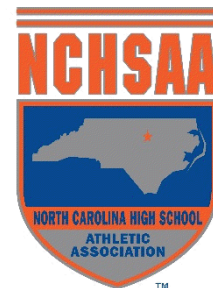


**NORTH CAROLINA HIGH SCHOOL
ATHLETIC ASSOCIATION, INC.**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023



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INDEPENDENT AUDITOR'S REPORT

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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, 2024 and 2023, 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, 2024 and 2023, 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.

BALANCE & STRATEGY ADVISORS, CPAs LLP

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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.

Balance + Strategy

Chapel Hill, North Carolina
November 25, 2024

NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
ASSETS:		
Cash and cash equivalents	\$ 6,753,203	\$ 8,517,076
Corporate sponsors receivable	335,446	269,244
Other receivables	56,018	3,692
Prepaid expenses	24,472	24,892
Investments	7,987,415	10,911,138
Property and equipment, net	1,129,988	1,179,048
Right of use asset, operating lease	207,931	255,944
Agency cash	51,603	76,907
	<u>16,546,076</u>	<u>21,237,941</u>
TOTAL ASSETS	<u>\$ 16,546,076</u>	<u>\$ 21,237,941</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	\$ 210,285	\$ 1,198,250
Accrued wages and vacation	27,382	25,697
Deferred revenue	-	1,068
Operating lease liability	207,931	255,944
Agency funds	51,603	76,907
	<u>497,201</u>	<u>1,557,866</u>
TOTAL LIABILITIES	<u>497,201</u>	<u>1,557,866</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	16,022,325	17,482,621
Board designated	-	1,890,330
	<u>16,022,325</u>	<u>19,372,951</u>
With donor restrictions:		
Perpetuity restricted	-	139,624
Purpose and time restricted	26,550	167,500
	<u>26,550</u>	<u>307,124</u>
TOTAL NET ASSETS	<u>16,048,875</u>	<u>19,680,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,546,076</u>	<u>\$ 21,237,941</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, 2024 and 2023

EXHIBIT B

Page 1 of 2

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
SUPPORT AND REVENUE:				
Playoffs	\$ 1,735,880	\$ -	\$ 1,735,880	\$ 1,916,716
Contributions	1,198,340	18,159	1,216,499	1,491,321
Contribution of nonfinancial assets	159,560	-	159,560	141,983
Officials' registrations	336,016	-	336,016	353,372
Membership dues	471,176	-	471,176	491,059
Other income	115,443	-	115,443	208,400
Programs, books, and directories	230	-	230	1,020
Net investment return	1,204,102	39,465	1,243,567	2,608,867
Gain on sale of fixed assets	9,450	-	9,450	-
	5,230,197	57,624	5,287,821	7,212,738
Net assets released from restrictions	338,198	(338,198)	-	-
TOTAL SUPPORT AND REVENUE	5,568,395	(280,574)	5,287,821	7,212,738
EXPENSES:				
Program services	7,712,687	-	7,712,687	22,763,099
Supporting services:				
General and administrative	916,528	-	916,528	822,667
Fundraising	289,806	-	289,806	294,591
TOTAL EXPENSES	8,919,021	-	8,919,021	23,880,357
CHANGES IN NET ASSETS	(3,350,626)	(280,574)	(3,631,200)	(16,667,619)
NET ASSETS - BEGINNING OF YEAR	19,372,951	307,124	19,680,075	36,347,694
NET ASSETS - END OF YEAR	\$ 16,022,325	\$ 26,550	\$ 16,048,875	\$ 19,680,075

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

EXHIBIT B

For the Years Ended June 30, 2024 and 2023

Page 2 of 2

	2023		
	Without Donor Restrictions	With Donor Restrictions	Totals
SUPPORT AND REVENUE:			
Playoffs	\$ 1,916,716	\$ -	\$ 1,916,716
Contributions	1,448,244	43,077	1,491,321
Contribution of nonfinancial assets	141,983	-	141,983
Officials' registrations	353,372	-	353,372
Membership dues	491,059	-	491,059
Other income	208,400	-	208,400
Programs, books, and directories	1,020	-	1,020
Net investment return	2,608,867	-	2,608,867
	7,169,661	43,077	7,212,738
Net assets released from restrictions	15,644,519	(15,644,519)	-
TOTAL SUPPORT AND REVENUE	22,814,180	(15,601,442)	7,212,738
EXPENSES:			
Program services	22,763,099	-	22,763,099
Supporting services:			
General and administrative	822,667	-	822,667
Fundraising	294,591	-	294,591
TOTAL EXPENSES	23,880,357	-	23,880,357
CHANGES IN NET ASSETS	(1,066,177)	(15,601,442)	(16,667,619)
NET ASSETS - BEGINNING OF YEAR	20,439,128	15,908,566	36,347,694
NET ASSETS - END OF YEAR	\$ 19,372,951	\$ 307,124	\$ 19,680,075

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, 2024 and 2023

EXHIBIT C

Page 1 of 2

	2024			2023	
	Program Services	General and Administrative	Fundraising	Totals	Totals
Advertising	\$ 3,828	\$ -	\$ 2,850	\$ 6,678	\$ 4,547
Awards	281,815	-	-	281,815	332,407
Building and grounds maintenance	3,341	30,072	-	33,413	14,388
Depreciation	36,240	36,241	-	72,481	71,351
Gate receipts distribution	335,315	-	-	335,315	375,178
Insurance	246,642	27,405	-	274,047	278,158
Meetings expense	106,261	26,565	66	132,892	137,147
Office expense and supplies	140,675	75,748	320	216,743	191,429
Other expenses	87,888	43,526	23,633	155,047	163,284
Other grants	4,155,855	-	-	4,155,855	18,258,004
Payments to schools	-	-	-	-	1,015,707
Printing, publications, and programs	108,657	1,627	6,519	116,803	116,062
Professional services	94,699	284,096	-	378,795	301,645
Salaries and benefits	760,018	384,911	256,418	1,401,347	1,365,332
Team expenses	1,314,308	-	-	1,314,308	1,198,518
Telephone and utilities	26,126	4,611	-	30,737	32,283
Travel	2,589	1,726	-	4,315	1,683
Vehicle expense	7,576	-	-	7,576	6,185
Workshops	854	-	-	854	17,049
Total expenses	<u>\$ 7,712,687</u>	<u>\$ 916,528</u>	<u>\$ 289,806</u>	<u>\$ 8,919,021</u>	<u>\$ 23,880,357</u>

NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT C

For the Years Ended June 30, 2024 and 2023

Page 2 of 2

	2023			Totals
	Program Services	General and Administrative	Fundraising	
Advertising	\$ -	\$ -	\$ 4,547	\$ 4,547
Awards	332,407	-	-	332,407
Building and grounds maintenance	1,439	12,949	-	14,388
Depreciation	35,676	35,675	-	71,351
Gate receipts distribution	375,178	-	-	375,178
Insurance	250,342	27,816	-	278,158
Meetings expense	109,652	27,413	82	137,147
Office expense and supplies	124,410	66,991	28	191,429
Other expenses	82,047	39,575	41,662	163,284
Other grants	18,258,004	-	-	18,258,004
Payments to schools	1,015,707	-	-	1,015,707
Printing, publications, and programs	107,703	2,256	6,103	116,062
Professional services	75,411	226,234	-	301,645
Salaries and benefits	744,920	378,243	242,169	1,365,332
Team expenses	1,198,518	-	-	1,198,518
Telephone and utilities	27,441	4,842	-	32,283
Travel	1,010	673	-	1,683
Vehicle expense	6,185	-	-	6,185
Workshops	17,049	-	-	17,049
Total expenses	<u>\$ 22,763,099</u>	<u>\$ 822,667</u>	<u>\$ 294,591</u>	<u>\$ 23,880,357</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (3,631,200)	\$ (16,667,619)
Adjustments to reconcile changes in net assets to net cash used by operations:		
Depreciation	72,481	71,351
Decrease in values of annuity investments	10,816	12,886
Contributions restricted in perpetuity	-	(43,077)
Other grant of securities	2,794,821	17,766,354
Realized and unrealized gains on investments	(660,899)	(2,004,830)
Gain on disposal of property and equipment	(9,450)	(36,350)
Changes in assets and liabilities:		
Corporate sponsors receivable	(66,202)	287,327
Other receivables	(52,326)	6,918
Prepaid expenses	420	28,398
Right of use asset, operating lease	48,013	(255,944)
Accounts payable and accrued expenses	(987,965)	(237,009)
Accrued wages and vacation	1,685	3,680
Deferred revenue	(1,068)	-
Operating lease liability	(48,013)	255,944
Agency funds	(25,304)	-
	<u>(2,554,191)</u>	<u>(811,971)</u>
NET CASH USED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(36,971)	(72,518)
Proceeds from sale of property and equipment	23,000	40,761
Proceeds from sale of investments	4,350,344	9,373,905
Purchase of investments	(3,571,359)	(8,400,706)
	<u>765,014</u>	<u>941,442</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted in perpetuity	-	43,077
	<u>-</u>	<u>43,077</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,789,177)	172,548
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>8,593,983</u>	<u>8,421,435</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,804,806</u>	<u>\$ 8,593,983</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents - undesignated	\$ 6,753,203	\$ 8,517,076
Restricted cash	51,603	76,907
Total cash and cash equivalents	<u>\$ 6,804,806</u>	<u>\$ 8,593,983</u>
Supplemental Cash Flow Information:		
Non cash transactions:		
Contribution of nonfinancial assets	<u>\$ 159,560</u>	<u>\$ 141,983</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.

Corporate sponsors and other receivables are recorded at their net realizable value. Collections are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographical and industry specific economic factors. At origination, the Organization evaluates credit risk based on a variety of credit quality factors including prior payment experience, financial information, credit ratings, probability of default, industry trends, and other internal metrics. On a continual basis data for each major account is regularly reviewed based on past due status to evaluate the adequacy of the allowance for credit losses. Any write-offs deemed necessary are charged against the allowance. There were no allowances for credit losses, and no write off of receivables, for the years ended June 30, 2024 and 2023..

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, 2024 and 2023.

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 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 was effective July 1, 2023.

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>2024</u>	<u>2023</u>
Liquid current assets:		
Cash and cash equivalents	\$ 6,753,207	\$ 8,517,076
Corporate sponsors receivable	335,446	269,244
Other receivables	56,018	3,692
Investments	<u>7,987,415</u>	<u>10,911,138</u>
	15,132,086	19,701,150
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donor and board for time or purpose	<u>(26,550)</u>	<u>(2,197,454)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,105,536</u>	<u>\$ 17,503,696</u>

NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

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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, 2024		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (loss)</u>
Mutual funds	\$ 1,657,392	\$ 1,721,507	\$ 64,115
Annuity contracts	99,739	99,739	-
Equity securities	3,143,174	4,541,072	1,397,898
Fixed income	1,298,116	1,220,193	(77,923)
Government	390,303	404,904	14,601
	<u>\$ 6,588,724</u>	<u>\$ 7,987,415</u>	<u>\$ 1,398,691</u>
	June 30, 2023		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
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>

NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

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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.

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FAIR VALUE OF ASSETS (CONTINUED)

There were no changes during the years ended June 30, 2024 and 2023, 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, 2024 and 2023. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets:	June 30, 2024				Total
	Level 1	Level 2	Level 3	Held at NAV	
Mutual funds	\$ 1,721,507	\$ -	\$ -	\$ -	\$ 1,721,507
Annuity contracts	-	-	99,739	-	99,739
Equity securities	4,541,072	-	-	-	4,541,072
Fixed income	1,220,193	-	-	-	1,220,193
Government	404,904	-	-	-	404,904
	<u>\$ 7,887,676</u>	<u>\$ -</u>	<u>\$ 99,739</u>	<u>\$ -</u>	<u>\$ 7,987,415</u>

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>

PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2024	2023
Furniture, fixtures, and equipment	\$ 363,955	\$ 384,749
Building and improvements	1,765,971	1,765,971
Vehicles	133,339	130,242
	<u>2,263,265</u>	<u>2,280,962</u>
Less: accumulated depreciation	<u>(1,133,277)</u>	<u>(1,101,914)</u>
	<u>\$ 1,129,988</u>	<u>\$ 1,179,048</u>

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CONDITIONAL PROMISES TO GIVE

Conditional promises to give at June 30, 2024 and 2023, total approximately \$1.3 million and \$1.9 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 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 1st 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.

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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, 2024 and 2023, deferred revenue related to contracts with customers amounted to \$0 and \$1,068, respectively.

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

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities and changes in net assets included:

	<u>2024</u>	<u>2023</u>
On-site medical services	\$ 28,694	\$ -
Advertising and press related activity	20,675	16,425
Apparel	-	5,000
Graphic design services	1,500	3,500
Hotel and meeting rooms	-	3,200
On-line track registration services	20,000	20,000
Game balls, equipment, and management services	68,294	72,405
Miscellaneous items	20,397	21,453
	<u>\$ 159,560</u>	<u>\$ 141,983</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, 2024 and 2023, the Organization received amounts of personal services from volunteers that did not meet the requirements above for recognition in the financial statements.

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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 \$75,122 and \$80,654, for the years ended June 30, 2024 and 2023, 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, 2024, consist of the following:

	Purpose/Time		
	Restricted	Undesignated	Totals
Heads Up Football Coaches Training	\$ 16,550	\$ -	\$ 16,550
Fall championships	10,000	-	10,000
Undesignated	-	16,022,325	16,022,325
Total net assets at June 30, 2024	<u>\$ 26,550</u>	<u>\$ 16,022,325</u>	<u>\$ 16,048,875</u>

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NET ASSETS (CONTINUED)

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>

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.

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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. There were no endowment funds below the required amounts as of June 30, 2024 and 2023.

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ENDOWMENTS (CONTINUED)

The changes in endowment net assets for the year ended June 30, 2024 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, beginning of year	\$ 1,323,911	\$ 151,874	\$ 1,475,785
Net investment return	209,579	39,465	249,044
Transfers	<u>(1,533,490)</u>	<u>(191,339)</u>	<u>(1,724,829)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Without Donor Restrictions	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	<u>(3,849,806)</u>	<u>(212,873)</u>	<u>(4,062,679)</u>
Endowment net assets, end of year	<u>\$ 1,323,911</u>	<u>\$ 151,874</u>	<u>\$ 1,475,785</u>

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OPERATING LEASES

The Organization entered into a lease agreement in January 2023 for office equipment. Monthly payments are \$4,956, and the lease expires in April 2028. Lease expense totaled \$59,472 and \$24,780 for the years ended June 30, 2024 and 2023, respectively.

Other information related to the lease is as follows:

	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 59,472
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	-
Weighted-average remaining lease term (in years):	
Operating leases:	3.83
Weighted-average discount rate:	
Operating leases:	5.00%

Minimum future rental payments as of June 30, 2024, are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2025	\$ 59,472
2026	59,472
2027	59,472
2028	49,560
Total future minimum lease payments	227,976
Less present value discount	(20,045)
Total lease liability	<u>\$ 207,931</u>

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

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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.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2023 financial statements in order to conform to 2024 presentation. Such reclassifications had no effect on net assets.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition or disclosure through November 25, 2024, which was the date that the financial statements were available to be issued, and determined there are no events that require disclosure.