership services	367,469	370,975	383,394	388,195	20,726	5.6	-	-
Assessments from schools	-	-	-	-	-	-	12,250	42,975
Contest officials registration	153,374	170,901	166,998	209,390	56,016	36.5	-	-
Sales of handbooks, rule books, and supplies	187,144	191,338	198,300	214,556	27,412	14.6	-	-
Corporate partnership	349,625	382,018	380,213	334,500	(15,125)	(4.3)	-	-
Interest	78,682	99,740	44,816	17,912	(60,770)	(77.2)	26,713	24,194
Other	244,909	158,158	179,604	128,878	(116,031)	(47.4)	14,652	21,284
Total Revenues - Exhibit 2	\$ 5,277,452	\$ 5,462,149	\$ 5,459,048	\$ 5,505,462	\$ 228,010	4.3 %	\$ 4,022,766	\$ 4,019,160
Expenses								
Tournaments	\$ 1,791,720	\$ 1,748,601	\$ 1,867,614	\$ 1,982,825	\$ 191,105	10.7 %	\$ 3,137,927	\$ 3,198,602
School expense reimbursement	640,771	662,265	463,943	245,008	(395,763)	(61.8)	422,223	251,815
Membership services								
Insurance	240,982	224,591	228,501	239,162	(1,820)	(0.8)	13,550	4,803
Handbooks, rule books, and supplies	160,409	200,324	166,423	189,751	29,342	18.3	-	-
Other	41,996	35,288	50,310	53,461	11,465	27.3	-	-
Fine arts programs	15,428	8,557	13,761	11,348	(4,080)	(26.4)	-	-
Officials program	107,045	106,256	120,771	132,686	25,641	24.0	-	-
Committees	23,685	10,757	31,029	14,055	(9,630)	(40.7)	69,604	78,457
Board of directors	79,899	92,729	76,912	73,858	(6,041)	(7.6)	-	-
Salaries	976,703	1,072,493	1,193,775	1,257,208	280,505	28.7	-	127,633
Employeee benefits	434,709	526,356	476,188	583,240	148,531	34.2	-	9,791
Insurance	6,740	7,665	10,866	12,793	6,053	89.8	-	-
Legal	29,797	48,991	50,624	52,522	22,725	76.3	-	-
Other professional services	65,874	74,824	83,565	73,194	7,320	11.1	339,468	237,312
Maintenance	99,676	53,930	94,502	111,879	12,203	12.2	-	-
Utilities	38,916	40,591	39,429	44,876	5,960	15.3	-	-
Postage	61,196	81,099	70,179	69,150	7,954	13.0	-	-
Supplies	26,642	33,255	28,710	27,985	1,343	5.0	54,331	55,732
Data processing and office equipment	178,655	96,266	49,986	49,914	(128,741)	(72.1)	-	-
Public relations	47,586	58,138	65,716	53,806	6,220	13.1	48,674	50,928
Corporate sponsor commission	54,649	59,836	59,650	48,295	(6,354)	(11.6)	-	-
Depreciation	73,661	89,360	95,335	89,810	16,149	21.9	3,542	3,501
Other	133,305	138,314	143,752	133,449	144	0.1	18,220	25,871
Total Expenses - Exhibit 2	\$ 5,330,044	\$ 5,470,486	\$ 5,481,541	\$ 5,550,275	\$ 220,231	4.1 %	\$ 4,107,539	\$ 4,044,451
Operating Transfers In	-	-	-	-	-	-	453,454	507,794
Operating Transfers Out	-	-	-	-	-	-	(453,454)	(507,794)
Depreciation	(73,661)	(89,360)	(95,335)	(89,810)	(16,149)	21.9	(3,542)	(3,501)
Subtotal	\$ 5,256,383	\$ 5,381,126	\$ 5,386,206	\$ 5,460,465	\$ 204,082	3.9 %	\$ 4,103,997	\$ 4,040,951
Add								
Capital outlay								
Computer equipment	16,464	17,594	3,575	7,199	(9,265)	(56.3)	-	4,341
Furniture and equipment	106,330	60,239	45,863	2,069	(104,261)	(98.1)	-	-
Total Expenses	\$ 5,379,177	\$ 5,458,959	\$ 5,435,644	\$ 5,469,733	\$ 90,556	1.7 %	\$ 4,103,997	\$ 4,045,292

ADMINISTRATIVE REGIONS

COMBINED TOTALS

ADMINISTRATIVE REGIONS				COMBINED TOTALS					
2002	2003	2000 to 2003		2000	2001	2002	2003	2000 to 2003	
		Dollar Difference	Percent Change					Dollar Difference	Percent Change
\$ 4,144,496	\$ 4,498,724	\$ 529,573	13.3 %	\$ 7,865,400	\$ 8,019,726	\$ 8,250,219	\$ 8,710,755	\$ 845,355	10.7 %
-	-	-	-	367,469	370,975	383,394	388,195	20,726	5.6
46,000	2,500	(9,750)	(79.6)	12,250	42,975	46,000	2,500	(9,750)	(79.6)
-	-	-	-	153,374	170,901	166,998	209,390	56,016	36.5
-	-	-	-	187,144	191,338	198,300	214,556	27,412	14.6
-	-	-	-	349,625	382,018	380,213	334,500	(15,125)	(4.3)
13,162	7,900	(18,813)	(70.4)	105,395	123,934	57,978	25,812	(79,583)	(75.5)
19,089	12,505	(2,147)	(14.7)	259,561	179,442	198,693	141,383	(118,178)	(45.5)
<u>\$ 4,222,747</u>	<u>\$ 4,521,629</u>	<u>\$ 498,863</u>	<u>12.4 %</u>	<u>\$ 9,300,218</u>	<u>\$ 9,481,309</u>	<u>\$ 9,681,795</u>	<u>\$ 10,027,091</u>	<u>\$ 726,873</u>	<u>7.8 %</u>
\$ 3,249,621	\$ 3,326,565	\$ 188,638	6.0 %	\$ 4,929,647	\$ 4,947,203	\$ 5,117,235	\$ 5,309,390	\$ 379,743	7.7 %
267,692	535,096	112,873	26.7	1,062,994	914,080	731,635	780,104	(282,890)	(26.6)
4,800	7,200	(6,350)	(46.9)	254,532	229,394	233,301	246,362	(8,170)	(3.2)
-	-	-	-	160,409	200,324	166,423	189,751	29,342	18.3
-	-	-	-	41,996	35,288	50,310	53,461	11,465	27.3
-	-	-	-	15,428	8,557	13,761	11,348	(4,080)	(26.4)
-	-	-	-	107,045	106,256	120,771	132,686	25,641	24.0
75,186	87,014	17,410	25.0	93,289	89,214	106,215	101,069	7,780	8.3
-	-	-	-	79,899	92,729	76,912	73,858	(6,041)	(7.6)
235,657	257,735	257,735	100.0	976,703	1,200,126	1,429,432	1,514,943	538,240	55.1
18,396	19,721	19,721	100.0	434,709	536,147	494,584	602,961	168,252	38.7
-	-	-	-	6,740	7,665	10,866	12,793	6,053	89.8
-	-	-	-	29,797	48,991	50,624	52,522	22,725	76.3
169,979	175,285	(164,183)	(48.4)	405,342	312,136	253,544	248,479	(156,863)	(38.7)
-	-	-	-	99,676	53,930	94,502	111,879	12,203	12.2
-	-	-	-	38,916	40,591	39,429	44,876	5,960	15.3
-	-	-	-	61,196	81,099	70,179	69,150	7,954	13.0
55,788	64,224	9,893	18.2	80,973	88,987	84,498	92,209	11,236	13.9
-	-	-	-	178,855	96,266	49,986	49,914	(128,741)	(72.1)
53,959	55,081	6,407	13.2	96,260	109,066	119,675	108,887	12,627	13.1
-	-	-	-	54,649	59,836	59,650	48,295	(6,354)	(11.6)
5,665	6,820	3,278	92.5	77,203	92,868	101,000	96,630	19,427	25.2
18,225	18,533	313	1.7	151,525	164,191	161,977	151,982	457	0.3
\$ 4,154,968	\$ 4,553,274	\$ 445,735	10.9 %	\$ 9,437,583	\$ 9,514,944	\$ 9,636,509	\$ 10,103,549	\$ 665,966	7.1 %
507,628	560,475	107,021	23.6	453,454	507,794	507,628	560,475	107,021	23.6
(507,628)	(560,475)	(107,021)	23.6	(453,454)	(507,794)	(507,628)	(560,475)	(107,021)	23.6
(5,665)	(6,820)	(3,278)	92.5	(77,203)	(92,868)	(101,000)	(96,630)	(19,427)	25.2
\$ 4,149,303	\$ 4,546,454	\$ 442,457	10.8 %	\$ 9,360,380	\$ 9,422,076	\$ 9,535,509	\$ 10,006,919	\$ 646,539	6.9 %
-	2,980	2,980	100.0	16,464	21,938	3,575	10,179	(6,285)	(38.2)
12,480	-	-	-	106,330	60,239	58,343	2,069	(104,261)	(98.1)
<u>\$ 4,161,783</u>	<u>\$ 4,549,434</u>	<u>\$ 445,437</u>	<u>10.9 %</u>	<u>\$ 9,483,174</u>	<u>\$ 9,504,253</u>	<u>\$ 9,597,427</u>	<u>\$ 10,019,167</u>	<u>\$ 535,993</u>	<u>5.7 %</u>

