



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

ANNUAL FINANCIAL REPORT

2017-2018

YEAR ENDED JULY 31, 2018





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

ANNUAL FINANCIAL REPORT

YEAR ENDED JULY 31, 2018

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MINNESOTA STATE HIGH SCHOOL LEAGUE
BROOKLYN CENTER, MINNESOTA

**ORGANIZATION
2018**

Term Expires

BOARD OF DIRECTORS

Dave Swanberg, President.....	2018
Bonnie Spohn Schmaltz, Vice President	2020
Wade Johnson, Treasurer	2018
Kristen Amundson*	2019
Craig Anderson	2019
Joel Boyd*	2020
Rob Carpentier.....	2020
Eric Christenson.....	2019
Kristen DeClerk-Thompson	2020
Mike Domin	2021
Kirby Ekstrom	2019
Brian Hegseth.....	2019
Jed Helwig.....	2018
Jill Johnson.....	2020
Eric Lehtola.....	2020
Paul McDonald*	2018
Blaine Novak.....	2021
Chad Stoskopf.....	2018
Todd Waterbury.....	2021
Frank White*	2021

EXECUTIVE STAFF

Erich Martens, Executive Director	Indefinite
Lisa Lissimore, Associate Director	Indefinite
Kevin Merkle, Associate Director.....	Indefinite
Craig Perry, Associate Director.....	Indefinite
Jody Redman, Associate Director	Indefinite

** Appointed by the Governor*

FINANCIAL SECTION



JULIE BLAHA
STATE AUDITOR

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)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota State High School League
Brooklyn Center, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Minnesota State High School League (MSHSL) as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the MSHSL's basic financial statements, as listed in the table of contents.

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 audit. We did not audit the financial statements of Regions 2A, 3A, 6A, 7A, 8A, 7AA, and 8AA, which represent approximately 12 percent, 14 percent, and 18 percent, respectively, of the assets, net position, and revenues of the MSHSL. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those listed regions of the MSHSL, is based solely on the reports of the other auditors. 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 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 auditor's 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 MSHSL'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 MSHSL'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.

An Equal Opportunity Employer

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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the MSHSL as of July 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 14 to the financial statements, in fiscal year 2018, the MSHSL adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

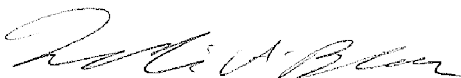
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the MSHSL's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



JULIE BLAHA
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 6, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS JULY 31, 2018

(Unaudited)

Introduction

The discussion and analysis of the Minnesota State High School League's (MSHSL) financial statements provides an overview of the financial position and activities of the League for the year ended July 31, 2018. The discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes.

Financial Statements

The MSHSL's Management's Discussion and Analysis (MD&A) report serves as an introduction to the basic financial statements. The basic financial statements consist of two parts: the financial statements and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The MSHSL presents three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These financial statements provide information about activities of the MSHSL as a whole and present a longer-term view of the League's finances.

Statement of Net Position

The Statement of Net Position presents the financial position of the League at the end of the fiscal year, under a classified balance sheet format that reflects current and noncurrent assets and liabilities, and reports net position under the following classifications:

- **Investment in capital assets.** This category includes property and equipment, net of accumulated depreciation.
- **Unrestricted.** Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital purposes. These assets are available for any purpose of the League and include resources that may be reserved for specific purposes as determined by management, financial, or Board of Directors policies.

The League's assets, liabilities, and net position at July 31, 2018 and 2017, are summarized below.

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Current assets	\$ 3,694,537	\$ 4,856,044	(23.9%)
Noncurrent assets	1,063,417	1,024,897	3.8%
Capital assets	814,779	854,683	(4.7%)
Total assets	<u>\$ 5,572,733</u>	<u>\$ 6,735,624</u>	(17.3%)
Deferred outflows of resources	<u>\$ 14,124</u>	<u>\$ -</u>	-
Current liabilities	\$ 809,635	\$ 1,672,067	(51.6%)
Noncurrent liabilities	1,480,709	1,243,864	19.0%
Total liabilities	<u>\$ 2,290,344</u>	<u>\$ 2,915,931</u>	(21.5%)
Investment in capital assets	\$ 814,779	\$ 854,683	(4.7%)
Unrestricted	<u>2,481,734</u>	<u>2,965,010</u>	(16.8%)
Total net position	<u>\$ 3,296,513</u>	<u>\$ 3,819,693</u>	(14.1%)

Current assets at July 31, 2018, totaled \$3,694,537, a decrease of 23.9% or \$1,161,507. Current assets consist primarily of cash and cash equivalents, investments in negotiable and nonnegotiable certificates of deposit, equity securities and accounts receivable. Accounts receivable consists primarily of television fees owed to the League for tournaments held in 2018.

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Capital assets, net of accumulated depreciation, totaled \$814,779. There were \$7,904 of capital assets purchased in 2018. A \$39,904 decrease in capital assets is due to the difference between the capital assets purchased and the depreciation expense recorded in 2018. The noncurrent assets consist of deferred compensation under section 457(b) of the Internal Revenue Code for the executive staff and investments held for retirement benefits payable to employees who have met certain eligibility criteria for payment of sick leave balances.

Current liabilities totaled \$809,635 at July 31, 2018, a 51.6% decrease or \$862,432. Current liabilities primarily consist of school expense reimbursement, retirement benefits, salary and other accrued liabilities. The school expense reimbursement liability decreased \$966,827. The retirement benefits payable in current liabilities is \$240,796 in 2018. Noncurrent liabilities totaled \$1,480,709 at July 31, 2018, an increase of 19.0% or \$236,845. Noncurrent liabilities consist of retirement benefits payable, other post-employment benefits and deferred compensation. The other post-employment benefit liabilities increased \$397,850 with the implementation of GASB 75 in 2018.

Statement of Revenues, Expenses, and Changes in Net Position

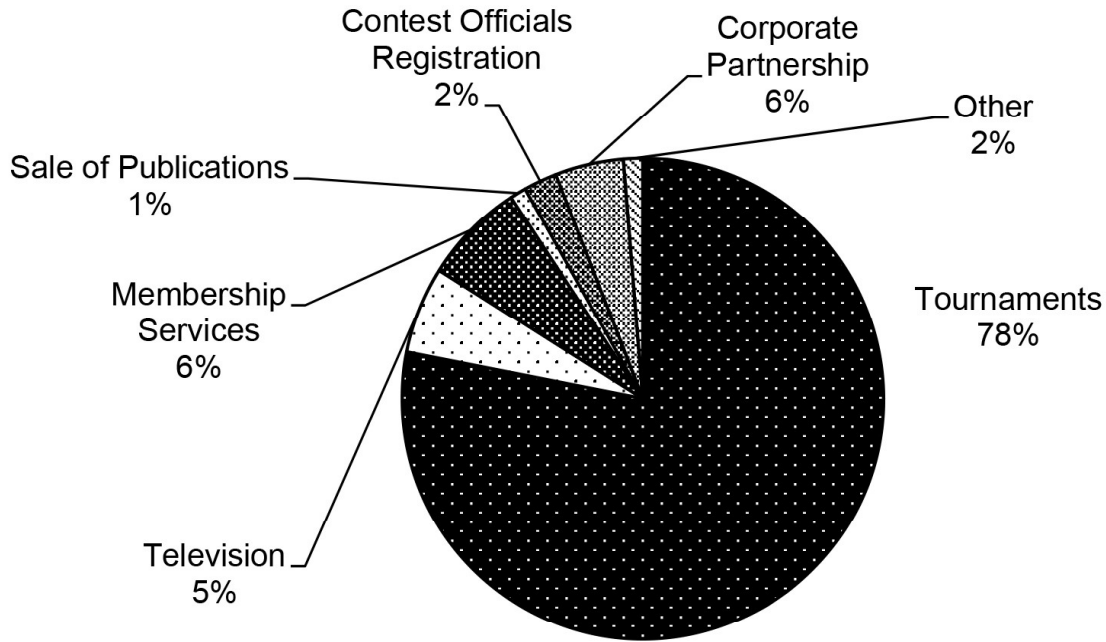
The Statement of Revenues, Expenses, and Changes in Net Position presents the League's operating and nonoperating financial activity during the year. This statement displays the net income or loss from operations. Operating revenues are those generated by the League's principal ongoing operations such as tournaments, membership fees, official's registrations, and sale of publications. Corporate partnerships are considered nonoperating revenue because the League does not give equal value in exchange for the resources received.

The League's revenues, expenses and changes in net position for the years ended July 31, 2018 and 2017, are summarized below.

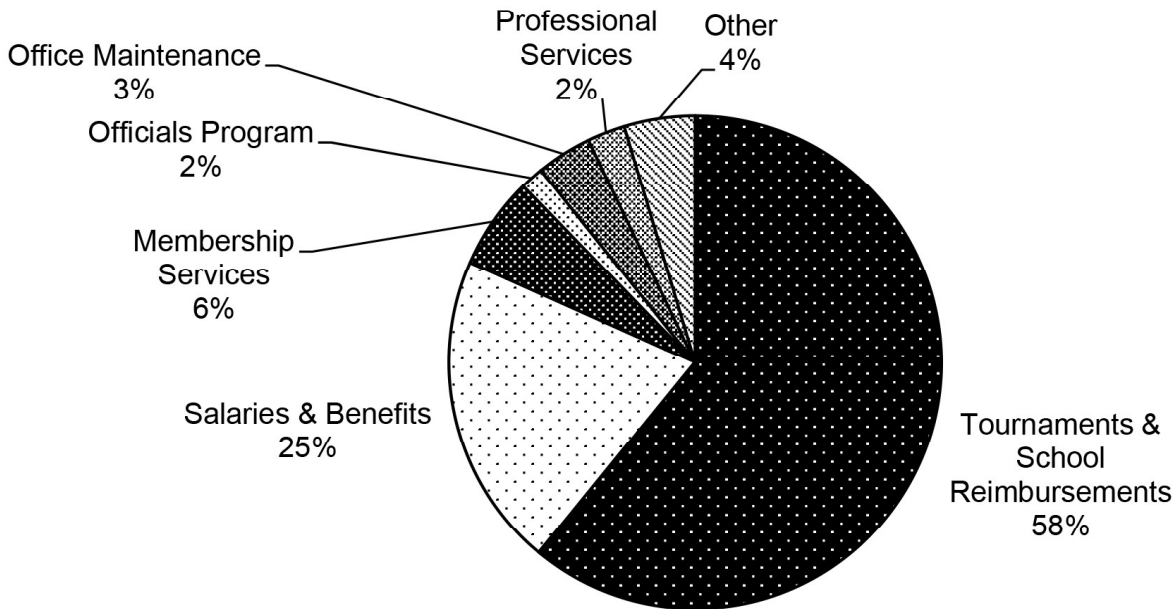
	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Operating revenues			
Tournaments	\$ 12,688,851	\$ 13,813,605	(8.1%)
Television	851,200	591,302	44.0%
Membership services	1,009,557	998,960	1.1%
Contest officials registration	347,184	332,281	4.5%
Sale of publications	186,605	143,720	29.8%
Other	172,086	171,983	0.1%
Total operating revenues	<u>\$ 15,255,483</u>	<u>\$ 16,051,851</u>	(5.0%)
Operating expenses			
Tournaments and school reimbursements	\$ 9,555,192	\$ 10,544,594	(9.4%)
Membership services	991,393	862,572	14.9%
Officials program	276,700	283,216	(2.3%)
Salaries and benefits	4,143,714	4,042,129	2.5%
Professional services	392,754	438,931	(10.5%)
Office maintenance	426,562	577,961	(26.2%)
Other	666,644	685,093	(2.7%)
Total operating expenses	<u>\$ 16,452,959</u>	<u>\$ 17,434,496</u>	(5.6%)
Operating income (loss)	<u>\$ (1,197,476)</u>	<u>\$ (1,382,645)</u>	13.4%
Non-operating revenues (expenses)			
Corporate partnership	\$ 939,340	\$ 932,783	0.7%
Interest	89,974	106,173	(15.3%)
Total non-operating revenues (expenses)	<u>\$ 1,029,314</u>	<u>\$ 1,038,956</u>	(0.9%)
Change in net position	<u>\$ (168,162)</u>	<u>\$ (343,689)</u>	51.0%
Net position, August 1, as previously reported	3,819,693	\$ 4,163,382	(8.3%)
Change in accounting principles	(355,018)	-	
Net position, August 1, as restated (Note 14)	<u>3,464,675</u>	<u>\$ 4,163,382</u>	(16.8%)
Net position, July 31	<u>\$ 3,296,513</u>	<u>\$ 3,819,693</u>	(13.7%)

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BROOKLYN CENTER, MINNESOTA**

TOTAL MSHSL REVENUES



TOTAL MSHSL EXPENSES



For the year ended July 31, 2018, tournament revenue totaled \$12,688,851, a decrease of \$1,124,754 or (8.1%). The major portion of this tournament revenue was the sale of tickets for admission to the events. Significantly less people attended the tournaments in 2018 than in 2017. Other tournament revenue consists of program sales, t-shirt and souvenir sales, and program advertising.

Television revenues increased in 2018 due to an agreement to extend the contract through September 30, 2026, subject to an option to extend the contract through the 2030-31 season. Television revenues are expected to remain the same in 2019. The League's Board of Directors originally signed a 10-year, \$9.7 million contract with a local television station in 2005. In 2009, the League signed an agreement with the television station extending the contract to 2021.

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Membership services revenue consist of a membership fee and an activity registration fee for each activity the school sponsors at the high school level. For the year ended July 31, 2018, membership service revenue increased by \$10,597.

Contest officials register annually with the League and attend online rules meetings and must pass a test to officiate League sponsored games. These registrations increased 4.5% in fiscal year 2018. The League continues to train registered officials in League sponsored activities.

Publications are sold to member schools, officials, and the general public. Publications include the Official Handbook and sports rules books. The sale of these publications increased by 29.8% in fiscal year 2018. This increase in revenue was anticipated due to the League implementing an every other year rulebook requirement for schools and officials.

Operating expenses consist of tournament expenses, school reimbursements as well as general and administrative expenses. Tournament and school reimbursements decreased by 9.4% in fiscal year 2018. The large decrease in school reimbursements was due in large part to the decrease in ticket sales revenue for 2018. Membership services increased 14.9%. The majority of this increase related to the implementation of the HeadStrong Concussion Insurance Program. The League continues to support member schools and educational based athletics through this programing. The official's program expenses decreased 2.3% in 2018. For fiscal year ended July 31, 2018, total operating expenses decreased by 5.6%.

Statement of Cash Flows

The Statement of Cash Flows presents information about changes in the League's cash position using the direct method of reporting sources and uses of cash. The direct method reports all major cash inflows and outflows at gross amounts, differentiating these activities into cash flows arising from operating activities, noncapital and related financing, capital and related financing, and investing activities.

The League's cash flows for the years ended July 31, 2018 and 2017, are summarized below.

	2018	2017	Percentage Change
Cash provided by (used in)			
Operating activities	\$ (2,334,071)	\$ (1,373,792)	(69.9%)
Non-capital and related financing activities	939,340	932,783	0.7%
Capital and related financing activities	(7,904)	-	0.0%
Investing activities	1,157,063	3,665	31470.6%
Net increase (decrease) in cash	\$ (245,572)	\$ (437,344)	43.8%
Cash and cash equivalents - August 1	2,058,488	2,495,832	(17.5%)
Cash and cash equivalents - July 31	\$ 1,812,916	\$ 2,058,488	(11.9%)

Capital Assets

Investment in capital assets includes land, building and building improvements, furniture and equipment, and computer equipment. Total depreciation expense for the year was \$47,808. There were capital additions of \$7,904 in 2018.

Economic Factors That Will Affect the Future

Looking toward the future, management believes that the League is well positioned to continue its strong financial position and level of excellence in service to the students, administrators, schools, and citizens of the state of Minnesota. The League's revenues are largely dependent on the weather and school match-ups at the various state tournaments. Corporate sponsorships and the television rights fee help to alleviate the up and down swings in tournament revenues.

Contacting the League's Financial Management

This financial report is designed to provide our member schools, administrators, board members, and the citizens of Minnesota a general overview of the League's finances and to demonstrate the League's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Richard Matter, Assistant Director, or Erich Martens, Executive Director, at (763) 560-2262.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
JULY 31, 2018ASSETS

	<u>2018</u>
Current Assets	
Cash and cash equivalents (Note 2)	\$ 1,812,916
Investments (Note 2)	1,393,589
Accounts receivable	462,286
Accrued interest receivable	3,287
Prepaid items	<u>22,459</u>
Total current assets	<u>\$ 3,694,537</u>
Noncurrent Assets	
Restricted assets	
Deferred compensation (Note 10)	<u>\$ 479,035</u>
Capital assets	
Non-depreciable	\$ 318,564
Depreciable-net of accumulated depreciation	<u>496,215</u>
Net capital assets (Note 3)	<u>\$ 814,779</u>
Other assets	
Investments held for retirement benefits (Note 7)	<u>\$ 584,382</u>
Total noncurrent assets	<u>\$ 1,878,196</u>
Total Assets	<u>\$ 5,572,733</u>

Deferred Outflows of Resources

Deferred outflows of resources (Note 13)	<u>\$ 14,124</u>
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Liabilities and Net Position

Current Liabilities	
Salaries payable	\$ 160,800
Accounts payable	87,790
School expense reimbursement payable	167,390
Accrued employee benefits payable (Note 6)	128,370
Retirement benefits payable (Note 7)	240,796
Unearned income (Note 5)	<u>24,489</u>
Total current liabilities	<u>\$ 809,635</u>
Noncurrent Liabilities	
Retirement benefits payable (Note 7)	\$ 321,458
Total other post-employment benefits payable (Note 13)	680,216
Deferred compensation (Note 10)	<u>479,035</u>
Total noncurrent liabilities	<u>\$ 1,480,709</u>
Total Liabilities	<u>\$ 2,290,344</u>
Net Position (Note 8)	
Investment in capital assets	\$ 814,779
Unrestricted	<u>2,481,734</u>
Total Net Position	<u>\$ 3,296,513</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JULY 31, 2018

	2018
Operating Revenues	
Tournaments	\$ 12,688,851
Television	851,200
Membership services	1,009,557
Contest officials registration	347,184
Sales of handbooks, rule books, and supplies	186,605
Other	172,086
Total Operating Revenues	\$ 15,255,483
Operating Expenses	
Tournaments	\$ 9,385,547
School expense reimbursement	169,645
Membership services	
Insurance	750,262
Handbooks, rule books, and supplies	139,272
Other	101,859
Fine arts programs	16,917
Officials program	276,700
Committees	101,029
Board of directors	74,377
Salaries	2,862,640
Employee benefits	1,281,074
Insurance	21,263
Legal	91,088
Other professional services	301,666
Maintenance	66,778
Utilities	50,341
Postage	75,692
Supplies	85,269
Data processing and office equipment	79,411
Public relations	122,712
Corporate sponsor commission	60,766
Television consulting	14,867
Depreciation	47,808
Other	275,976
Total Operating Expenses	\$ 16,452,959
Operating Income (Loss)	\$ (1,197,476)
Nonoperating Revenues (Expenses)	
Corporate partnership	\$ 939,340
Interest	89,974
Total Nonoperating Revenues (Expenses)	\$ 1,029,314
Change in Net Position	\$ (168,162)
Total Net Position - August 1, as restated (Note 14)	3,464,675
Total Net Position - July 31	\$ 3,296,513

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2018**

	<u>2018</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 12,658,551
Cash received from schools	1,009,557
Payments to suppliers for goods and services	(10,781,295)
Payments to employees for services	(2,841,465)
Payments for fringe benefits	(1,315,206)
Payments to schools	<u>(1,064,213)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$ (2,334,071)</u>
Cash Flows from Non-Capital and Related Financing Activities	
Corporate partnership	\$ 939,340
Operating transfers in	794,635
Operating transfers out	<u>(794,635)</u>
Net Cash Provided by (Used In) Non-Capital and Related Financing Activities	<u>\$ 939,340</u>
Cash Flows from Capital and Related Financing Activities	
Capital expenditures	<u>\$ (7,904)</u>
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>\$ (7,904)</u>
Cash Flows from Investing Activities	
Interest on investments	\$ 92,568
Proceeds from sales and maturities of investments	1,937,740
Purchases of investments	<u>(873,245)</u>
Net Cash Provided by (Used In) Investing Activities	<u>\$ 1,157,063</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (245,572)
Cash and Cash Equivalents - August 1	<u>2,058,488</u>
Cash and Cash Equivalents - July 31	<u>\$ 1,812,916</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities	
Operating Income (Loss)	<u>\$ (1,197,476)</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities	
Depreciation	\$ 47,808
(Increase) Decrease in accounts receivable	(102,666)
(Increase) Decrease in prepaid expenses	(1,311)
(Increase) Decrease in deferred outflows of resources	(14,124)
Increase (Decrease) in salaries payable	23,497
Increase (Decrease) in accounts payable	(103,266)
Increase (Decrease) in school expense reimbursement payable	(966,827)
Increase (Decrease) in short-term accrued employee benefits payable	(59,256)
Increase (Decrease) in unearned income	2,624
Increase (Decrease) net other post-employment benefits payable	42,832
Increase (Decrease) in retirement benefits payable	<u>(5,906)</u>
Total adjustments	<u>\$ (1,136,595)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (2,334,071)</u>
Non-cash Operating Activities	
The MSHSL has \$1,499,615 of non-monetary exchange revenues and expenses.	

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2018

1. Summary of Significant Accounting Policies

The Minnesota State High School League's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended July 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the League are discussed below.

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, 2018, financial statements of the MSHSL include the financial information of all 16 Administrative Regions.

Measurement Focus and Basis of Accounting - The financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when they are earned. Expenses are recognized when they are incurred. When both restricted and unrestricted resources are available for use, it is the League's policy to use restricted resources first, and then unrestricted resources as they are needed.

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.

Restricted Assets - The League established a deferred compensation plan under Section 457(b) of the Internal Revenue Code for some of the executive staff. 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.

Capital Assets - Property and equipment are stated at cost. Replacements or improvements are capitalized. The capitalization threshold is \$3,000. 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

Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The MSHSL has one item, deferred OPEB outflows that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of employer contributions paid subsequent to the measurement date and, accordingly, are reported only in the statement of net position.

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

1. Summary of Significant Accounting Policies (Continued)

Revenues - Operating revenues, such as tournament revenue, result from exchange transactions associated with the principal activity of the League. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or incidental activities. Corporate partnerships are considered nonoperating revenue because the League does not give equal value in exchange for the resources received.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, qualified employees that meet the requirements of the sick leave pay plan may be compensated for unused balances to a maximum of one year salary.

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.

2. Deposits and Investments

The MSHSL is governed by the deposit and investment limitations of its own internal policies. The deposits and investments held on July 31, 2018, reported at fair value, are shown below.

	Maturities	Fair Value
Deposits:		
Checking and savings	-	\$ 1,794,141
Cash with broker	-	53,398
Total Deposits		\$ 1,847,539
Investments:		
Negotiable certificates of deposit Wells Fargo	Various	\$ 549,555
Equities	-	1,393,589
External Investment Pools		479,035
Total Investments		\$ 2,422,179
Total Deposits and Investments		\$ 4,269,718
Add:		
Petty Cash	-	204
Total Cash, Cash Equivalents, and Investments		\$ 4,269,922
Reconciliation to the Statement of Net Position:		
Cash and cash equivalents		\$ 1,812,916
Investments		1,393,589
Deferred compensation		479,035
Investments held for retirement benefits		584,382
Total Cash, Cash Equivalents, and Investments		\$ 4,269,922

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

2. Deposits and Investments (Continued)

Custodial Credit Risk - As of July 31, 2018, deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a carrying value of \$1,847,539. Bank balances were \$2,190,641, of which \$583,823 was not covered by federal depository insurance. The MSHSL's investment policy does not specifically address custodial credit risk. As of July 31, 2018, the League's investments were not exposed to custodial credit risk.

Investment Interest Rate Risk - The MSHSL has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The League's policy doesn't specifically address interest rate risk.

Investment Credit Risk - The MSHSL has a formal investment policy that limits its investment choices. Fixed income investments are required to be rated "A" or higher by Standards and Poor's or "A2" by Moody's. Certificates of deposit must stay within FDIC limits.

Concentration of Investment Credit Risk - The MSHSL investment policy limits the amount it may invest in any one issuer. The policy states that no more than 10% of the investment portfolio shall be invested in securities issued by one corporation except for insured depositories and obligations of the United States Government and Government Agencies. At July 31, 2018, the MSHSL had three individual negotiable certificates of deposits that exceeded 10% of total investments.

Fair Value of Investments - The MSHSL measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

At July 31, 2018, the MSHSL had the following recurring fair value measurements.

	July 31, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities	-	-	-	-
Negotiable certificates of deposit	\$ 549,555	-	\$ 549,555	-
Equities	1,393,589	\$ 1,393,589	-	-
Total Investments included in the Fair Value hierarchy	<u>\$ 1,943,144</u>	<u>\$ 1,393,589</u>	<u>\$ 549,555</u>	<u>-</u>

Debt and equity securities classified in Level 1 are valued using a market approach quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approach:

- Negotiable Certificates of Deposit: matrix pricing based on the securities relationship to benchmark quoted prices.
- The MSHSL holds \$479,035 in an external investment pool as a deferred compensation plan for select employees. The fair value of the investment is the fair value per share of the underlying portfolio. These investments may be redeemed when the employees become eligible under contract provisions.

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

3. Capital Assets

Capital assets comprise the following at July 31, 2018:

	08/01/2017	Additions	Deductions/ Adjustments	07/31/2018
Capital asset, not being depreciated:				
Land and land improvements	\$ 318,564	\$ -	\$ -	\$ 318,564
Capital assets, being depreciated:				
Building and building improvements	\$ 1,606,791	\$ -	\$ -	\$ 1,606,791
Furniture and equipment	223,830	7,904	-	231,734
Computer equipment	4,454	-	-	4,454
Total capital assets being depreciated	\$ 1,835,075	\$ 7,904	\$ -	\$ 1,842,979
Less: accumulated depreciation				
Building and building improvements	\$ (1,084,496)	\$ (43,875)	\$ -	\$ (1,128,371)
Furniture and equipment	(210,006)	(3,933)	-	(213,939)
Computer equipment	(4,454)	-	-	(4,454)
Total accumulated depreciation	\$ (1,298,956)	\$ (47,808)	\$ -	\$ (1,346,764)
Total capital assets being depreciated, net	\$ 536,119	\$ (39,904)	\$ -	\$ 496,215
Net Capital Assets	\$ 854,683	\$ (39,904)	\$ -	\$ 814,779

Depreciation expense totaling \$47,808 was charged for the year ended July 31, 2018.

4. Operating Leases

The MSHSL is obligated under operating leases for mailing equipment and photocopying equipment. Expenses associated with these leases were \$14,468 for the year ended July 31, 2018. Future minimum lease payments at July 31, 2018, are as follows:

2019	\$ 15,008
2020	14,346
2021	13,714
2022	6,370
2023	<u>1,080</u>
Total	\$ <u>50,518</u>

5. Unearned Income

Unearned income consists of amounts received for membership services 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

MSHSL employees that meet certain eligibility criteria earn vacation benefits based on years of service. Employees earn between two weeks and five weeks of vacation annually. Unused vacation time cannot exceed 1.5 times the employee's current rate of accrual. Employees are paid 100% of their accumulated vacation pay when they terminate their employment.

Accrued employee benefits payable at July 31, 2018:

Current Liabilities	
Vacation leave	\$ <u>128,370</u>

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

7. Retirement Benefits Payable

The MSHSL has a retirement plan that provides certain unused sick leave compensation 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 unused sick leave payment shall not exceed one year's salary.

Retirement benefits payable at July 31, 2018, is \$562,254. Benefits due within one year are \$240,796 and noncurrent retirement benefits is \$321,458. 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 \$22,128 for the year ended July 31, 2018.

Retirement benefits activity for the year ended July 31, 2018:

	<u>08/01/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>07/31/2018</u>	<u>Due Within One Year</u>
Retirement benefits payable	\$ 568,160	\$ 98,512	\$ 104,418	\$ 562,254	\$ 240,796

8. Equity Classifications

Equity is classified as net position and displayed in two components:

- A. Investment in capital assets – Consists of capital assets, net of accumulated depreciation.
- B. Unrestricted – All other net position that does not meet the definition of “investment in capital assets”.

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 \$364,373 for the year ended July 31, 2018.

10. Deferred Compensation

The MSHSL established in the year ending July 31, 2008, a deferred compensation plan under Section 457(b) of the Internal Revenue Code for select members of the executive staff. Under the provisions of the plan, the MSHSL contributes four, seven or twelve percent of the executive staff's salary to the plan. Based on the Executive Director's contract an additional contribution may be made on an annual basis.

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, 2018.

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.

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

12. Long Term Contracts

The MSHSL has signed contracts with a television station and certain corporate sponsors. These contracts last from 3 to 11 years. The revenue from these contracts is recognized when earned. In addition, the MSHSL exchanges advertising for other non-monetary assets or services such as tournament equipment, and radio, television or print advertising. The value of the services exchanged is recorded in tournament revenue and expense accounts.

13. Other Post-Employment Benefits

Plan Description

Following retirement, if the employee has reached the age of 58 or 60 depending on the employee's classification 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. This arrangement qualifies as a single employer defined benefit plan.

For those qualified retirees that meet the criteria for a full medical, dental, and life insurance benefit, the MSHSL contributes 100% of the benefit cost.

The contribution requirements of the plan members and the MSHSL are established and may be amended by the MSHSL Board of Directors. The MSHSL finances the plan on a "pay-as-you-go" basis.

Participants

Participants of the plan consisted of the following at August 1, 2017, the date of the latest actuarial valuation:

Active employees	25
Retired employees	1
 Total plan participants	 26

Total OPEB Liability

The MSHSL's total OPEB liability of \$680,216 was measured as of August 1, 2017 and was determined by an actuarial valuation as of August 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the August 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount rate	3.40 percent
20-year municipal bond yield	3.40 percent
Medical trend rate	6.50 percent as of August 1, 2017 grading to 5.00 percent over 6 years.
Dental trend rate	4.00 percent

Mortality rates were based on R-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The discount rate was based on the estimated yield of 20-year AA-rated municipal bonds. The overall single discount rate is 3.40 percent.

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

13. Other Post-Employment Benefits (Continued)

Changes in the Total OPEB Liability

Balance at July 31, 2017	\$637,384
Service cost	31,856
Interest cost	22,559
Contributions during the year	<u>(11,583)</u>
Net changes	<u>42,832</u>
Balance at July 31, 2018	<u>\$680,216</u>

OPEB Liability Sensitivity

The following presents the total OPEB liability of the MSHSL, calculated using the discount rate previously disclosed, as well as what the MSHSL's total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage-point lower or 1.0 percentage-point higher than the current discount rate:

	<u>1.00% Increase</u>	<u>Current Discount Rate</u>	<u>1.00% Decrease</u>
Total OPEB Liability	\$ 632,738	\$ 680,216	\$ 730,242

The following presents the total OPEB liability of the MSHSL, calculated using the health care cost trend previously disclosed, as well as what the MSHSL's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.0 percentage-point lower or 1.0 percentage-point higher than the current health care cost trend rate:

	<u>1.00% Increase</u>	<u>Current Discount Rate</u>	<u>1.00% Decrease</u>
Total OPEB Liability	\$ 756,113	\$ 680,216	\$ 614,580

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended July 31, 2018, the MSHSL recognized OPEB expense of \$59,781. At July 31, 2018, the MSHSL reported deferred outflows of resources related to OPEB from the following sources:

	<u>Balances at July 31, 2018</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 14,124	\$ -

Changes in Actuarial Assumptions

The following changes in actuarial assumptions from the last valuation completed for the MSHSL as of August 1, 2014 are:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00 percent to 3.40 percent.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.
- The withdrawal tables were updated.

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

14. Restatement of Net Position

Change in Accounting Principles

During the year ended July 31, 2018, the MSHSL adopted new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 changes the amount employers report as OPEB expense and defers some allocations of expenses to future years as deferred outflows or inflows of resources. This statement also requires additional note disclosures and a schedule in the required supplementary information. Beginning net position has been restated to reflect this change.

	<u>Governmental Activities</u>
Beginning Net Position, as previously reported	\$ 3,819,693
Change in accounting principles	<u>(355,018)</u>
Beginning Net Position, as restated	<u>\$ 3,464,675</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
OTHER POSTEMPLOYMENT BENEFITS
JULY 31, 2018**

	2018
Total OPEB Liability	
Service cost	\$ 31,856
Interest	22,559
Benefit payments	(11,583)
Net change in total OPEB liability	\$ 42,832
Total OPEB liability - beginning	637,384
Total OPEB liability - ending	\$ 680,216
Covered-employee payroll	\$ 2,262,278
Total OPEB liability as a percentage of covered employee payroll	30%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The assets are not accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The following changes in actuarial assumptions from the last valuation completed for the MSHSL as of August 1, 2014 are:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00 percent to 3.40 percent.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.
- The withdrawal tables were updated.

SUPPLEMENTAL INFORMATION

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

**STATEMENT OF NET POSITION BY LOCATION
JULY 31, 2018**

	MSHSL OFFICE	1A	2A	3A	4A	5A	6A
<u>Assets</u>							
Current Assets							
Cash and cash equivalents (Note 2)	\$ 738,861	44,051	53,018	92,272	9,832	84,285	149,462
Investments (Note 2)	1,393,589	-	-	-	-	-	-
Accounts receivable	457,526	-	-	-	-	-	-
Accrued interest receivable	3,255	-	-	-	-	32	-
Prepaid items	22,009	-	-	-	-	-	-
Total current assets	\$ 2,615,240	44,051	53,018	92,272	9,832	84,317	149,462
Noncurrent Assets							
Restricted assets							
Deferred compensation (Note 10)	\$ 479,035	-	-	-	-	-	-
Capital assets							
Non-depreciable	\$ 318,564	-	-	-	-	-	-
Depreciable-net of accumulated depreciation	496,215	-	-	-	-	-	-
Net capital assets (Note 3)	\$ 814,779	-	-	-	-	-	-
Other assets							
Investments held for retirement benefits (Note 7)	\$ 584,382	-	-	-	-	-	-
Total noncurrent assets	\$ 1,878,196	-	-	-	-	-	-
Total Assets	\$ 4,493,436	44,051	53,018	92,272	9,832	84,317	149,462
<u>Deferred Outflows of Resources</u>							
Deferred outflows of resources (Note 13)	14,124	-	-	-	-	-	-
<u>Liabilities and Net Position</u>							
Current Liabilities							
Salaries payable	\$ 147,235	-	-	-	-	-	-
Accounts payable	67,563	774	-	-	-	129	-
School expense reimbursement payable	-	-	23,000	9,378	-	-	62,000
Accrued employee benefits payable (Note 6)	128,370	-	-	-	-	-	-
Retirement benefits payable (Note 7)	240,796	-	-	-	-	-	-
Unearned income (Note 5)	24,489	-	-	-	-	-	-
Total current liabilities	\$ 608,453	774	23,000	9,378	-	129	62,000
Noncurrent Liabilities							
Retirement benefits payable (Note 7)	\$ 321,458	-	-	-	-	-	-
Net other post-employment benefits payable (Note 13)	680,216	-	-	-	-	-	-
Deferred compensation (Note 10)	479,035	-	-	-	-	-	-
Total noncurrent liabilities	\$ 1,480,709	-	-	-	-	-	-
Total Liabilities	\$ 2,089,162	774	23,000	9,378	-	129	62,000
Net Position (Note 8)							
Investment in capital assets	\$ 814,779	-	-	-	-	-	-
Unrestricted	1,603,619	43,277	30,018	82,894	9,832	84,188	87,462
Total Net Position	\$ 2,418,398	43,277	30,018	82,894	9,832	84,188	87,462

SCHEDULE 1

ADMINISTRATIVE REGIONS										TOTAL ADMINISTRATIVE REGIONS	COMBINED TOTAL	
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA			
114,047	78,128	57,674	70,862	38,948	44,720	44,418	32,818	91,485	68,035	\$	1,074,055	\$ 1,812,916
-	-	-	-	-	-	-	-	-	-	-	-	1,393,589
570	-	-	964	476	318	1,150	1,141	141	-	-	4,760	462,286
-	-	-	-	-	-	-	-	-	-	-	32	3,287
-	450	-	-	-	-	-	-	-	-	-	450	22,459
<u>114,617</u>	<u>78,578</u>	<u>57,674</u>	<u>71,826</u>	<u>39,424</u>	<u>45,038</u>	<u>45,568</u>	<u>33,959</u>	<u>91,626</u>	<u>68,035</u>	\$	<u>1,079,297</u>	\$ <u>3,694,537</u>
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 479,035
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 318,564
-	-	-	-	-	-	-	-	-	-	-	-	496,215
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 814,779
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 584,382
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 1,878,196
<u>114,617</u>	<u>78,578</u>	<u>57,674</u>	<u>71,826</u>	<u>39,424</u>	<u>45,038</u>	<u>45,568</u>	<u>33,959</u>	<u>91,626</u>	<u>68,035</u>	\$	<u>1,079,297</u>	\$ <u>5,572,733</u>
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 14,124
13,565	-	-	-	-	-	-	-	-	-	\$	13,565	\$ 160,800
5,246	-	-	1,722	10,441	1,735	-	-	180	-	-	20,227	87,790
36,000	13,204	-	-	-	-	-	-	23,808	-	-	167,390	167,390
-	-	-	-	-	-	-	-	-	-	-	-	128,370
-	-	-	-	-	-	-	-	-	-	-	-	240,796
-	-	-	-	-	-	-	-	-	-	-	-	24,489
<u>54,811</u>	<u>13,204</u>	<u>-</u>	<u>1,722</u>	<u>10,441</u>	<u>1,735</u>	<u>-</u>	<u>-</u>	<u>23,988</u>	<u>-</u>	\$	<u>201,182</u>	\$ <u>809,635</u>
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 321,458
-	-	-	-	-	-	-	-	-	-	-	-	680,216
-	-	-	-	-	-	-	-	-	-	-	-	479,035
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 1,480,709
<u>54,811</u>	<u>13,204</u>	<u>-</u>	<u>1,722</u>	<u>10,441</u>	<u>1,735</u>	<u>-</u>	<u>-</u>	<u>23,988</u>	<u>-</u>	\$	<u>201,182</u>	\$ <u>2,290,344</u>
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 814,779
<u>59,806</u>	<u>65,374</u>	<u>57,674</u>	<u>70,104</u>	<u>28,983</u>	<u>43,303</u>	<u>45,568</u>	<u>33,959</u>	<u>67,638</u>	<u>68,035</u>		<u>878,115</u>	<u>2,481,734</u>
<u>59,806</u>	<u>65,374</u>	<u>57,674</u>	<u>70,104</u>	<u>28,983</u>	<u>43,303</u>	<u>45,568</u>	<u>33,959</u>	<u>67,638</u>	<u>68,035</u>	\$	<u>878,115</u>	\$ <u>3,296,513</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY LOCATION
FOR THE YEAR ENDED JULY 31, 2018**

	MSHSL OFFICE	1A	2A	3A	4A	5A	6A
Operating Revenues							
Tournaments	\$ 6,781,251	524,439	395,010	433,841	231,474	417,203	554,607
Television	850,000	-	-	-	-	-	-
Membership services	1,009,557	-	-	-	-	-	-
Contest officials registration	347,184	-	-	-	-	-	-
Sales of handbooks, rule books, and supplies	186,605	-	-	-	-	-	-
Other	140,846	5,019	-	-	-	2,560	4,098
Total Operating Revenues	\$ 9,315,443	529,458	395,010	433,841	231,474	419,763	558,705
Operating Expenses							
Tournaments	\$ 4,709,501	392,744	278,447	307,466	169,871	335,708	350,435
School expense reimbursement	1,000	-	23,000	10,633	-	-	62,000
Membership services							
Insurance	730,832	2,321	1,014	1,490	1,290	1,321	1,003
Handbooks, rule books, and supplies	139,272	-	-	-	-	-	-
Other	101,859	-	-	-	-	-	-
Fine arts programs	16,917	-	-	-	-	-	-
Officials program	276,700	-	-	-	-	-	-
Committees	15,612	4,944	5,024	11,086	1,596	5,355	5,192
Board of directors	74,377	-	-	-	-	-	-
Salaries	2,158,294	42,880	45,900	74,500	37,000	38,000	54,329
Employee benefits	1,142,729	8,855	9,478	10,509	7,640	7,847	11,382
Insurance	21,263	-	-	-	-	-	-
Legal	91,088	-	-	-	-	-	-
Other professional services	92,772	63,891	5,326	4,010	38,617	54,193	4,040
Maintenance	66,778	-	-	-	-	-	-
Utilities	50,341	-	-	-	-	-	-
Postage	75,692	-	-	-	-	-	-
Supplies	30,977	3,909	895	5,000	1,630	3,179	7,507
Data processing and office equipment	79,411	-	-	-	-	-	-
Public relations	73,876	4,421	2,867	-	-	13,826	1,630
Corporate sponsor commission	60,766	-	-	-	-	-	-
Television consulting	14,867	-	-	-	-	-	-
Depreciation	47,808	-	-	-	-	-	-
Other	253,922	391	3,156	-	313	128	2,829
Total Operating Expenses	\$ 10,326,654	524,356	375,107	424,694	257,957	459,557	500,347
Operating Income (Loss)	\$ (1,011,211)	5,102	19,903	9,147	(26,483)	(39,794)	58,358
Nonoperating Revenues (Expenses)							
Corporate partnership	\$ 934,830	4,510	-	-	-	-	-
Interest	89,096	-	9	29	-	161	23
Total Nonoperating Revenues (Expenses)	\$ 1,023,926	4,510	9	29	-	161	23
Income Before Transfers	\$ 12,715	9,612	19,912	9,176	(26,483)	(39,633)	58,381
Operating Transfers In	-	14,539	25,246	38,140	74,169	81,147	37,761
Operating Transfers Out	(50,000)	(10,702)	(45,161)	(44,102)	(52,987)	(48,034)	(90,259)
Change in Net Position	\$ (37,285)	13,449	(3)	3,214	(5,301)	(6,520)	5,883
Total Net Position - August 1, as Restated (Note 14)	2,455,683	29,828	30,021	79,680	15,133	90,708	81,579
Total Net Position - July 31	\$ 2,418,398	43,277	30,018	82,894	9,832	84,188	87,462

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

SCHEDULE 2

ADMINISTRATIVE REGIONS										TOTAL ADMINISTRATIVE REGIONS	COMBINED TOTAL		
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA				
432,157	280,818	342,944	434,640	279,436	328,416	252,032	227,976	362,576	410,031	\$	5,907,600	\$	12,688,851
-	-	-	-	-	-	1,200	-	-	-		1,200		851,200
-	-	-	-	-	-	-	-	-	-		-		1,009,557
-	-	-	-	-	-	-	-	-	-		-		347,184
-	-	-	-	-	-	-	-	-	-		-		186,605
371	4,929	6,199	342	5,154	8	1,695	865	-	-		31,240		172,086
<u>432,528</u>	<u>285,747</u>	<u>349,143</u>	<u>434,982</u>	<u>284,590</u>	<u>328,424</u>	<u>254,927</u>	<u>228,841</u>	<u>362,576</u>	<u>410,031</u>	\$	<u>5,940,040</u>	\$	<u>15,255,483</u>
306,545	229,421	303,378	336,132	283,988	295,065	249,128	251,414	268,596	317,708	\$	4,676,046	\$	9,385,547
36,000	13,204	-	-	-	-	-	-	23,808	-		168,645		169,645
624	954	450	1,199	657	1,301	1,312	2,948	1,096	450		19,430		750,262
-	-	-	-	-	-	-	-	-	-		-		139,272
-	-	-	-	-	-	-	-	-	-		-		101,859
-	-	-	-	-	-	-	-	-	-		-		16,917
-	-	-	-	-	-	-	-	-	-		-		276,700
9,132	10,674	4,173	4,287	1,994	3,276	-	109	9,334	9,241		85,417		101,029
-	-	-	-	-	-	-	-	-	-		-		74,377
51,354	47,700	38,500	37,500	37,500	36,000	38,522	37,775	43,000	43,886		704,346		2,862,640
10,345	9,564	7,950	7,744	7,744	7,434	6,111	7,800	8,880	9,062		138,345		1,281,074
-	-	-	-	-	-	-	-	-	-		-		21,263
-	-	-	-	-	-	-	-	-	-		-		91,088
4,985	2,925	7,032	4,000	3,077	2,527	3,337	3,138	5,446	2,350		208,894		301,666
-	-	-	-	-	-	-	-	-	-		-		66,778
-	-	-	-	-	-	-	-	-	-		-		50,341
-	-	-	-	-	-	-	-	-	-		-		75,692
5,032	4,265	1,174	3,062	1,053	3,524	2,972	4,449	2,003	4,638		54,292		85,269
-	-	-	-	-	-	-	-	-	-		-		79,411
-	17,744	-	-	5,718	-	-	-	-	2,630		48,836		122,712
-	-	-	-	-	-	-	-	-	-		-		60,766
-	-	-	-	-	-	-	-	-	-		-		14,867
-	-	-	-	-	-	-	-	-	-		-		47,808
2,011	1,370	6,424	979	219	-	4,220	14	-	-		22,054		275,976
<u>426,028</u>	<u>337,821</u>	<u>369,081</u>	<u>394,903</u>	<u>341,950</u>	<u>349,127</u>	<u>305,602</u>	<u>307,647</u>	<u>362,163</u>	<u>389,965</u>	\$	<u>6,126,305</u>	\$	<u>16,452,959</u>
6,500	(52,074)	(19,938)	40,079	(57,360)	(20,703)	(50,675)	(78,806)	413	20,066	\$	(186,265)	\$	(1,197,476)
-	-	-	-	-	-	-	-	-	-	\$	4,510	\$	939,340
31	77	195	-	-	1	245	37	61	9		878		89,974
31	77	195	-	-	1	245	37	61	9	\$	5,388	\$	1,029,314
6,531	(51,997)	(19,743)	40,079	(57,360)	(20,702)	(50,430)	(78,769)	474	20,075	\$	(180,877)	\$	(168,162)
19,800	61,135	23,973	57,179	67,640	51,134	71,658	86,522	52,842	31,750		794,635		794,635
(30,286)	(13,801)	(21,723)	(89,040)	(48,188)	(54,642)	(35,022)	(47,685)	(51,321)	(61,682)		(744,635)		(794,635)
(3,955)	(4,663)	(17,493)	8,218	(37,908)	(24,210)	(13,794)	(39,932)	1,995	(9,857)	\$	(130,877)	\$	(168,162)
63,761	70,037	75,167	61,886	66,891	67,513	59,362	73,891	65,643	77,892	\$	1,008,992	\$	3,464,675
59,806	65,374	57,674	70,104	28,983	43,303	45,568	33,959	67,638	68,035		878,115		3,296,513

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

**STATEMENT OF CASH FLOWS BY LOCATION
FOR THE YEAR ENDED JULY 31, 2018**

	MSHSL OFFICE	1A	2A	3A	4A	5A	6A
Cash Flows from Operating Activities							
Cash received from customers	\$ 6,683,694	529,458	395,010	433,841	231,474	421,595	558,705
Cash received from schools	1,009,557	-	-	-	-	-	-
Payments to suppliers for goods and services	(5,569,962)	(478,234)	(296,729)	(329,052)	(213,317)	(413,700)	(442,856)
Payments to employees for services	(2,132,529)	(42,880)	(45,900)	(74,500)	(37,000)	(38,000)	(57,595)
Payments for fringe benefits	(1,179,183)	(8,855)	(9,478)	(10,509)	(7,640)	(7,847)	(11,382)
Payments to schools	(576,593)	(44,464)	(67,800)	(43,304)	-	(34,536)	-
Net Cash Provided By (Used In) Operating Activities	\$ (1,765,016)	(44,975)	(24,897)	(23,524)	(26,483)	(72,488)	46,872
Cash Flows from Non-Capital and Related Financing Activities							
Corporate partnership	\$ 934,830	4,510	-	-	-	-	-
Operating transfers in	-	14,539	25,246	38,140	74,169	81,147	37,761
Operating transfers out	(50,000)	(10,702)	(45,161)	(44,102)	(52,987)	(48,034)	(90,259)
Net Cash Provided By (Used In) Non-Capital and Related Financing Activities	\$ 884,830	8,347	(19,915)	(5,962)	21,182	33,113	(52,498)
Cash Flows from Capital and Related Financing Activities							
Capital expenditures	\$ (7,904)	-	-	-	-	-	-
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ (7,904)	-	-	-	-	-	-
Cash Flows from Investing Activities							
Interest on investments	\$ 91,691	-	9	29	-	160	23
Proceeds from sales and maturities of investments	1,937,740	-	-	-	-	-	-
Purchases of investments	(873,245)	-	-	-	-	-	-
Net Cash Provided By (Used In) Investing Activities	\$ 1,156,186	-	9	29	-	160	23
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 268,096	(36,628)	(44,803)	(29,457)	(5,301)	(39,215)	(5,603)
Cash and Cash Equivalents - August 1	470,765	80,679	97,821	121,729	15,133	123,500	155,065
Cash and Cash Equivalents - July 31	\$ 738,861	44,051	53,018	92,272	9,832	84,285	149,462
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities							
Operating Income (Loss)	\$ (1,011,211)	5,102	19,903	9,147	(26,483)	(39,794)	58,358
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities							
Depreciation	\$ 47,808	-	-	-	-	-	-
(Increase) Decrease in accounts receivable	(121,266)	-	-	-	-	1,832	-
(Increase) Decrease in prepaid expenses	(1,311)	-	-	-	-	-	-
(Increase) Decrease in deferred outflows of resources	(14,124)	-	-	-	-	-	-
Increase (Decrease) in salaries payable	25,765	-	-	-	-	-	(3,266)
Increase (Decrease) in accounts payable	(95,378)	(5,613)	-	-	-	10	-
Increase (Decrease) in school expense reimbursement payable	(575,593)	(44,464)	(44,800)	(32,671)	-	(34,536)	(8,220)
Increase (Decrease) in short-term accrued employee benefits payable	(59,256)	-	-	-	-	-	-
Increase (Decrease) in unearned income	2,624	-	-	-	-	-	-
Increase (Decrease) in net other post-employment benefits payable	42,832	-	-	-	-	-	-
Increase (Decrease) in retirement benefits payable	(5,906)	-	-	-	-	-	-
Total adjustments	\$ (753,805)	(50,077)	(44,800)	(32,671)	-	(32,694)	(11,486)
Net Cash Provided By (Used In) Operating Activities	\$ (1,765,016)	(44,975)	(24,897)	(23,524)	(26,483)	(72,488)	46,872

Non-cash Operating Activities

The MSHSL has \$1,499,615 of non-monetary exchange revenues and expenses.

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

SCHEDULE 3

ADMINISTRATIVE REGIONS										TOTAL ADMINISTRATIVE REGIONS	COMBINED TOTAL	
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA			
432,288	282,394	349,143	442,846	284,114	328,106	253,777	227,700	392,014	412,392	\$	5,974,857	\$ 12,658,551
-	-	-	-	-	-	-	-	-	-		-	1,009,557
(325,253)	(267,353)	(322,849)	(348,810)	(286,265)	(303,958)	(266,808)	(265,994)	(313,138)	(337,017)		(5,211,333)	(10,781,295)
(52,678)	(47,700)	(38,500)	(37,500)	(37,500)	(36,000)	(38,522)	(37,775)	(43,000)	(43,886)		(708,936)	(2,841,465)
(8,023)	(9,564)	(7,950)	(7,744)	(7,744)	(7,434)	(6,111)	(7,800)	(8,880)	(9,062)		(136,023)	(1,315,206)
-	(37,367)	(17,920)	(66,787)	-	(22,547)	(68,175)	-	(84,720)	-		(487,620)	(1,064,213)
<u>46,334</u>	<u>(79,590)</u>	<u>(38,076)</u>	<u>(17,995)</u>	<u>(47,395)</u>	<u>(41,833)</u>	<u>(125,839)</u>	<u>(83,869)</u>	<u>(57,724)</u>	<u>22,427</u>	\$	<u>(569,055)</u>	\$ <u>(2,334,071)</u>
-	-	-	-	-	-	-	-	-	-	\$	4,510	\$ 939,340
19,800	61,135	23,973	57,179	67,640	51,134	71,658	86,522	52,842	31,750		794,635	794,635
(30,286)	(13,801)	(21,723)	(89,040)	(48,188)	(54,642)	(35,022)	(47,685)	(51,321)	(61,682)		(744,635)	(794,635)
<u>(10,486)</u>	<u>47,334</u>	<u>2,250</u>	<u>(31,861)</u>	<u>19,452</u>	<u>(3,508)</u>	<u>36,636</u>	<u>38,837</u>	<u>1,521</u>	<u>(29,932)</u>	\$	<u>54,510</u>	\$ <u>939,340</u>
-	-	-	-	-	-	-	-	-	-	\$	-	\$ (7,904)
-	-	-	-	-	-	-	-	-	-	\$	-	\$ (7,904)
31	77	195	-	-	1	245	37	61	9	\$	877	\$ 92,568
-	-	-	-	-	-	-	-	-	-		-	1,937,740
-	-	-	-	-	-	-	-	-	-		-	(873,245)
<u>31</u>	<u>77</u>	<u>195</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>245</u>	<u>37</u>	<u>61</u>	<u>9</u>	\$	<u>877</u>	\$ <u>1,157,063</u>
35,879	(32,179)	(35,631)	(49,856)	(27,943)	(45,340)	(88,958)	(44,995)	(56,142)	(7,496)	\$	(513,668)	\$ (245,572)
<u>78,168</u>	<u>110,307</u>	<u>93,305</u>	<u>120,718</u>	<u>66,891</u>	<u>90,060</u>	<u>133,376</u>	<u>77,813</u>	<u>147,627</u>	<u>75,531</u>		<u>1,587,723</u>	<u>2,058,488</u>
<u>114,047</u>	<u>78,128</u>	<u>57,674</u>	<u>70,862</u>	<u>38,948</u>	<u>44,720</u>	<u>44,418</u>	<u>32,818</u>	<u>91,485</u>	<u>68,035</u>	\$	<u>1,074,055</u>	\$ <u>1,812,916</u>
6,500	(52,074)	(19,938)	40,079	(57,360)	(20,703)	(50,675)	(78,806)	413	20,066	\$	(186,265)	\$ (1,197,476)
-	-	-	-	-	-	-	-	-	-	\$	-	\$ 47,808
(240)	(450)	-	7,864	(476)	(318)	6,573	(1,141)	2,595	2,361		18,600	(102,666)
-	-	-	-	-	-	-	-	-	-		-	(1,311)
-	-	-	-	-	-	-	-	-	-		-	(14,124)
998	-	-	-	-	-	-	-	-	-		(2,268)	23,497
3,076	(2,903)	(218)	849	10,441	1,735	(13,562)	(1,883)	180	-		(7,888)	(103,266)
36,000	(24,163)	(17,920)	(66,787)	-	(22,547)	(68,175)	(2,039)	(60,912)	-		(391,234)	(966,827)
-	-	-	-	-	-	-	-	-	-		-	(59,256)
-	-	-	-	-	-	-	-	-	-		-	2,624
-	-	-	-	-	-	-	-	-	-		-	42,832
-	-	-	-	-	-	-	-	-	-		-	(5,906)
<u>39,834</u>	<u>(27,516)</u>	<u>(18,138)</u>	<u>(58,074)</u>	<u>9,965</u>	<u>(21,130)</u>	<u>(75,164)</u>	<u>(5,063)</u>	<u>(58,137)</u>	<u>2,361</u>	\$	<u>(382,790)</u>	\$ <u>(1,136,595)</u>
<u>46,334</u>	<u>(79,590)</u>	<u>(38,076)</u>	<u>(17,995)</u>	<u>(47,395)</u>	<u>(41,833)</u>	<u>(125,839)</u>	<u>(83,869)</u>	<u>(57,724)</u>	<u>22,427</u>	\$	<u>(569,055)</u>	\$ <u>(2,334,071)</u>

SCHEDULE 4

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

**SCHEDULE OF TOURNAMENT REVENUES AND DIRECT EXPENSES
FOR THE YEAR ENDED JULY 31, 2018**

	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	\$ 104,802	\$ 100,802	\$ 4,000	\$ 366,964	\$ 344,566	\$ 22,398	\$ 471,766	\$ 445,368	\$ 26,398
Boys' basketball	524,633	311,870	212,763	1,040,244	390,589	649,655	1,564,877	702,459	862,418
Girls' basketball	290,095	288,710	1,385	651,110	366,306	284,804	941,205	655,016	286,189
Cross country running	18,432	41,257	(22,825)	23,759	59,647	(35,888)	42,191	100,904	(58,713)
Football	1,076,972	247,282	829,690	859,060	512,996	346,064	1,936,032	760,278	1,175,754
Golf	11,777	50,868	(39,091)	26,182	128,515	(102,333)	37,959	179,383	(141,424)
Girls' gymnastics	43,896	82,697	(38,801)	27,840	55,825	(27,985)	71,736	138,522	(66,786)
Boys' hockey	1,460,055	422,870	1,037,185	557,591	258,301	299,290	2,017,646	681,171	1,336,475
Nordic ski racing	3,829	25,391	(21,562)	2,395	42,770	(40,375)	6,224	68,161	(61,937)
Alpine skiing	4,125	23,006	(18,881)	-	40,871	(40,871)	4,125	63,877	(59,752)
Soccer	197,280	91,218	106,062	330,664	207,386	123,278	527,944	298,604	229,340
Girls' softball	83,035	71,012	12,023	217,014	258,890	(41,876)	300,049	329,902	(29,853)
Boys' swimming	49,609	57,936	(8,327)	51,994	57,071	(5,077)	101,603	115,007	(13,404)
Girls' swimming	53,672	57,776	(4,104)	71,772	66,909	4,863	125,444	124,685	759
Boys' tennis	4,471	37,687	(33,216)	7,043	45,620	(38,577)	11,514	83,307	(71,793)
Girls' tennis	7,570	46,558	(38,988)	7,464	77,528	(70,064)	15,034	124,086	(109,052)
Track and field	153,675	175,829	(22,154)	182,690	220,397	(37,707)	336,365	396,226	(59,861)
Girls' volleyball	202,931	184,990	17,941	538,361	293,712	244,649	741,292	478,702	262,590
Wrestling	487,945	252,308	235,637	250,807	251,677	(870)	738,752	503,985	234,767
Synchronized swimming	-	538	(538)	-	-	-	-	538	(538)
Adapted soccer	6,300	20,151	(13,851)	-	-	-	6,300	20,151	(13,851)
Adapted floor hockey	8,414	22,382	(13,968)	-	-	-	8,414	22,382	(13,968)
Adapted softball	6,373	13,760	(7,387)	-	-	-	6,373	13,760	(7,387)
Adapted bowling	1,397	15,515	(14,118)	-	-	-	1,397	15,515	(14,118)
Debate	-	26,082	(26,082)	14,575	39,537	(24,962)	14,575	65,619	(51,044)
Speech	9,705	51,150	(41,445)	58,453	225,479	(167,026)	68,158	276,629	(208,471)
One-act play	17,603	26,439	(8,836)	41,734	77,001	(35,267)	59,337	103,440	(44,103)
Girls' hockey	196,790	246,711	(49,921)	163,637	125,502	38,135	360,427	372,213	(11,786)
Music	-	-	-	160,787	320,166	(159,379)	160,787	320,166	(159,379)
Cheerleading	-	624	(624)	-	-	-	-	624	(624)
Girls' dance team	199,441	97,719	101,722	93,533	75,464	18,069	292,974	173,183	119,791
Lacrosse	48,470	47,335	1,135	139,345	100,628	38,717	187,815	147,963	39,852
Visual arts	-	(377)	377	22,582	32,693	(10,111)	22,582	32,316	(9,734)
Robotics	3,404	53,817	(50,413)	-	-	-	3,404	53,817	(50,413)
Clay target	4,935	17,973	(13,038)	-	-	-	4,935	17,973	(13,038)
Advertising	1,499,615	1,499,615	-	-	-	-	1,499,615	1,499,615	-
	<u>\$ 6,781,251</u>	<u>\$ 4,709,501</u>	<u>\$ 2,071,750</u>	<u>\$ 5,907,600</u>	<u>\$ 4,676,046</u>	<u>\$ 1,231,554</u>	<u>\$ 12,688,851</u>	<u>\$ 9,385,547</u>	<u>\$ 3,303,304</u>