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

ANNUAL FINANCIAL REPORT

2001-2002

YEAR ENDED JULY 31, 2002

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

ANNUAL FINANCIAL REPORT

YEAR ENDED JULY 31, 2002

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Organization 2002

Term Expires

BOARD OF DIRECTORS

Larry Peterson, President	2002
Jeffrey Olson, Vice President	2003
Robert Nyberg, Treasurer	2002
Lee Alto	2004
Jim Colletti	2002
Tim Dittberner	2003
David Doth *	2002
Chuck Evert	2005
Sharon Euerle	2005
Al Frost, Jr.	2003
Tim Hermann *	2003
Margaret Lambert	2004
Joanne McCabe	2005
Steve Olsen	2003
Al Olson	2003
Gary Palm	2004
Wayne Pender	2004
Jeanne Swanson	2004
Darrell Thompson *	2004
Ann Yonamine *	2005

EXECUTIVE STAFF

David Stead, Executive Director	Indefinite
Lisa Lissimore, Associate Director	Indefinite
Dorothy McIntyre, Associate Director	Indefinite
Kevin Merkle, Associate Director	Indefinite
Skip Peltier, Associate Director	Indefinite

* Appointed by the Governor

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FINANCIAL SECTION



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JUDITH H. DUTCHER
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, 2002, 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, 2002, 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 November 26, 2002, which includes a Schedule of Findings and Recommendations and our report on internal controls and compliance.



JUDITH H. DUTCHER
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 26, 2002

BASIC FINANCIAL STATEMENTS

MINNESOTA STATE HIGH SCHOOL LEAGUE AND ADMINISTRATIVE REGIONS
BROOKLYN CENTER, MINNESOTA

BALANCE SHEET
JULY 31, 2002

	MSHSL OFFICE	1A	2A	3A	4A	5A	6A
<u>Assets</u>							
Current Assets							
Cash and cash equivalents (Note 2)	\$ 547,172	55,213	17,315	43,563	2,186	21,193	43,881
Investments (Note 2)	1,095,193	-	60,000	-	-	39,811	20,000
Accounts receivable	214,243	-	-	-	38,213	-	-
Accrued interest receivable	6,981	-	-	-	-	-	141
Prepaid items	13,439	-	-	-	-	-	-
Total current assets	\$ 1,877,028	55,213	77,315	43,563	40,399	61,004	64,022
Other Assets							
Property and equipment	\$ 2,371,673	-	615	-	-	-	27,199
Accumulated depreciation	(844,653)	-	(615)	-	-	-	(11,909)
Net property and equipment (Note 3)	\$ 1,527,020	-	-	-	-	-	15,290
Investments held for retirement benefits (Note 7)	337,510	-	-	-	-	-	-
Deferred compensation (Note 10)	208,097	-	-	-	-	-	-
Total other assets	\$ 2,072,627	-	-	-	-	-	15,290
Total Assets	\$ 3,949,655	55,213	77,315	43,563	40,399	61,004	79,312
<u>Liabilities and Fund Balance</u>							
Current Liabilities							
Salaries payable	\$ 52,498	-	-	-	-	-	-
Accounts payable	35,350	-	1,326	-	4,883	-	-
School expense reimbursement payable	463,747	-	28,914	-	-	-	-
Accrued employee benefits payable (Note 6)	163,074	-	-	-	-	-	-
Deferred income (Note 5)	77,311	-	-	-	-	-	-
Total current liabilities	\$ 791,980	-	30,240	-	4,883	-	-
Long-Term Liabilities							
Accrued employee benefits payable (Note 6)	\$ 157,548	-	-	-	-	-	-
Deferred compensation (Note 10)	208,097	-	-	-	-	-	-
Total long-term liabilities	\$ 365,645	-	-	-	-	-	-
Total Liabilities	\$ 1,157,625	-	30,240	-	4,883	-	-
Fund Balance (Note 8)							
Reserved for future expenses	\$ -	-	-	-	-	149	1,989
Reserved for future building expenses	57,788	-	-	-	-	-	-
Reserved for gymnastics equipment	25,000	-	-	-	-	-	-
Reserved for retirement benefits	90,317	-	-	-	-	-	-
Unreserved net equity in fixed assets	1,527,020	-	-	-	-	-	15,290
Unreserved	1,091,905	55,213	47,075	43,563	35,516	60,855	62,033
Total Fund Balance	\$ 2,792,030	55,213	47,075	43,563	35,516	61,004	79,312
Total Liabilities and Fund Balance	\$ 3,949,655	55,213	77,315	43,563	40,399	61,004	79,312

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

EXHIBIT 1

ADMINISTRATIVE REGIONS										TOTAL ADMINISTRATIVE REGIONS	COMBINED TOTAL
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA		
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
-	-	-	-	-	-	-	-	-	-	119,811	1,215,004
1,968	-	-	-	-	-	-	-	-	-	40,181	254,424
-	-	-	-	-	-	-	-	-	-	141	7,122
-	-	-	-	-	-	-	-	-	-	-	13,439
<u>74,963</u>	<u>63,069</u>	<u>39,799</u>	<u>67,795</u>	<u>14,424</u>	<u>76,443</u>	<u>54,129</u>	<u>69,295</u>	<u>37,381</u>	<u>27,525</u>	<u>\$ 866,339</u>	<u>\$ 2,743,367</u>
-	1,125	-	-	-	-	500	584	-	-	\$ 30,023	\$ 2,401,696
-	(225)	-	-	-	-	(500)	(584)	-	-	(13,833)	(858,486)
-	900	-	-	-	-	-	-	-	-	\$ 16,190	\$ 1,543,210
-	-	-	-	-	-	-	-	-	-	-	337,510
-	-	-	-	-	-	-	-	-	-	-	208,097
-	900	-	-	-	-	-	-	-	-	\$ 16,190	\$ 2,088,817
<u>74,963</u>	<u>63,969</u>	<u>39,799</u>	<u>67,795</u>	<u>14,424</u>	<u>76,443</u>	<u>54,129</u>	<u>69,295</u>	<u>37,381</u>	<u>27,525</u>	<u>\$ 882,529</u>	<u>\$ 4,832,184</u>
-	-	-	-	-	-	-	-	-	-	\$ -	\$ 52,498
-	-	-	-	-	-	-	-	-	-	6,209	41,559
20,000	-	-	33,453	-	37,840	12,514	19,278	-	-	151,999	615,746
-	-	-	-	-	-	-	-	-	-	-	163,074
-	-	-	-	-	-	-	-	-	-	-	77,311
<u>20,000</u>	<u>-</u>	<u>-</u>	<u>33,453</u>	<u>-</u>	<u>37,840</u>	<u>12,514</u>	<u>19,278</u>	<u>-</u>	<u>-</u>	<u>\$ 158,208</u>	<u>\$ 950,188</u>
-	-	-	-	-	-	-	-	-	-	\$ -	\$ 157,548
-	-	-	-	-	-	-	-	-	-	-	208,097
-	-	-	-	-	-	-	-	-	-	\$ -	\$ 365,645
<u>20,000</u>	<u>-</u>	<u>-</u>	<u>33,453</u>	<u>-</u>	<u>37,840</u>	<u>12,514</u>	<u>19,278</u>	<u>-</u>	<u>-</u>	<u>\$ 158,208</u>	<u>\$ 1,315,833</u>
4,666	8,549	66	-	-	-	-	-	-	-	\$ 15,419	\$ 15,419
-	-	-	-	-	-	-	-	-	-	-	57,788
-	-	-	-	-	-	-	-	-	-	-	25,000
-	-	-	-	-	-	-	-	-	-	-	90,317
-	900	-	-	-	-	-	-	-	-	16,190	1,543,210
<u>50,297</u>	<u>54,520</u>	<u>39,733</u>	<u>34,342</u>	<u>14,424</u>	<u>38,603</u>	<u>41,615</u>	<u>50,017</u>	<u>37,381</u>	<u>27,525</u>	<u>692,712</u>	<u>1,784,617</u>
<u>54,963</u>	<u>63,969</u>	<u>39,799</u>	<u>34,342</u>	<u>14,424</u>	<u>38,603</u>	<u>41,615</u>	<u>50,017</u>	<u>37,381</u>	<u>27,525</u>	<u>\$ 724,321</u>	<u>\$ 3,516,351</u>
<u>74,963</u>	<u>63,969</u>	<u>39,799</u>	<u>67,795</u>	<u>14,424</u>	<u>76,443</u>	<u>54,129</u>	<u>69,295</u>	<u>37,381</u>	<u>27,525</u>	<u>\$ 882,529</u>	<u>\$ 4,832,184</u>

MINNESOTA STATE HIGH SCHOOL LEAGUE AND ADMINISTRATIVE REGIONS
BROOKLYN CENTER, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JULY 31, 2002

	MSHSL OFFICE	1A	2A	3A	4A	5A	6A
Revenues							
Tournaments	\$ 4,105,723	375,174	323,379	301,884	178,888	299,645	310,406
Membership services	383,394	-	-	-	-	-	-
Assessments from schools	-	-	-	-	46,000	-	-
Contest officials registration	166,998	-	-	-	-	-	-
Sales of handbooks, rule books, and supplies	198,300	-	-	-	-	-	-
Corporate partnership	380,213	-	-	-	-	-	-
Interest	44,816	329	1,579	1,139	-	1,525	1,552
Other	179,604	489	-	139	-	371	4,000
Total Revenues	\$ 5,459,048	375,992	324,958	303,162	224,888	301,541	315,958
Expenses							
Tournaments	\$ 1,867,614	305,159	201,238	246,523	152,032	242,383	245,580
School expense reimbursement	463,943	30,370	60,274	-	-	-	-
Membership services							
Insurance	228,501	300	300	300	300	300	300
Handbooks, rule books, and supplies	166,423	-	-	-	-	-	-
Other	50,310	-	-	-	-	-	-
Fine arts programs	13,761	-	-	-	-	-	-
Officials Association	120,771	-	-	-	-	-	-
Committees	31,029	4,481	4,163	9,877	2,265	2,933	5,849
Board of directors	76,912	-	-	-	-	-	-
Salaries	1,193,775	16,600	15,200	10,000	10,700	14,000	15,000
Employee benefits	476,188	1,270	1,163	765	818	1,074	1,148
Insurance	10,866	-	-	-	-	-	-
Legal	50,624	-	-	-	-	-	-
Other professional services	83,565	23,464	4,803	26,517	24,346	32,019	18,250
Maintenance	94,502	-	-	-	-	-	-
Utilities	39,429	-	-	-	-	-	-
Postage	70,179	-	-	-	-	-	-
Supplies	28,710	5,419	3,980	2,604	2,526	1,513	15,670
Data processing and office equipment	49,986	-	-	-	-	-	-
Public relations	65,716	2,143	4,527	-	-	9,375	-
Corporate sponsor commission	59,650	-	-	-	-	-	-
Depreciation	95,335	-	-	-	-	-	5,440
Other	143,752	56	-	95	28	679	2,930
Total Expenses	\$ 5,481,541	389,262	295,648	296,681	193,015	304,276	310,167
Excess of Revenues Over (Under) Expenses	\$ (22,493)	(13,270)	29,310	6,481	31,873	(2,735)	5,791
Operating Transfers In	-	24,774	30,564	22,215	20,377	53,240	44,064
Operating Transfers Out	-	(10,483)	(55,719)	(25,133)	(23,584)	(50,482)	(41,862)
Excess of Revenues and Operating Transfers in Over (Under) Expenses and Operating Transfers Out	\$ (22,493)	1,021	4,155	3,563	28,666	23	7,993
Fund Balance - August 1	2,814,523	54,192	42,920	40,000	6,850	60,981	71,319
Fund Balance - July 31	\$ 2,792,030	55,213	47,075	43,563	35,516	61,004	79,312

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

EXHIBIT 2

ADMINISTRATIVE REGIONS										TOTAL ADMINISTRATIVE REGIONS	COMBINED TOTAL
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA		
264,358	308,183	236,830	182,248	171,287	248,591	219,369	301,041	200,216	222,997	\$ 4,144,496	\$ 8,250,219
-	-	-	-	-	-	-	-	-	-	-	383,394
-	-	-	-	-	-	-	-	-	-	46,000	46,000
-	-	-	-	-	-	-	-	-	-	-	166,998
-	-	-	-	-	-	-	-	-	-	-	198,300
-	-	-	-	-	-	-	-	-	-	-	380,213
1,250	857	630	955	248	500	1,284	495	692	127	13,162	57,978
3,320	-	5	69	6,096	498	2,448	-	219	1,435	19,089	198,693
<u>268,928</u>	<u>309,040</u>	<u>237,465</u>	<u>183,272</u>	<u>177,631</u>	<u>249,589</u>	<u>223,101</u>	<u>301,536</u>	<u>201,127</u>	<u>224,559</u>	<u>\$ 4,222,747</u>	<u>\$ 9,681,795</u>
212,312	221,055	171,211	140,009	171,401	169,135	181,799	226,100	166,501	197,183	\$ 3,249,621	\$ 5,117,235
20,000	-	45,272	33,453	-	37,840	12,514	19,278	8,691	-	267,692	731,635
300	300	300	300	300	300	300	300	300	300	4,800	233,301
-	-	-	-	-	-	-	-	-	-	-	166,423
-	-	-	-	-	-	-	-	-	-	-	50,310
-	-	-	-	-	-	-	-	-	-	-	13,761
-	-	-	-	-	-	-	-	-	-	-	120,771
11,490	7,041	2,712	3,669	3,400	1,946	1,109	1,585	6,585	6,081	75,186	106,215
-	-	-	-	-	-	-	-	-	-	-	76,912
15,500	15,000	15,500	15,200	15,000	13,500	17,500	16,000	15,225	15,732	235,657	1,429,432
1,185	1,148	1,186	1,163	1,148	1,033	1,339	1,223	1,530	1,203	18,396	494,584
-	-	-	-	-	-	-	-	-	-	-	10,866
-	-	-	-	-	-	-	-	-	-	-	50,624
2,029	15,425	3,798	2,024	3,253	5,468	2,482	2,097	2,013	1,991	169,979	253,544
-	-	-	-	-	-	-	-	-	-	-	94,502
-	-	-	-	-	-	-	-	-	-	-	39,429
-	-	-	-	-	-	-	-	-	-	-	70,179
4,091	2,260	1,022	2,634	1,812	1,287	3,016	2,704	1,311	3,939	55,788	84,498
-	-	-	-	-	-	-	-	-	-	-	49,986
2,970	3,896	2,937	6,711	10,159	-	-	-	910	10,331	53,959	119,675
-	-	-	-	-	-	-	-	-	-	-	59,650
-	225	-	-	-	-	-	-	-	-	5,665	101,000
1,610	6,249	-	-	1,615	387	530	77	1,767	2,202	18,225	161,977
<u>271,487</u>	<u>272,599</u>	<u>243,938</u>	<u>205,163</u>	<u>208,088</u>	<u>230,896</u>	<u>220,589</u>	<u>269,364</u>	<u>204,833</u>	<u>238,962</u>	<u>\$ 4,154,968</u>	<u>\$ 9,636,509</u>
(2,559)	36,441	(6,473)	(21,891)	(30,457)	18,693	2,512	32,172	(3,706)	(14,403)	\$ 67,779	\$ 45,286
25,740	24,451	21,714	46,029	22,639	21,588	44,073	31,934	40,205	34,021	507,628	507,628
(19,148)	(36,505)	(13,923)	(25,422)	(15,893)	(46,256)	(40,165)	(55,519)	(27,405)	(20,129)	(507,628)	(507,628)
4,033	24,387	1,318	(1,284)	(23,711)	(5,975)	6,420	8,587	9,094	(511)	\$ 67,779	\$ 45,286
50,930	39,582	38,481	35,626	38,135	44,578	35,195	41,430	28,287	28,036	656,542	3,471,065
<u>54,963</u>	<u>63,969</u>	<u>39,799</u>	<u>34,342</u>	<u>14,424</u>	<u>38,603</u>	<u>41,615</u>	<u>50,017</u>	<u>37,381</u>	<u>27,525</u>	<u>\$ 724,321</u>	<u>\$ 3,516,351</u>

MINNESOTA STATE HIGH SCHOOL LEAGUE AND ADMINISTRATIVE REGIONS
BROOKLYN CENTER, MINNESOTA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2002

	MSHSL OFFICE	1A	2A	3A	4A	5A	6A
Increase (Decrease) in Cash and Cash Equivalents							
Operating activities							
Excess of revenues over (under) expenses	\$ (22,493)	(13,270)	29,310	6,481	31,873	(2,735)	5,791
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities							
Depreciation	\$ 95,335	-	-	-	-	-	5,440
Interest on investments	(44,816)	(329)	(1,579)	(1,139)	-	(1,525)	(1,552)
Gain on sale of equipment	(234)	-	-	-	-	-	-
(Increase) Decrease in other current assets	(102,000)	-	-	-	(11,213)	-	(141)
Increase (Decrease) in current liabilities	(178,050)	-	30,240	(17,498)	(15,463)	(23,152)	(3,555)
Increase (Decrease) in long-term accrued employee benefits payable	(70,060)	-	-	-	-	-	-
Total adjustments	\$ (299,825)	(329)	28,661	(18,637)	(26,676)	(24,677)	192
Net cash provided by (used in) operating activities	\$ (322,318)	(13,599)	57,971	(12,156)	5,197	(27,412)	5,983
Investing activities							
Net proceeds (purchases) of investment securities	\$ 324,431	-	(25,000)	-	-	(1,117)	-
Interest on investments	49,831	329	1,579	1,139	-	1,525	1,552
Net cash provided by (used in) investing activities	\$ 374,262	329	(23,421)	1,139	-	408	1,552
Non-Capital and Related Financing Activities							
Operating transfer in	\$ -	24,774	30,564	22,215	20,377	53,240	44,064
Operating transfers out	-	(10,483)	(55,719)	(25,133)	(23,584)	(50,482)	(41,862)
Net cash provided by (used in) non-capital and related financing activities	\$ -	14,291	(25,155)	(2,918)	(3,207)	2,758	2,202
Capital and related financing activities							
Proceeds from sale of equipment	\$ 3,903	-	-	-	-	-	-
Capital expenditures	(54,512)	-	-	-	-	-	(11,355)
Net cash provided by (used in) capital and related financing activities	\$ (50,609)	-	-	-	-	-	(11,355)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,335	1,021	9,395	(13,935)	1,990	(24,246)	(1,618)
Cash and Cash Equivalents - August 1	545,837	54,192	7,920	57,498	196	45,439	45,499
Cash and Cash Equivalents - July 31	\$ 547,172	55,213	17,315	43,563	2,186	21,193	43,881

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 \$1,495

EXHIBIT 3

ADMINISTRATIVE REGIONS										TOTAL ADMINISTRATIVE REGIONS	COMBINED TOTAL
7A	8A	1AA	2AA	3AA	4AA	5AA	6AA	7AA	8AA		
(2,559)	36,441	(6,473)	(21,891)	(30,457)	18,693	2,512	32,172	(3,706)	(14,403)	\$ 67,779	\$ 45,286
-	225	-	-	-	-	-	-	-	-	\$ 5,665	\$ 101,000
(1,250)	(857)	(630)	(955)	(248)	(500)	(1,284)	(495)	(692)	(127)	(13,162)	(57,978)
-	-	-	-	-	-	-	-	-	-	-	(234)
(1,848)	-	-	-	-	1,606	-	-	-	-	(11,596)	(113,596)
20,000	-	(2,895)	(12,865)	(8,836)	(11,660)	(26,528)	19,278	-	-	(52,934)	(230,984)
-	-	-	-	-	-	-	-	-	-	-	(70,060)
16,902	(632)	(3,525)	(13,820)	(9,084)	(10,554)	(27,812)	18,783	(692)	(127)	(72,027)	(371,852)
14,343	35,809	(9,998)	(35,711)	(39,541)	8,139	(25,300)	50,955	(4,398)	(14,530)	(4,248)	(326,566)
-	-	-	-	-	-	-	-	-	-	(26,117)	\$ 298,314
1,250	857	630	955	248	500	1,284	495	692	127	13,162	62,993
1,250	857	630	955	248	500	1,284	495	692	127	(12,955)	\$ 361,307
25,740	24,451	21,714	46,029	22,639	21,588	44,073	31,934	40,205	34,021	507,628	\$ 507,628
(19,148)	(36,505)	(13,923)	(25,422)	(15,893)	(46,256)	(40,165)	(55,519)	(27,405)	(20,129)	(507,628)	(507,628)
6,592	(12,054)	7,791	20,607	6,746	(24,668)	3,908	(23,585)	12,800	13,892	-	-
-	-	-	-	-	-	-	-	-	-	-	3,903
-	(1,125)	-	-	-	-	-	-	-	-	(12,480)	(66,992)
-	(1,125)	-	-	-	-	-	-	-	-	(12,480)	(63,089)
22,185	23,487	(1,577)	(14,149)	(32,547)	(16,029)	(20,108)	27,865	9,094	(511)	(29,683)	(28,348)
50,810	39,582	41,376	81,944	46,971	92,472	74,237	41,430	28,287	28,036	735,889	1,281,726
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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2002**

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, 2002 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.

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

A. Deposits

As of July 31, 2002, the carrying value of the bank accounts for the MSHSL and Administrative Regions was \$959,492. Bank balances were \$1,112,756 of which \$1,112,756 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	\$ 595,193	\$ 1,095,193

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.

	<u>2002</u>
Investments in mutual funds	\$ 751,003
Investments in negotiable certificates of deposit	1,095,193
Carrying value of deposits	959,492
Petty cash	204
Deferred compensation	<u>208,097</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 3,013,989</u>
Cash and cash equivalents (from Exhibit 1)	\$ 1,253,378
Investments (from Exhibit 1)	1,215,004
Investments held for retirement benefits (from Exhibit 1)	337,510
Deferred compensation (from Exhibit 1)	<u>208,097</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 3,013,989</u>

3. Property and Equipment

Property and equipment comprise the following at July 31, 2002:

Land and land improvements	\$ 318,564
Building and building improvements	1,508,659
Furniture and equipment	416,087
Computer equipment	<u>158,386</u>
Total	\$ 2,401,696
Less: accumulated depreciation	<u>(858,486)</u>
Net Property and Equipment	<u>\$ 1,543,210</u>

4. Operating Lease

The MSHSL is obligated under operating leases for mailing equipment and photocopying equipment. Expenses associated with these leases were \$20,919 for the year ended July 31, 2002. Future minimum lease payments at July 31, 2002 are as follows:

2003	\$ 18,673
2004	11,069
2005	11,069
2006	10,329
2007	<u>8,849</u>
Total	<u>\$ 59,989</u>

5. Deferred Income

Deferred income consists of amounts received for television fees 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, 2002:

Current Liabilities	
Retirement benefits	\$ 89,645
Vacation leave	<u>73,429</u>
Total Current Liabilities	<u>\$ 163,074</u>
Long-Term Liabilities	
Retirement benefits	<u>\$ 157,548</u>

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.

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, term life, and long-term disability insurance premiums 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.

Retirement benefits payable at July 31, 2002 is \$247,193. 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 \$90,317 for the year ended July 31, 2002.

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. The MSHSL's cost was \$8,594 for year ended July 31, 2002.

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.

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 \$152,266 for the year ended July 31, 2002.

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, 2002.

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

SCHEDULE OF TOURNAMENT REVENUES AND DIRECT EXPENSES
FOR THE YEAR ENDED JULY 31, 2002

	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	\$ 79,389	\$ 67,322	\$ 12,067	\$ 216,285	\$ 206,257	\$ 10,028	\$ 295,674	\$ 273,579	\$ 22,095
Boys basketball	524,269	164,511	359,758	781,280	299,786	481,494	1,305,549	464,297	841,252
Girls basketball	306,485	142,970	163,515	446,015	274,796	171,219	752,500	417,766	334,734
Cross country	10,746	22,714	(11,968)	3,251	29,905	(26,654)	13,997	52,619	(38,622)
Football	805,094	259,119	545,975	964,169	410,125	554,044	1,769,263	669,244	1,100,019
Golf	4,454	34,524	(30,070)	4,111	62,538	(58,427)	8,565	97,062	(88,497)
Girls gymnastics	35,883	56,703	(20,820)	20,715	38,907	(18,192)	56,598	95,610	(39,012)
Boys hockey	1,279,321	262,102	1,017,219	414,712	163,505	251,207	1,694,033	425,607	1,268,426
Nordic ski racing	2,346	10,252	(7,906)	-	17,391	(17,391)	2,346	27,643	(25,297)
Alpine skiing	1,762	10,986	(9,224)	-	26,972	(26,972)	1,762	37,958	(36,196)
Soccer	122,674	89,472	33,202	143,055	120,480	22,575	265,729	209,952	55,777
Girls softball	44,755	43,887	868	117,816	135,185	(17,369)	162,571	179,072	(16,501)
Boys swimming	40,023	40,351	(328)	30,825	38,462	(7,637)	70,848	78,813	(7,965)
Girls swimming	44,615	40,619	3,996	47,104	51,720	(4,616)	91,719	92,339	(620)
Boys tennis	3,109	21,675	(18,566)	1,013	18,112	(17,099)	4,122	39,787	(35,665)
Girls tennis	3,916	23,999	(20,083)	1,124	42,841	(41,717)	5,040	66,840	(61,800)
Track	73,039	69,522	3,517	111,052	186,149	(75,097)	184,091	255,671	(71,580)
Girls volleyball	115,366	92,326	23,040	301,050	211,387	89,663	416,416	303,713	112,703
Wrestling	353,623	164,264	189,359	234,608	213,172	21,436	588,231	377,436	210,795
Synchronized swimming	-	258	(258)	-	-	-	-	258	(258)
Adapted soccer	5,840	14,164	(8,324)	-	-	-	5,840	14,164	(8,324)
Adapted floor hockey	8,077	13,080	(5,003)	-	-	-	8,077	13,080	(5,003)
Adapted softball	4,534	14,416	(9,882)	-	-	-	4,534	14,416	(9,882)
Adapted Bowling	353	2,717	(2,364)	-	-	-	353	2,717	(2,364)
Debate	302	9,674	(9,372)	780	18,831	(18,051)	1,082	28,505	(27,423)
Speech	3,787	42,393	(38,606)	47,228	198,953	(151,725)	51,015	241,346	(190,331)
One-act play	10,470	11,078	(608)	13,758	56,265	(42,507)	24,228	67,343	(43,115)
Girls hockey	130,898	67,629	63,269	71,001	85,428	(14,427)	201,899	153,057	48,842
Music	-	-	-	138,244	298,930	(160,686)	138,244	298,930	(160,686)
Cheerleading	-	6,137	(6,137)	-	-	-	-	6,137	(6,137)
Girls dance team	90,593	65,982	24,611	32,461	28,030	4,431	123,054	94,012	29,042
Girls Lacrosse	-	107	(107)	-	-	-	-	107	(107)
Visual Arts	-	2,661	(2,661)	2,839	15,494	(12,655)	2,839	18,155	(15,316)
Total	\$ 4,105,723	\$ 1,867,614	\$ 2,238,109	\$ 4,144,496	\$ 3,249,621	\$ 894,875	\$ 8,250,219	\$ 5,117,235	\$ 3,132,984

MINNESOTA STATE HIGH SCHOOL LEAGUE AND ADMINISTRATIVE REGIONS
BROOKLYN CENTER, MINNESOTA

SCHEDULE OF REVENUES AND EXPENSES - STATUTORY BASIS
FOR THE YEARS ENDED JULY 31, 1999, 2000, 2001, and 2002

	MSHSL OFFICE						ADMINISTRATIVE REGIONS					
	1999	2000	2001	2002	1999 to 2002		1999	2000	2001	2002	1999 to 2002	
					Dollar Difference	Percent Change					Dollar Difference	Percent Change
Revenues												
Tournaments	\$ 3,838,010	\$ 3,896,249	\$ 4,089,019	\$ 4,105,723	\$ 267,713	7.0 %	\$ 4,181,254	\$ 3,969,151	\$ 3,930,707	\$ 4,144,496	\$ (36,758)	(0.9) %
Membership services	359,840	367,469	370,975	383,394	23,554	6.5	-	-	-	-	-	-
Assessments from schools	-	-	-	-	-	-	13,650	12,250	42,975	46,000	32,350	237.0
Contest officials registration	148,474	153,374	170,901	166,998	18,524	12.5	-	-	-	-	-	-
Sales of handbooks, rule books, and supplies	187,661	187,144	191,338	198,300	10,639	5.7	-	-	-	-	-	-
Corporate partnership	352,683	349,625	382,018	380,213	27,530	7.8	-	-	-	-	-	-
Interest	84,927	78,682	99,740	44,816	(40,111)	(47.2)	22,519	26,713	24,194	13,162	(9,357)	(41.6)
Other	93,755	244,909	158,158	179,604	85,849	91.6	16,644	14,652	21,284	19,089	2,445	14.7
Total Revenues - Exhibit 2	\$ 5,065,350	\$ 5,277,452	\$ 5,462,149	\$ 5,459,048	\$ 393,698	7.8 %	\$ 4,234,067	\$ 4,022,766	\$ 4,019,160	\$ 4,222,747	\$ (1 1,320)	(0.3) %
Expenses												
Tournaments	\$ 1,596,893	\$ 1,791,720	\$ 1,748,601	\$ 1,867,614	\$ 270,721	17.0 %	\$ 3,328,201	\$ 3,137,927	\$ 3,198,602	\$ 3,249,621	\$ (78,580)	(2.4) %
School expense reimbursement	909,908	640,771	662,265	463,943	(445,965)	(49.0)	349,707	422,223	251,815	267,692	(82,015)	(23.5)
Membership services												
Insurance	223,572	240,982	224,591	228,501	4,929	2.2	4,875	13,550	4,803	4,800	(75)	(1.5)
Handbooks, rule books, and supplies	176,572	160,409	200,324	166,423	(10,149)	(5.7)	-	-	-	-	-	-
Other	83,853	41,996	35,288	50,310	(33,543)	(40.0)	-	-	-	-	-	-
Fine arts programs	15,070	15,428	8,557	13,761	(1,309)	(8.7)	-	-	-	-	-	-
Officials association	109,052	107,045	106,256	120,771	11,719	10.7	-	-	-	-	-	-
Committees	20,560	23,685	10,757	31,029	10,469	50.9	71,375	69,604	78,457	75,186	3,811	5.3
Board of directors	62,550	79,899	92,729	76,912	14,362	23.0	-	-	-	-	-	-
Salaries	919,733	976,703	1,072,493	1,193,775	274,042	29.8	-	-	127,633	235,657	235,657	100.0
Employee benefits	293,788	434,709	526,356	476,188	182,400	62.1	-	-	9,791	18,396	18,396	100.0
Insurance	7,214	6,740	7,665	10,866	3,652	50.6	-	-	-	-	-	-
Legal	30,496	29,797	48,991	50,624	20,128	66.0	-	-	-	-	-	-
Other professional services	69,506	65,874	74,824	83,565	14,059	20.2	326,646	339,468	237,312	169,979	(156,667)	(48.0)
Maintenance	47,947	99,676	53,930	94,502	46,555	97.1	-	-	-	-	-	-
Utilities	37,596	38,916	40,591	39,429	1,833	4.9	-	-	-	-	-	-
Postage	70,612	61,196	81,099	70,179	(433)	(0.6)	-	-	-	-	-	-
Supplies	29,697	26,642	33,255	28,710	(987)	(3.3)	53,435	54,331	55,732	55,788	2,353	4.4
Data processing and office equipment	220,050	178,655	96,266	49,986	(170,064)	(77.3)	-	-	-	-	-	-
Public relations	42,389	47,586	58,138	65,716	23,327	55.0	49,429	48,674	50,928	53,959	4,530	9.2
Corporate sponsor commission	52,421	54,649	59,836	59,650	7,229	13.8	-	-	-	-	-	-
Depreciation	88,103	73,661	89,360	95,335	7,232	8.2	1,791	3,542	3,508	5,665	3,874	216.3
Other	138,358	133,305	138,314	143,752	5,394	3.9	9,484	18,220	25,877	18,225	8,741	92.2
Total Expenses - Exhibit 2	\$ 5,245,940	\$ 5,330,044	\$ 5,470,486	\$ 5,481,541	\$ 235,601	4.5 %	\$ 4,194,943	\$ 4,107,539	\$ 4,044,458	\$ 4,154,968	\$ (3 9,975)	(1.0) %
Operating Transfers In	-	-	-	-	-	-	-	453,454	507,794	507,628	507,628	100.0
Operating Transfers Out	-	-	-	-	-	-	-	(453,454)	(507,794)	(507,628)	(507,628)	100.0
Depreciation	(88,103)	(73,661)	(89,360)	(95,335)	(7,232)	8.2	(1,791)	(3,542)	(3,508)	(5,665)	(3,874)	216.3
Subtotal	\$ 5,157,837	\$ 5,256,383	\$ 5,381,126	\$ 5,386,206	\$ 228,369	4.4 %	\$ 4,193,152	\$ 4,103,997	\$ 4,040,950	\$ 4,149,303	\$ (43,849)	(1.0) %
Add												
Capital outlay												
Computer equipment	24,137	16,464	17,594	3,575	(20,562)	(85.2)	-	-	4,344	-	-	-
Furniture and equipment	67,301	106,330	60,239	45,863	(21,438)	(31.9)	6,500	-	-	12,480	5,980	92.0
Total Expenses	\$ 5,249,275	\$ 5,379,177	\$ 5,458,959	\$ 5,435,644	\$ 186,369	3.6 %	\$ 4,199,652	\$ 4,103,997	\$ 4,045,294	\$ 4,161,783	\$ (37,869)	(0.9) %

SCHEDULE 2

COMBINED TOTALS

1999	2000	2001	2002	1999 to 2002	
				Dollar Difference	Percent Change
\$ 8,019,264	\$ 7,865,400	\$ 8,019,726	\$ 8,250,219	\$ 230,955	2.9 %
359,840	367,469	370,975	383,394	23,554	6.5
13,650	12,250	42,975	46,000	32,350	237.0
148,474	153,374	170,901	166,998	18,524	12.5
187,661	187,144	191,338	198,300	10,639	5.7
352,683	349,625	382,018	380,213	27,530	7.8
107,446	105,395	123,934	57,978	(49,468)	(46.0)
110,399	259,561	179,442	198,693	88,294	80.0
<u>\$ 9,299,417</u>	<u>\$ 9,300,218</u>	<u>\$ 9,481,309</u>	<u>\$ 9,681,795</u>	<u>\$ 382,378</u>	4.1 %
\$ 4,925,094	\$ 4,929,647	\$ 4,947,203	\$ 5,117,235	\$ 192,141	3.9 %
1,259,615	1,062,994	914,080	731,635	(527,980)	(41.9)
228,447	254,532	229,394	233,301	4,854	2.1
176,572	160,409	200,324	166,423	(10,149)	(5.7)
83,853	41,996	35,288	50,310	(33,543)	(40.0)
15,070	15,428	8,557	13,761	(1,309)	(8.7)
109,052	107,045	106,256	120,771	11,719	10.7
91,935	93,289	89,214	106,215	14,280	15.5
62,550	79,899	92,729	76,912	14,362	23.0
919,733	976,703	1,200,126	1,429,432	509,699	55.4
293,788	434,709	536,147	494,584	200,796	68.3
7,214	6,740	7,665	10,866	3,652	50.6
30,496	29,797	48,991	50,624	20,128	66.0
396,152	405,342	312,136	253,544	(142,608)	(36.0)
47,947	99,676	53,930	94,502	46,555	97.1
37,596	38,916	40,591	39,429	1,833	4.9
70,612	61,196	81,099	70,179	(433)	(0.6)
83,132	80,973	88,987	84,498	1,366	1.6
220,050	178,655	96,266	49,986	(170,064)	(77.3)
91,818	96,260	109,066	119,675	27,857	30.3
52,421	54,649	59,836	59,650	7,229	13.8
89,894	77,203	92,868	101,000	11,106	12.4
147,842	151,525	164,191	161,977	14,135	9.6
<u>\$ 9,440,883</u>	<u>\$ 9,437,583</u>	<u>\$ 9,514,944</u>	<u>\$ 9,636,509</u>	<u>\$ 195,626</u>	2.1 %
-	453,454	507,794	507,628	507,628	100.0
-	(453,454)	(507,794)	(507,628)	(507,628)	100.0
<u>(89,894)</u>	<u>(77,203)</u>	<u>(92,868)</u>	<u>(101,000)</u>	<u>(11,106)</u>	12.4
\$ 9,350,989	\$ 9,360,380	\$ 9,422,076	\$ 9,535,509	\$ 184,520	2.0 %
24,137	16,464	21,938	3,575	(20,562)	(85.2)
73,801	106,330	60,239	58,343	(15,458)	(20.9)
<u>\$ 9,448,927</u>	<u>\$ 9,483,174</u>	<u>\$ 9,504,253</u>	<u>\$ 9,597,427</u>	<u>\$ 148,500</u>	1.6 %

