

**NORTH CAROLINA HIGH SCHOOL  
ATHLETIC ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**



## CONTENTS

	<b><u>PAGES</u></b>
Independent Auditor's Report	2-3
Exhibits:	
"A" Statements of Financial Position	4
"B" Statements of Activities and Changes in Net Assets	5-6
"C" Statements of Functional Expenses	7-8
"D" Statements of Cash Flows	9
Notes to Financial Statements	10-24



## **INDEPENDENT AUDITOR'S REPORT**

Page 1 of 2

Board of Directors  
North Carolina High School Athletic Association, Inc.

### **Opinion**

We have audited the accompanying financial statements of North Carolina High School Athletic Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina High School Athletic Association, Inc., as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Carolina High School Athletic Association, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina High School Athletic Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**BLACKMAN & SLOOP, CPAS, P.A.**

Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530  
The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517  
www.b-scpa.com • email:cpa@b-scpa.com

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Carolina High School Athletic Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina High School Athletic Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Blackman & Sloop*

Chapel Hill, North Carolina  
November 29, 2023

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 8,517,076	\$ 8,344,528
Corporate sponsors receivable	269,244	556,571
Other receivables	3,692	10,610
Prepaid expenses	24,892	53,290
Investments	10,911,138	27,658,747
Property and equipment, net	1,179,048	1,182,292
Right of use asset, operating lease	255,944	-
Restricted cash	76,907	76,907
	<u>76,907</u>	<u>76,907</u>
<b>TOTAL ASSETS</b>	<u>\$ 21,237,941</u>	<u>\$ 37,882,945</u>

LIABILITIES AND NET ASSETS

<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 1,198,250	\$ 1,435,259
Accrued vacation	25,697	22,017
Deferred revenue	1,068	1,068
Operating lease liability	255,944	-
Agency funds	76,907	76,907
	<u>76,907</u>	<u>76,907</u>
<b>TOTAL LIABILITIES</b>	<u>1,557,866</u>	<u>1,535,251</u>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Undesignated	17,482,621	14,065,327
Board designated	1,890,330	6,373,801
	<u>19,372,951</u>	<u>20,439,128</u>
With donor restrictions:		
Perpetuity restricted	139,624	15,771,091
Purpose and time restricted	167,500	137,475
	<u>307,124</u>	<u>15,908,566</u>
<b>TOTAL NET ASSETS</b>	<u>19,680,075</u>	<u>36,347,694</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 21,237,941</u>	<u>\$ 37,882,945</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2023 and 2022

EXHIBIT B

Page 1 of 2

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<b>SUPPORT AND REVENUE:</b>				
Playoffs	\$ 1,916,716	\$ -	\$ 1,916,716	\$ 1,705,401
Contributions	1,448,244	43,077	1,491,321	1,328,374
Contribution of nonfinancial assets	141,983	-	141,983	163,118
Officials' registrations	353,372	-	353,372	303,937
Membership dues	491,059	-	491,059	50,383
Other income	208,400	-	208,400	93,103
Programs, books, and directories	1,020	-	1,020	1,940
Net investment return	2,608,867	-	2,608,867	(4,385,085)
	7,169,661	43,077	7,212,738	(738,829)
Net assets released from restrictions	15,644,519	(15,644,519)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>22,814,180</b>	<b>(15,601,442)</b>	<b>7,212,738</b>	<b>(738,829)</b>
<b>EXPENSES:</b>				
Program services	22,763,099	-	22,763,099	4,454,130
Supporting services:				
General and administrative	822,667	-	822,667	786,633
Fundraising	294,591	-	294,591	219,873
<b>TOTAL EXPENSES</b>	<b>23,880,357</b>	<b>-</b>	<b>23,880,357</b>	<b>5,460,636</b>
<b>CHANGES IN NET ASSETS</b>	<b>(1,066,177)</b>	<b>(15,601,442)</b>	<b>(16,667,619)</b>	<b>(6,199,465)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>20,439,128</b>	<b>15,908,566</b>	<b>36,347,694</b>	<b>42,547,159</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 19,372,951</b>	<b>\$ 307,124</b>	<b>\$ 19,680,075</b>	<b>\$ 36,347,694</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2023 and 2022

EXHIBIT B

Page 2 of 2

	2022		
	Without Donor Restrictions	With Donor Restrictions	Totals
<b>SUPPORT AND REVENUE:</b>			
Playoffs	\$ 1,705,401	\$ -	\$ 1,705,401
Contributions	1,294,291	34,083	1,328,374
Contribution of nonfinancial assets	163,118	-	163,118
Officials' registrations	303,937	-	303,937
Membership dues	50,383	-	50,383
Other income	93,103	-	93,103
Programs, books, and directories	1,940	-	1,940
Net investment return	(4,260,880)	(124,205)	(4,385,085)
	(648,707)	(90,122)	(738,829)
Net assets released from restrictions	52,316	(52,316)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>(596,391)</b>	<b>(142,438)</b>	<b>(738,829)</b>
<b>EXPENSES:</b>			
Program services	4,454,130	-	4,454,130
Supporting services:			
General and administrative	786,633	-	786,633
Fundraising	219,873	-	219,873
<b>TOTAL EXPENSES</b>	<b>5,460,636</b>	<b>-</b>	<b>5,460,636</b>
<b>CHANGES IN NET ASSETS</b>	<b>(6,057,027)</b>	<b>(142,438)</b>	<b>(6,199,465)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>26,496,155</b>	<b>16,051,004</b>	<b>42,547,159</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 20,439,128</b>	<b>\$ 15,908,566</b>	<b>\$ 36,347,694</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2023 and 2022

EXHIBIT C

Page 1 of 2

	2023			2022	
	Program Services	General and Administrative	Fundraising	Totals	Totals
Advertising	\$ -	\$ -	\$ 4,547	\$ 4,547	\$ 6,705
Awards	231,315	-	-	231,315	178,930
Building and grounds maintenance	1,439	12,949	-	14,388	15,766
Depreciation	35,676	35,675	-	71,351	77,062
Gate receipts distribution	375,178	-	-	375,178	288,739
Insurance	250,342	27,816	-	278,158	481,545
Meetings expense	109,652	27,413	82	137,147	67,838
Office expense and supplies	124,410	66,991	28	191,429	222,820
Other expenses	183,139	39,575	41,662	264,376	262,300
Other grants	18,258,004	-	-	18,258,004	-
Payments to schools	1,015,707	-	-	1,015,707	1,125,571
Printing, publications, and programs	107,703	2,256	6,103	116,062	96,780
Professional services	75,411	226,234	-	301,645	248,866
Salaries and benefits	744,920	378,243	242,169	1,365,332	1,283,677
Team expenses	1,198,518	-	-	1,198,518	1,044,514
Telephone and utilities	27,441	4,842	-	32,283	22,964
Travel	1,010	673	-	1,683	6,334
Vehicle expense	6,185	-	-	6,185	5,851
Workshops	17,049	-	-	17,049	24,374
Total expenses	<u>\$ 22,763,099</u>	<u>\$ 822,667</u>	<u>\$ 294,591</u>	<u>\$ 23,880,357</u>	<u>\$ 5,460,636</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT C

For the Years Ended June 30, 2023 and 2022

Page 2 of 2

	2022			Totals
	Program Services	General and Administrative	Fundraising	
Advertising	\$ 735	\$ -	\$ 5,970	\$ 6,705
Awards	178,930	-	-	178,930
Building and grounds maintenance	1,577	14,189	-	15,766
Contract services	-	-	-	-
Depreciation	38,531	38,531	-	77,062
Gate receipts distribution	288,739	-	-	288,739
Insurance	433,390	48,155	-	481,545
Meetings expense	54,270	13,568	-	67,838
Office expense and supplies	144,807	77,973	40	222,820
Other expenses	211,235	32,826	18,239	262,300
Payments to schools	1,125,571	-	-	1,125,571
Printing, publications, and programs	92,756	1,536	2,488	96,780
Professional services	62,216	186,650	-	248,866
Salaries and benefits	723,315	367,226	193,136	1,283,677
Team expenses	1,044,514	-	-	1,044,514
Telephone and utilities	19,519	3,445	-	22,964
Travel	3,800	2,534	-	6,334
Vehicle expense	5,851	-	-	5,851
Workshops	24,374	-	-	24,374
Total expenses	<u>\$ 4,454,130</u>	<u>\$ 786,633</u>	<u>\$ 219,873</u>	<u>\$ 5,460,636</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

## EXHIBIT D

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (16,667,619)	\$ (6,199,465)
Adjustments to reconcile changes in net assets to net cash used by operations:		
Depreciation	71,351	77,062
Decrease in values of annuity investments	12,886	42,055
Contributions restricted in perpetuity	(43,077)	(34,083)
Other grant of securities	17,766,354	-
Realized and unrealized (gains) losses on investments	(2,004,830)	4,851,569
Gain on disposal of property and equipment	(36,350)	-
Changes in assets and liabilities:		
Corporate sponsors receivable	287,327	(269,555)
Other receivables	6,918	28,462
Prepaid expenses	28,398	14,160
Right of use asset, operating lease	(255,944)	-
Accounts payable and accrued expenses	(237,009)	(684,712)
Accrued vacation	3,680	(7,936)
Deferred revenue	-	(23,100)
Operating lease liability	255,944	-
Agency funds	-	11,508
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(811,971)</u>	<u>(2,194,035)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(72,518)	-
Proceeds from sale of property and equipment	40,761	-
Proceeds from sale of investments	9,373,905	13,784,643
Purchase of investments	(8,400,706)	(18,683,512)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>941,442</u>	<u>(4,898,869)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted in perpetuity	43,077	34,083
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	172,548	(7,058,821)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>8,421,435</u>	<u>15,480,256</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 8,593,983</u>	<u>\$ 8,421,435</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS:</b>		
Cash and cash equivalents - undesignated	\$ 8,517,076	\$ 8,344,528
Restricted cash	76,907	76,907
Total cash and cash equivalents	<u>\$ 8,593,983</u>	<u>\$ 8,421,435</u>
<b>Supplemental Cash Flow Information:</b>		
Non cash transactions:		
Contribution of nonfinancial assets	<u>\$ 141,983</u>	<u>\$ 163,118</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.****NOTES TO FINANCIAL STATEMENTS**

Page 1 of 15

**ORGANIZATION**

The North Carolina High School Athletic Association, Inc. (the “Organization”) was organized in 1913 and incorporated pursuant to the laws of the state of North Carolina. The Organization’s programs consist of administering the state’s interscholastic programs for its member high schools in North Carolina, and the education and training of officials of high school athletic events.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Accounting.**

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. If contributions with donor restrictions are expended in the same period as when they were received, the support is classified as without donor restrictions.

**B. Cash and Cash Equivalents.**

Cash and cash equivalents include cash and money market investment funds.

**C. Investments.**

Investments in marketable securities are stated at fair value. Donated securities are recorded at fair value at the date of gift. Net investment return includes interest and dividend income, realized and unrealized gains and losses, and investment fees.

**D. Receivables.**

Grants, corporate sponsors, and other receivables are recorded at their net realizable value. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. No allowance has been recorded at June 30, 2023 and 2022, based on management’s estimated collectability of these receivables.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 2 of 15

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## E. Property and Equipment.

Property and equipment are stated at cost when purchased and at fair value on the date of the gift when donated. Property and equipment are capitalized if their lives are expected to be greater than one year and their cost exceeds \$2,500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined by an appraisal, discounted cash flow analysis or other valuation technique. There were no impairment losses recognized for the years ended June 30, 2023 and 2022

## F. Promises to Give.

Unconditional promises to give are recognized as support in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. An allowance is provided for amounts management estimates to be uncollectible.

## G. Net Assets.

Net assets, support and revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Without Donor Restrictions* – Resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations and undesignated gifts.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 3 of 15

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## G. Net Assets (continued).

*With Donor Restrictions* – Resources that carry a donor-imposed restriction. Some donor restrictions allow the Organization to use or expend the donated assets for a specific purpose; those restrictions can be satisfied by the passage of time or by actions of the Organization. Other donor restrictions are perpetual in nature, where the donor stipulates that donated assets be maintained in perpetuity; those restrictions permit the Organization to use or expend part or all of the income derived from the donated assets.

## H. Contribution of Nonfinancial Assets.

The Organization recognizes contributions that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

## I. Leases.

The Organization determines if an arrangement is a lease at inception and reassesses if there are changes in terms and conditions of the contract. Operating leases are included in right-of-use assets - operating leases, and operating lease liabilities on the statements of financial position. Lease assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Organization's leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Lease assets also include any lease payments made before lease commencement and initial direct costs and reduced for any lease incentives. In determining the lease term at lease commencement, the Organization includes the noncancellable term and the periods which the Organization deems it is reasonably certain to exercise or not to exercise a renewal or cancellation option. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

## J. 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 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. Accordingly, actual results could differ from those estimates, and those differences can be material.

## K. Income Tax.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. If applicable, penalties and interest assessed by income taxing authorities are included in general and administrative expenses.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 4 of 15

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## L. New Accounting Pronouncement.

In February 2016, the Financial Standards Accounting Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. The new standard was effective July 31, 2022. The Organization adopted this ASU using the effective date transition method. The Organization elected the following practical expedients upon transition: 1) no need to reassess whether any expired or existing contracts are or contain leases, 2) no need to reassess the lease classification for any expired or existing leases, and 3) no need to reassess initial direct costs for any existing leases.

## M. Consideration of Future Accounting Principle Changes.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*. The standard requires credit impairment to be recognized as an allowance for credit losses, rather than as a direct write-down of the financial asset. This standard will be effective for the year ending June 30, 2024. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**CASH AND CASH EQUIVALENTS**

At times, the Organization places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Organization has not experienced any financial loss related to such deposits.

**LIQUIDITY AND AVAILABILITY**

The following represents the Organization’s financial assets at June 30:

	<u>2023</u>	<u>2022</u>
Liquid current assets:		
Cash and cash equivalents	\$ 8,517,076	\$ 8,344,528
Corporate sponsors receivable	269,244	556,571
Other receivables	3,692	10,610
Investments	<u>10,911,138</u>	<u>27,658,747</u>
	19,701,150	36,570,456
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor and board for time or purpose	<u>(2,197,454)</u>	<u>(22,282,367)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,503,696</u>	<u>\$ 14,288,089</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 5 of 15

**LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization's programs are supported by playoff revenues, as well as by contributions with and without donor restrictions. Donors include individuals, corporations, and foundations. Because these revenue streams require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors and its member schools. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**INVESTMENTS**

Investments consist of the following at June 30:

	June 30, 2023		
	Cost	Fair Value	Unrealized Gain (loss)
Mutual funds	\$ 3,009,346	\$ 2,795,700	\$ (213,646)
Annuity contracts	110,555	110,555	-
Equity securities	4,470,700	5,576,406	1,105,706
Fixed income	1,442,330	1,283,785	(158,545)
Private equity	1,096,719	1,081,809	(14,910)
ETFs	59,046	62,883	3,837
	<u>\$ 10,188,696</u>	<u>\$ 10,911,138</u>	<u>\$ 722,442</u>
	June 30, 2022		
	Cost	Fair Value	Unrealized Gain
Mutual funds	\$ 9,168,697	\$ 8,117,709	\$ (1,050,988)
Annuity contracts	123,441	123,441	-
Equity securities	11,993,002	14,301,359	2,308,357
Fixed income	4,461,367	4,031,537	(429,830)
Private equity	1,010,000	1,010,000	-
ETFs	78,776	74,701	(4,075)
	<u>\$ 26,835,283</u>	<u>\$ 27,658,747</u>	<u>\$ 823,464</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 6 of 15

**FAIR VALUE OF ASSETS**

U.S. GAAP defines fair value as the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price).

U.S. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets not active, or determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the assets, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a readily available market for these assets existed.

The Organization follows the practical expedient provision for valuation in ASC 820, *Fair Value Measurement*, which permits the measurement of fair value based on the net asset value of the investment, without further adjustment, unless it is probable that the investment will be sold at a value significantly less than the net asset value. In using net asset value as a practical expedient, certain attributes of the investment that may affect the fair value of the investment are not considered in measuring fair value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to restrictions on the investor's ability to redeem its investments at the measurement date.



## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 7 of 15

**FAIR VALUE OF ASSETS (CONTINUED)**

There were no changes during the years ended June 30, 2023 and 2022, to the Organization's valuation techniques used to measure asset values on a recurring basis. The following tables summarize the assets of the Organization for which fair values are determined on a recurring basis as of June 30, 2023 and 2022. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets:	June 30, 2023				Total
	Level 1	Level 2	Level 3	Held at NAV	
Mutual funds	\$ 2,795,700	\$ -	\$ -	\$ -	\$ 2,795,700
Annuity contracts	-	-	110,555	-	110,555
Equity securities	5,576,406	-	-	-	5,576,406
Fixed income	1,283,785	-	-	-	1,283,785
Private equity	-	-	-	1,081,809	1,081,809
ETFs	62,883	-	-	-	62,883
	<u>\$ 9,718,774</u>	<u>\$ -</u>	<u>\$ 110,555</u>	<u>\$ 1,081,809</u>	<u>\$ 10,911,138</u>

Assets:	June 30, 2022				Total
	Level 1	Level 2	Level 3	Held at NAV	
Mutual funds	\$ 8,117,709	\$ -	\$ -	\$ -	\$ 8,117,709
Annuity contracts	-	-	123,441	-	123,441
Equity securities	14,301,359	-	-	-	14,301,359
Fixed income	4,031,537	-	-	-	4,031,537
Private equity	-	-	-	1,010,000	1,010,000
ETFs	74,701	-	-	-	74,701
	<u>\$ 26,525,306</u>	<u>\$ -</u>	<u>\$ 123,441</u>	<u>\$ 1,010,000</u>	<u>\$ 27,658,747</u>

**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	2023	2022
Furniture, fixtures, and equipment	\$ 383,684	\$ 383,684
Building and improvements	1,767,037	1,767,037
Vehicles	130,242	114,817
	<u>2,280,963</u>	<u>2,265,538</u>
Less: accumulated depreciation	(1,101,915)	(1,083,246)
	<u>\$ 1,179,048</u>	<u>\$ 1,182,292</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 8 of 15

**CONDITIONAL PROMISES TO GIVE**

Conditional promises to give at June 30, 2023 and 2022, total approximately \$1.9 million and \$2.6 million, respectively. These conditional promises to give, which are predominantly for specific championship events and all-star games, are not recognized in the accompanying financial statements. They will be recognized when the conditions upon which they depend are substantially met.

**REVENUE FROM CONTRACTS WITH CUSTOMERS***Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the new revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct.

*Performance Obligations Satisfied at a Point in Time*

*Publication Sales:* The Organization sells various publications, such as handbooks, rule books, and programs. Revenue is recognized when the products are shipped to or picked up by the customers.

*Playoff Revenues:* For each sport during the playoffs, the Organization receives a certain percentage of the ticket sales. The amount varies by sport and varies by each round of the playoffs. Since the revenue is for a specific game, the Organization believes that point in time recognition remains appropriate for this type of revenue.

*Performance Obligations Satisfied Over Time*

*Membership Dues:* The Organization receives dues revenue from all member schools. Membership is recognized on an annual basis over the school year. Dues are assessed based on attendance numbers, and payment is due by December 1<sup>st</sup> each year.

*Officials Revenue:* Officials used during high school sports are required to pay a registration fee each year. Registration opens in May each year, and revenue is recognized on an annual basis over the school year.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 9 of 15

**REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)***Contract Balances*

The timing of revenue recognition and cash collections may result in deferred revenue recorded on the statements of financial position. At June 30, 2023 and 2022, deferred revenue related to contracts with customers amounted to \$1,068 for each year.

*General*

The Organization assesses certain economic factors, and the potential for significant changes in those economic factors, and its impact on the nature, amount, timing, and uncertainty of revenue and cash flows. Common factors ordinarily impacting the Organization, especially in regards to playoff revenue, would be which schools are in the playoffs, and location of games. These factors have been assessed and management feels they have limited impact on the Organization's overall performance.

**CONTRIBUTION OF NONFINANCIAL ASSETS**

The Organization recognizes contributions that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities and changes in net assets included:

	<u>2023</u>	<u>2022</u>
On-site medical services	\$ -	\$ 26,885
Advertising and press related activity	16,425	25,530
Apparel	5,000	5,000
Graphic design services	3,500	3,500
Hotel and meeting rooms	3,200	1,050
On-line track registration services	20,000	20,000
Game balls, equipment, and management services	72,405	58,200
Miscellaneous items	21,453	22,953
	<u>\$ 141,983</u>	<u>\$ 163,118</u>

All contributed nonfinancial assets were utilized during the year they were received for program, management and general, and fundraising purposes. There were no donor-imposed restrictions associated with the contributed nonfinancial assets. The fair value for items was based on current rates for similar products and services. During the years ended June 30, 2023 and 2022, the Organization received amounts of personal services from volunteers that did not meet the requirements above for recognition in the financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 10 of 15

**RETIREMENT PLANS**

The Organization established a 401(k) retirement plan (the “Plan”) effective June 1, 2010. Employees are eligible to participate on the first day of the month following employment. The Organization provides for a safe harbor matching of each participant’s deferral up to a maximum of 4% of compensation. The plan also allows for a discretionary matching contribution, and a discretionary profit sharing contribution, both of which are determined by management annually. Participants are 100% vested in the discretionary contributions after six years of service. Plan benefits are distributed upon retirement, disability, termination, or death. The Organization’s share of retirement cost was \$80,654 and \$82,240, for the years ended June 30, 2023 and 2022, respectively. This includes a 2% additional discretionary matching contribution, and a 2% profit sharing contribution for each year.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management’s estimates. The expenses that are allocated include building and grounds maintenance, depreciation, insurance, interest, meetings, office expense and supplies, other, printing, professional services, telephone and utilities, and travels, which are allocated on the basis of estimates from a historical review of the purposes of the expenses, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

**NET ASSETS**

Net assets at June 30, 2023, consist of the following:

	Purpose/Time Restricted	Perpetuity Restricted	Board Designated/ Undesignated	Totals
Coaches Education Fund	\$ -	\$ -	\$ 507,047	\$ 507,047
General Endowment	-	-	1,323,911	1,323,911
Hall of Fame Endowment	12,250	139,624	59,372	211,246
Heads Up Football Coaches Training	16,550	-	-	16,550
Fall championships	138,700	-	-	138,700
	<u>167,500</u>	<u>139,624</u>	<u>1,890,330</u>	<u>2,197,454</u>
Undesignated	-	-	17,482,621	17,482,621
Total net assets at June 30, 2023	<u>\$ 167,500</u>	<u>\$ 139,624</u>	<u>\$ 19,372,951</u>	<u>\$ 19,680,075</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 11 of 15

**NET ASSETS (CONTINUED)**

Net assets at June 30, 2022, consist of the following:

	Purpose/Time Restricted	Perpetuity Restricted	Board Designated/ Undesignated	Totals
Administrators Education Fund	\$ (187)	\$ 2,300	\$ 1,225,846	\$ 1,227,959
Alford Family Golf Scholarship	1,025	12,421	-	13,446
Charlie Adams Endowed Scholarship	12,468	103,320	85,809	201,597
Clary Medal Awards	31,950	100,000	-	131,950
Coaches Education Fund	59	350	655,828	656,237
Dave Harris Athletic Director Award	13,625	18,936	-	32,561
Gainey Student Scholarships	26,449	150,050	-	176,499
General Endowment	-	14,983,065	3,556,267	18,539,332
Hall of Fame Endowment	19,366	138,824	54,974	213,164
Heads Up Football Coaches Training	16,550	-	-	16,550
Health & Safety Fund	174	1,560	607,407	609,141
Lacrosse Scholarship	(2,221)	11,040	12,425	21,244
McGee Scholarship	(6,607)	40,741	98,068	132,202
Student Services	-	250	-	250
Tony Cullen Memorial Fund	7,766	59,292	10,565	77,623
Tony Webb Coach of the Year Award	36,041	80,962	-	117,003
Willie Bradshaw Scholarship	(18,983)	67,980	66,612	115,609
	<u>137,475</u>	<u>15,771,091</u>	<u>6,373,801</u>	<u>22,282,367</u>
Undesignated	-	-	14,065,327	14,065,327
Total net assets at June 30, 2022	<u>\$ 137,475</u>	<u>\$ 15,771,091</u>	<u>\$ 20,439,128</u>	<u>\$ 36,347,694</u>

**ENDOWMENTS**

The Organization's endowments were established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 12 of 15

**ENDOWMENTS (CONTINUED)**

The remaining portion of the endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with or without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

*Strategies Employed For Achieving Objectives*

The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization makes investments in a wide array of asset classes, including, but not limited to, stocks, mutual funds and cash equivalents.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that SPMIFA requires to retain as a fund of perpetual duration. At June 30, 2022, there were four endowment funds below the required amounts by approximately \$28,000. There were no endowment funds below the required amounts as of June 30, 2023.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 13 of 15

**ENDOWMENTS (CONTINUED)**

The changes in endowment net assets for the year ended June 30, 2023 were as follows:

	Board Designated	With Donor Restrictions	Totals
Endowment net assets, beginning of year	\$ 3,556,267	\$ 15,892,016	\$ 19,448,283
Net investment return	1,617,450	86,698	1,704,148
Contributions/other revenue	-	60,577	60,577
Transfers	-	(15,674,544)	(15,674,544)
Appropriation for expenditure	(3,849,806)	(212,873)	(4,062,679)
Endowment net assets, end of year	<u>\$ 1,323,911</u>	<u>\$ 151,874</u>	<u>\$ 1,475,785</u>

The changes in endowment net assets for the year ended June 30, 2022 were as follows:

	Board Designated	With Donor Restrictions	Totals
Endowment net assets, beginning of year	\$ 7,620,314	\$ 16,034,453	\$ 23,654,767
Net investment return	(2,732,338)	(124,205)	(2,856,543)
Contributions/other revenue	13,953	38,356	52,309
Appropriation for expenditure	(1,345,662)	(56,588)	(1,402,250)
Endowment net assets, end of year	<u>\$ 3,556,267</u>	<u>\$ 15,892,016</u>	<u>\$ 19,448,283</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

Page 14 of 15

**OPERATING LEASES**

The Organization entered into a lease agreement in January 2023 for office equipment. Monthly payments are \$4,596, and the lease expires in April 2028. Lease expense totaled \$22,980 for the year ended June 30, 2023. The Organization had four leases prior to the above lease, that terminated in May 2022 and January 2023. Lease expense for these prior leases totaled \$30,813 and \$88,188 for the years ended June 30, 2023 and 2022, respectively.

Other information related to the lease is as follows:

	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 50,637
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	270,297
Weighted-average remaining lease term (in years):	
Operating leases:	4.83
Weighted-average discount rate:	
Operating leases:	5.00%

Minimum future rental payments as of June 30, 2023, are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2024	\$ 59,472
2025	59,472
2026	59,472
2027	59,472
2028	49,560
Total future minimum lease payments	287,448
Less present value discount	(31,504)
Total lease liability	<u>\$ 255,944</u>



**NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.****NOTES TO FINANCIAL STATEMENTS**

Page 15 of 15

**COMMITMENT**

The Organization has entered into a memorandum of understanding with the North Carolina State Board of Education (“State Board”) for the administration of interscholastic high school athletic activities in the state of North Carolina. The memorandum is effective July 1, 2022, through June 30, 2026. If the State Board determines that the Organization has failed to comply with the requirements of the memorandum, the State Board may terminate the memorandum upon written notice to the Organization.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition or disclosure through November 29, 2023, which was the date that the financial statements were available to be issued, and determined there are no events that require disclosure.