

***Nebraska School Activities Association
Lincoln, Nebraska***

July 31, 2019 and 2018

***Financial Statements
and
Independent Auditor's Report***



CPAs & Consultants | Wealth Management

Nebraska School Activities Association
For the years ended July 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nebraska School Activities Association
Lincoln, Nebraska

We have audited the accompanying financial statements of Nebraska School Activities Association, which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nebraska School Activities Association as of July 31, 2019 and 2018, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Cash and Cash Equivalents, Schedule of Certificates of Deposit, and Schedules of Activities, Revenues and Expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

WBE LLP

Lincoln, Nebraska
October 10, 2019

WBE

Nebraska School Activities Association

STATEMENTS OF FINANCIAL POSITION

July 31,

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (note A)	\$ 4,293,222	\$ 3,541,340
Certificates of deposit	422,644	412,975
Investments (notes A, C and N)	1,063,536	1,010,143
Receivables (note A)	9,344	-
Inventories (note A)	39,556	64,134
Prepaid expenses	20,812	375,278
Property and equipment, net (notes A and D)	3,481,509	3,552,973
Loan origination fee, net (note E)	<u>9,245</u>	<u>10,325</u>
 Total assets	 <u>\$ 9,339,868</u>	 <u>\$ 8,967,168</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 32,281	\$ 16,979
Deferred revenue (note A)	426,315	428,094
Accrued absences (note J)	81,006	89,891
Accrued interest payable	1,948	1,892
Capital leases payable (notes A and F)	<u>2,032,140</u>	<u>2,227,336</u>
 Total liabilities	 2,573,690	 2,764,192
 NET ASSETS (note A)		
Without donor restrictions		
Undesignated	<u>6,766,178</u>	<u>6,202,976</u>
 Total liabilities and net assets	 <u>\$ 9,339,868</u>	 <u>\$ 8,967,168</u>

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENTS OF ACTIVITIES

For the years ended July 31,

	Without Donor Restrictions	
	2019	2018
REVENUE AND SUPPORT		
Activities	\$ 3,536,585	\$ 3,483,075
Corporate sponsorships	521,500	555,499
Membership, schools	12,200	12,200
Membership, officials/judges	178,741	180,482
Interest	17,079	9,763
Gain on investments	55,378	13,936
Catastrophic insurance reimbursement	239,011	230,881
Publication, sales	6,725	10,358
Publication, advertising	40,625	27,825
Coaches education	16,860	18,810
Rental income	31,800	32,100
Licensing	980	923
Television rights	120,000	120,000
Photos and video income	13,893	14,190
Special awards income	21,983	18,193
Royalties	33,820	30,840
Income from broadcasters	20,218	21,093
Gain on disposal of assets	4,534	636
Other revenue	9,560	7,574
Total revenue and support	<u>4,881,492</u>	<u>4,788,378</u>
Expenses (note I)		
Program services		
Activities	1,568,004	1,531,925
Member services	1,952,183	2,267,397
Publications	200,515	64,092
Supporting services		
General and administrative	<u>597,588</u>	<u>443,944</u>
Total expenses	<u>4,318,290</u>	<u>4,307,358</u>
Increase in net assets	563,202	481,020
Net assets, beginning of year	<u>6,202,976</u>	<u>5,721,956</u>
Net assets, end of year	<u>\$ 6,766,178</u>	<u>\$ 6,202,976</u>

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENT OF FUNCTIONAL EXPENSES

Year ended July 31, 2019

	Program Services			General and Administration	Total 2019	
	Activities	Member Services	Publications			Total
Activities	\$ 1,568,004	\$ -	\$ -	\$ 1,568,004	\$ -	\$ 1,568,004
Salaries	-	689,330	124,305	813,635	316,414	1,130,049
Payroll taxes	-	52,681	9,500	62,181	24,182	86,363
Medical and LTC insurance	-	112,311	20,253	132,564	51,552	184,116
Retirement	-	58,149	10,486	68,635	26,691	95,326
Lobbying fees	-	-	-	-	27,200	27,200
Postage	-	18,681	440	19,121	2,857	21,978
Officials' and Judges' expense	-	99,255	-	99,255	-	99,255
Awards	-	16,264	-	16,264	-	16,264
Vehicle expense	-	43,885	1,033	44,918	6,711	51,629
Staff travel	-	35,116	826	35,942	5,371	41,313
Committees	-	7,095	-	7,095	-	7,095
Meetings and promotions	-	8,364	-	8,364	-	8,364
Depreciation and amortization	-	110,231	2,594	112,825	16,858	129,683
General insurance	-	79,974	1,882	81,856	12,231	94,087
Catastrophic insurance	-	281,194	-	281,194	-	281,194
Utilities	-	31,830	749	32,579	4,868	37,447
Equipment maintenance and repair	-	8,668	204	8,872	1,326	10,198
Building maintenance and repair	-	23,061	543	23,604	3,527	27,131
Bank and credit card fees	-	19,513	-	19,513	1,027	20,540
Telephone	-	10,779	254	11,033	1,648	12,681
Internet expense	-	11,382	268	11,650	1,740	13,390
Stationery and supplies	-	24,823	584	25,407	3,797	29,204
Legal fees	-	8,396	198	8,594	1,284	9,878
Audit fees	-	10,929	257	11,186	1,672	12,858
Publications	-	-	24,791	24,791	-	24,791
Miscellaneous	-	9,988	235	10,223	1,527	11,750
Programming	-	20,025	1,113	21,138	1,112	22,250
Legislative commission	-	1,018	-	1,018	-	1,018
Board of directors	-	88,960	-	88,960	-	88,960
Workers, staff and board uniforms	-	5,165	-	5,165	-	5,165
Representative assembly	-	8,454	-	8,454	-	8,454
Dues and subscriptions	-	6,749	-	6,749	-	6,749
Membership publications	-	14,433	-	14,433	-	14,433
Interest expense	-	-	-	-	83,993	83,993
Corporate sponsorship	-	35,480	-	35,480	-	35,480
TOTAL EXPENSES	\$ 1,568,004	\$ 1,952,183	\$ 200,515	\$ 3,720,702	\$ 597,588	\$ 4,318,290

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENT OF FUNCTIONAL EXPENSES

Year ended July 31, 2018

	Program Services			General and Administration	Total 2018	
	Activities	Member Services	Publications			Total
Activities	\$ 1,531,925	\$ -	\$ -	\$ 1,531,925	\$ -	\$ 1,531,925
Salaries	-	889,071	21,952	911,023	186,595	1,097,618
Payroll taxes	-	64,549	1,594	66,143	13,547	79,690
Medical and LTC insurance	-	161,519	3,988	165,507	33,899	199,406
Retirement	-	75,967	1,876	77,843	15,944	93,787
Lobbying fees	-	-	-	-	27,200	27,200
Postage	-	16,979	400	17,379	2,596	19,975
Officials' and Judges' expense	-	88,401	-	88,401	-	88,401
Awards	-	14,660	-	14,660	-	14,660
Vehicle expense	-	43,365	1,020	44,385	6,633	51,018
Staff travel	-	42,613	1,003	43,616	6,517	50,133
Committees	-	4,210	-	4,210	-	4,210
Meetings and promotions	-	10,251	-	10,251	-	10,251
Depreciation and amortization	-	112,544	2,648	115,192	17,213	132,405
General insurance	-	79,045	1,860	80,905	12,089	92,994
Catastrophic insurance	-	281,194	-	281,194	-	281,194
Utilities	-	23,892	562	24,454	3,654	28,108
Equipment maintenance and repair	-	18,626	438	19,064	2,849	21,913
Building maintenance and repair	-	31,663	745	32,408	4,843	37,251
Bank and credit card fees	-	17,127	-	17,127	901	18,028
Telephone	-	14,908	351	15,259	2,280	17,539
Internet expense	-	15,126	356	15,482	2,313	17,795
Stationery and supplies	-	13,057	307	13,364	1,997	15,361
Legal fees	-	18,630	438	19,068	2,850	21,918
Audit fees	-	10,730	252	10,982	1,642	12,624
Publications	-	-	21,566	21,566	-	21,566
Miscellaneous	-	21,285	501	21,786	3,255	25,041
Programming	-	40,225	2,235	42,460	2,234	44,694
Legislative commission	-	1,174	-	1,174	-	1,174
Board of directors	-	91,675	-	91,675	-	91,675
Workers, staff and board uniforms	-	4,018	-	4,018	-	4,018
Representative assembly	-	10,668	-	10,668	-	10,668
Dues and subscriptions	-	8,349	-	8,349	-	8,349
Membership publications	-	11,026	-	11,026	-	11,026
Interest expense	-	-	-	-	92,893	92,893
Corporate sponsorship	-	30,850	-	30,850	-	30,850
TOTAL EXPENSES	\$ 1,531,925	\$ 2,267,397	\$ 64,092	\$ 3,863,414	\$ 443,944	\$ 4,307,358

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENTS OF CASH FLOWS

For the years ended July 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from revenue and support	\$ 4,793,378	\$ 4,803,051
Cash paid to employees and suppliers	(3,719,153)	(4,158,316)
Interest received	17,079	9,763
Interest paid	<u>(83,937)</u>	<u>(92,791)</u>
Net cash provided by operating activities	<u>1,007,367</u>	<u>561,707</u>
Cash flows from investing activities:		
Purchases of property and equipment	(62,820)	(52,358)
Proceeds from sale of property and equipment	10,215	-
Purchase of investments	<u>(7,684)</u>	<u>(493,891)</u>
Net cash used by investing activities	<u>(60,289)</u>	<u>(546,249)</u>
Cash flows from financing activities		
Principal payments on capital leases	<u>(195,196)</u>	<u>(187,296)</u>
Net increase (decrease) in cash and cash equivalents	751,882	(171,838)
Cash and cash equivalents, beginning of year	<u>3,541,340</u>	<u>3,713,178</u>
Cash and cash equivalents, end of year	<u>\$ 4,293,222</u>	<u>\$ 3,541,340</u>
Increase in net assets	<u>\$ 563,202</u>	<u>\$ 481,020</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	129,683	132,405
Gain on investments	(55,378)	(13,936)
Gain on disposal of assets	(4,534)	(636)
(Increase) decrease in assets		
Receivables	(9,344)	36,742
Inventories	24,578	(2,253)
Prepaid expenses	354,466	(68,947)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	15,302	(6,627)
Deferred revenue	(1,779)	2,266
Accrued absences	(8,885)	1,571
Accrued interest payable	<u>56</u>	<u>102</u>
Total adjustments to increase in net assets	<u>444,165</u>	<u>80,687</u>
Net cash provided by operating activities	<u>\$ 1,007,367</u>	<u>\$ 561,707</u>
Supplemental disclosure of noncash investing and financing activities:		
Assets acquired under capital leases	<u>\$ -</u>	<u>\$ 30,291</u>

See accompanying notes to financial statements.

Nebraska School Activities Association

NOTES TO FINANCIAL STATEMENTS

The Nebraska School Activities Association (the Association) is a nonprofit Association established to select, develop and direct interscholastic events and to regulate administration of those events. The judicial and administrative authority of the Association resides with the Board of Directors and is comprised of eight members, from the Association's six districts within the State. Most of the Association's revenue is derived from activity fees.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting. The accompanying financial statements of the Association have been prepared on the accrual basis of accounting.

New Accounting Pronouncement. On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Net Asset Classification. Net assets, revenues, 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. Net assets available for use in general operations and not subject to donor or grantor restrictions.

With donor restrictions. Net assets subject to donor- or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions. As of July 31, 2019 and 2018, there were no donor restrictions on net assets.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

Cash and Cash Equivalents. For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Donated securities are recorded as contributions equal to the fair market value of the securities at the date of gift.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Receivables. Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management’s assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Inventories. Inventories are recorded at cost, on a first-in/first-out basis, and consist of publications for sale and distribution to schools, supplies and stationery for office use.

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. The Association capitalizes all acquisitions of property and equipment with a useful life greater than one year. Estimated useful lives by asset class follow:

Building	10-50 years
Office furniture and equipment	5-10 years
Athletic equipment	5-10 years
Vehicles	5 years

Deferred Revenue. Revenue received for future dues and fees is deferred to the applicable year.

Leases. Assets which are acquired by lease-purchase agreements and meet the criteria of a capital lease are recorded as assets and obligations at the lesser of the following:

- (1) An amount equal to the present value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.
- (2) Fair value of the leased property at the inception of the lease.

Rental payments under agreements which meet the criteria of an operating lease are expensed when incurred.

Income Taxes. The Association is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates.

Fair Value Measurements. The Financial Accounting Standards Board has issued guidance defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association utilizes a fair value hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value Measurements - Continued.

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest priority level of any input that is significant to the fair value measurement. Transfers between levels shall occur at the actual date of the event or change in circumstances that caused the transfer. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 4,293,222	\$ 3,541,340
Certificates of deposit	422,644	412,975
Receivable	9,344	-
Investments	1,063,536	1,010,143
	\$ 5,788,746	\$ 4,964,458

Nebraska School Activities Association

NOTES TO FINANCIAL STATEMENTS

NOTE B - LIQUIDITY AND AVAILABILITY - CONTINUED

The Association has a goal to maintain liquid financial assets sufficient to cover six to nine months of general operating expenditures. The Association finds this essential due to a significant portion of its revenues coming from hosting school activities that can experience volatile circumstances such as weather and team match-ups. In addition to maintaining financial assets available to meet general expenditures, the Association desires to maintain sufficient liquid assets to cover the remaining capital lease payments totaling \$2,403,450, including a balloon payment of \$590,158 relating to the capital lease on their building which becomes due on February 22, 2026.

NOTE C - INVESTMENTS

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Corporate bonds	\$ 173,662	\$ 177,588	\$ 171,296	\$ 166,560
U.S. government obligations	67,189	70,475	118,791	116,150
Mortgage-backed securities	186,718	187,211	134,389	130,757
Listed equities	300,681	330,237	296,227	308,482
Exchange traded products	26,599	28,519	22,352	27,998
Mutual funds	274,802	269,506	232,712	260,196
	<u>\$ 1,029,651</u>	<u>\$ 1,063,536</u>	<u>\$ 975,767</u>	<u>\$ 1,010,143</u>
Unrealized gain		<u>\$ 33,885</u>		<u>\$ 34,376</u>

NOTE D - PROPERTY AND EQUIPMENT

	2019	2018
Building	\$ 4,334,996	\$ 4,334,996
Office furniture and equipment	333,369	329,238
Technology equipment	17,555	9,875
Athletic equipment	36,413	36,413
Vehicles	73,154	39,187
	4,795,487	4,749,709
Less accumulated depreciation	<u>(1,313,978)</u>	<u>(1,196,736)</u>
	<u>\$ 3,481,509</u>	<u>\$ 3,552,973</u>

Depreciation expense for the years ended July 31, 2019 and 2018 was \$128,603 and \$129,749, respectively.

Nebraska School Activities Association

NOTES TO FINANCIAL STATEMENTS

NOTE E - LOAN ORIGINATION FEE

The Association incurred origination fees totaling \$38,164 to refinance revenue bonds issued in 2007. These costs are being amortized over eight and twelve year periods. Accumulated amortization as of July 31, 2019 and 2018 was \$28,919 and \$27,839, respectively. Amortization expense for the years ended July 31, 2019 and 2018 was \$1,080 and \$2,656, respectively.

Remaining amortization expense for each subsequent year is as follows:

<u>Year ending July 31,</u>	
2020	\$ 1,080
2021	1,080
2022	1,080
2023	1,080
2024	1,080
Thereafter	<u>3,845</u>
	<u>\$ 9,245</u>

NOTE F - CAPITAL LEASES

The Association leases its office facilities from the City of Lincoln, Nebraska (the City), under a capital lease. The economic substance of the lease is that the Association is financing the acquisition of the office facility through the lease, and accordingly, it is recorded in the Association's assets and liabilities.

The Association leases office equipment under capital leases that expire in 2023.

Amortization of building and office equipment under capital leases amounted to \$97,343 and \$93,809 for the years ended July 31, 2019 and 2018, respectively, and is included in depreciation expense.

The following is a summary of property and equipment, stated at cost, held under capital leases included in property and equipment:

	<u>2019</u>	<u>2018</u>
Building	\$ 4,324,785	\$ 4,324,785
Office equipment	<u>54,236</u>	<u>54,236</u>
	4,379,021	4,379,021
Less accumulated depreciation	<u>(1,019,410)</u>	<u>(922,067)</u>
	<u>\$ 3,359,611</u>	<u>\$ 3,456,954</u>

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE F - CAPITAL LEASES - CONTINUED

Minimum future lease payments under capital leases are as follows:

<u>Year ending July 31,</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Total</u>
2020	\$ 269,253	\$ 11,889	\$ 281,142
2021	269,253	11,889	281,142
2022	269,253	7,779	277,032
2023	269,253	3,479	272,732
2024	269,253	-	269,253
Thereafter	<u>1,022,149</u>	<u>-</u>	<u>1,022,149</u>
	2,368,414	35,036	2,403,450
Less amount representing interest	<u>(368,385)</u>	<u>(2,925)</u>	<u>(371,310)</u>
	<u>\$ 2,000,029</u>	<u>\$ 32,111</u>	<u>\$ 2,032,140</u>

NOTE G - OPERATING LEASES

As Lessee

The Association is the lessee of automobiles under operating leases expiring in various months through 2022. Vehicle lease expense was \$25,065 and \$24,103 for the years ended July 31, 2019 and 2018, respectively.

Minimum future lease payments under non-cancellable operating leases are as follows:

<u>Year ending July 31,</u>	
2020	\$ 16,523
2021	12,878
2022	<u>1,047</u>
	<u>\$ 30,448</u>

As Lessor

The Association is the lessor of office space under two non-cancellable operating leases. Under the first agreement annual lease payments are \$6,417 and \$1,833 for rent and utility assessment, respectively, through June 30, 2020. Under the second agreement annual payments are \$20,000 and \$2,000 for rent and utility assessment, respectively, through August 31, 2027, and contains a renewal for an additional ten years, which was exercised October 19, 2016.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE G - OPERATING LEASES - CONTINUED

The cost of the office space directly related to leasing activity amounts to \$1,016,767 as of July 31, 2019 and 2018. The accumulated depreciation of the office space directly related to the leasing activity amounted to \$235,557 and \$215,030 as of July 31, 2019 and 2018, respectively.

Future minimum rentals under existing operating leases are as follows:

<u>Year ending July 31,</u>	
2020	\$ 30,250
2021	22,000
2022	22,000
2023	22,000
2024	22,000
Thereafter	<u>66,000</u>
	<u>\$ 184,250</u>

NOTE H - RETIREMENT BENEFITS

The Association has established a defined contribution retirement plan for its employees. The Association will provide a 101% match of the employee's contribution up to a maximum of 9.78% of their annual salary. Employer contributions are 100% vested. Contributions are charged to retirement expense in the year incurred and amounted to \$95,326 and \$93,787 for the years ended July 31, 2019 and 2018, respectively.

NOTE I - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, insurance, professional services, office expenses, amortization, and other, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, information technology, which are allocated on the basis of estimates of time and effort.

NOTE J - ACCRUED ABSENCES

The Association is liable for unused vacation time not used in the following year up to a maximum of twenty days for most employees. Any vacation time not used by the employee by the following May 31, is forfeited. Upon termination of employment, unused vacation time is paid. As of July 31, 2019 and 2018, unused vacation time amounted to \$58,689 and \$59,282, respectively.

The Association is liable for unused sick leave for qualified full-time employees with 10 or more years of continuous service. Unused sick leave up to a maximum of twenty days is compensatory for qualified employees at retirement or voluntary leave. As of July 31, 2019 and 2018, unused compensatory sick leave amounted to \$22,317 and \$30,609, respectively.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE K - DONATED MATERIALS AND SERVICES

For the years ended July 31, 2019 and 2018, contributed athletic supplies amounted to \$70,602 and \$75,996, respectively, and are included in the revenue of each activity that benefited from the supplies contributed. A significant portion of the Association's functions, including tournament oversight, is conducted by volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

NOTE L - INCOME TAXES

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Association has advertising income, which is subject to tax on unrelated business income. For the years ended July 31, 2019 and 2018, the Association paid no taxes on unrelated business activity. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Association's federal Return of Organization Exempt from Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T) for July 31, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

NOTE M - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of checking, money market, and certificate of deposit accounts at financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. At July 31, 2019 and 2018, the bank accounts exceeded federally insured limits by \$3,621,223 and \$3,240,272, respectively. The Association has not experienced any losses on such accounts.

The Association also holds a short-term Federal investment trust (STFIT) account that is not FDIC insured. At July 31, 2019 and 2018, the STFIT account balance was \$31,721 and \$31,135, respectively.

The Association also holds a money market fund that is not FDIC insured, but is backed by the U.S. government. At July 31, 2019 and 2018, the money market fund account balance was \$448,000.

NOTE N - FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the year ended July 31, 2019.

Listed equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange traded products and mutual funds: Valued at the observable net asset value (NAV) of shares held by the Association at year-end.

Corporate bonds, U.S. government and agency obligations: Valued using independent pricing models.

Nebraska School Activities Association

NOTES TO FINANCIAL STATEMENTS

NOTE N - FAIR VALUE MEASUREMENTS - CONTINUED

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of July 31, 2019 and 2018.

	2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Corporate bonds	\$ 177,588	\$ -	\$ 177,588	\$ -
U.S. government obligations	70,475	-	70,475	-
Mortgage-backed securities	187,211	-	187,211	-
Listed equities	330,237	330,237	-	-
Exchange traded products	28,519	28,519	-	-
Mutual funds	269,506	269,506	-	-
	<u>\$ 1,063,536</u>	<u>\$ 628,262</u>	<u>\$ 435,274</u>	<u>\$ -</u>
	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Corporate bonds	\$ 166,560	\$ -	\$ 166,560	\$ -
U.S. government obligations	116,150	-	116,150	-
Mortgage-backed securities	130,757	-	130,757	-
Listed equities	308,482	308,482	-	-
Exchange traded products	27,998	27,998	-	-
Mutual funds	260,196	260,196	-	-
	<u>\$ 1,010,143</u>	<u>\$ 596,676</u>	<u>\$ 413,467</u>	<u>\$ -</u>

NOTE O - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

HIBE

SUPPLEMENTAL INFORMATION

Nebraska School Activities Association

SCHEDULE OF CASH AND CASH EQUIVALENTS

July 31, 2019

	<u>Interest Rate</u>	<u>Balance</u>
Cash and cash equivalents:		
Cash on hand	-	\$ 75
Raymond James	0.02%	23,928
U.S. Bank, checking account	Variable	3,560,367
U.S. Bank, money market	Variable	229,131
U.S. Bank, government-backed money market	Variable	448,000
Union Bank and Trust Company		
Short Term Federal Investment Trust (STFIT)	Variable	<u>31,721</u>
 Total cash and cash equivalents		 <u>\$ 4,293,222</u>



Nebraska School Activities Association

SCHEDULE OF CERTIFICATES OF DEPOSIT

July 31, 2019

	<u>Original Date of Purchase</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Certificates of deposit:				
Union Bank and Trust Company	6-17-16	6-17-21	1.85%	\$ 39,137
Union Bank and Trust Company	8-11-18	8-11-2023	3.25%	233,795
NebraskaLand	5-8-19	11-8-2021	2.72%	82,519
Bank of the West	8-2-2018	8-2-2022	1.24%	32,863
Bank of the West	7-21-2019	7-21-2024	1.98%	<u>34,330</u>
Total certificates of deposit				<u>\$ 422,644</u>



Nebraska School Activities Association

SCHEDULE OF ACTIVITIES, REVENUES AND EXPENSES

For the year ended July 31, 2019

	Revenues			Expenses			2019 Revenue Over (Under) 2018	2019 Expenses Over (Under) 2018	2019 Net Over (Under) 2018
	Registration Fees	Tournament and Meet Revenues	Other Revenues	Total	Travel Reimbursements To Schools	Tournament and Meet Expenses			
Baseball	\$ 3,915	\$ 81,341	\$ 10,000	\$ 95,256	\$ 8,628	\$ 74,879	\$ 83,507	\$ (16,307)	\$ (4,068)
Basketball									
Boys	13,455	707,819	85,000	806,274	44,954	182,062	227,016	(26,793)	(35,500)
Girls	13,500	419,007	85,000	517,507	44,621	178,701	223,322	(2,237)	(9,703)
Cross country	22,050	23,351	36,053	81,454	26,030	22,970	49,000	(1,625)	(83)
Debate	1,170	-	-	1,170	-	-	-	1,170	-
Football	13,500	288,522	23,000	325,022	31,373	80,683	112,056	44,346	20,685
Golf									
Boys	11,070	7,581	8,517	27,168	-	14,997	14,997	2,330	7,736
Girls	6,255	8,595	9,981	24,831	-	17,170	17,170	(2,739)	(62)
Journalism	4,320	1,832	2,000	8,152	-	10,342	10,342	419	(1,099)
Music	13,410	455	-	13,865	-	7,142	7,142	(1,041)	(3,140)
Play production	12,105	16,176	22,856	51,137	7,422	22,021	29,443	4,514	2,777
Soccer	7,290	159,862	-	167,152	7,121	81,507	88,628	8,068	4,372
Softball	6,615	57,338	5,000	68,953	26,049	38,442	64,491	(8,206)	(9,866)
Speech	13,140	15,853	-	28,993	-	58,453	58,453	495	2,661
Swimming	5,580	43,362	-	48,942	-	25,095	25,095	1,036	141
Tennis									
Boys	2,745	5,064	-	7,809	-	9,179	9,179	(859)	302
Girls	3,015	5,573	-	8,588	-	8,865	8,865	(111)	188
Track	27,040	203,368	-	230,408	80,523	106,386	186,909	(5,744)	(5,045)
Unified bowling	2,745	1,741	1,000	5,486	-	4,575	4,575	(15,180)	1,519
Volleyball	13,500	373,878	85,000	472,378	39,898	130,585	170,483	55,861	3,973
Wrestling	11,475	491,786	-	503,261	54,160	101,904	156,064	(4,039)	86
Dual wrestling	-	27,734	-	27,734	-	14,767	14,767	6,277	(2,439)
Unified track	45	15,000	-	15,045	-	6,500	6,500	15,045	6,500
	\$ 207,940	\$ 2,955,238	\$ 373,407	\$ 3,536,585	\$ 370,779	\$ 1,197,225	\$ 1,568,004	\$ 53,510	\$ 36,079
									\$ 17,431

Nebraska School Activities Association

SCHEDULE OF ACTIVITIES, REVENUES AND EXPENSES

For the year ended July 31, 2018

	Revenues			Expenses			Revenue Over (Under) Expenses	2018 Revenue Over (Under) 2017	2018 Expenses Over (Under) 2017	2018 Net Over (Under) 2017
	Tournament and Meet Revenues	Other Revenues	Total	Travel Reimbursements To Schools	Tournament and Meet Expenses	Total				
Baseball	\$ 3,645	\$ 10,000	\$ 111,563	\$ 5,625	\$ 90,121	\$ 95,746	\$ 15,817	\$ 8,309	\$ 26,513	\$ (18,204)
Basketball										
Boys	734,567	85,000	833,067	45,483	172,826	218,309	614,758	(66,317)	10,026	(76,343)
Girls	421,199	85,000	519,744	46,446	169,410	215,856	303,888	(20,012)	10,718	(30,730)
Cross country	21,645	37,485	83,079	27,738	22,804	50,542	32,537	3,620	4,703	(1,083)
Debate	1,170	-	1,170	-	-	-	1,170	(45)	-	(45)
Football	247,131	20,000	280,676	29,159	59,236	88,395	192,281	(36,560)	10,762	(47,322)
Golf										
Boys	7,446	6,232	24,838	-	20,403	20,403	4,435	(8,988)	(3,552)	(5,436)
Girls	10,007	11,308	27,570	-	19,847	19,847	7,723	3,553	5,040	(1,487)
Journalism	3,960	2,000	7,733	-	8,824	8,824	(1,091)	(438)	1,698	(2,136)
Music	13,500	-	14,906	-	5,043	5,043	9,863	1,351	433	918
Play production	12,060	21,401	46,623	6,703	21,003	27,706	18,917	207	1,084	(877)
Soccer	7,155	-	159,084	6,789	78,143	84,932	74,152	(1,898)	690	(2,588)
Softball	6,480	-	77,159	21,031	41,800	62,831	14,328	3,596	10,022	(6,426)
Speech	13,140	-	28,498	-	55,792	55,792	(27,294)	(931)	1,047	(1,978)
Swimming	5,400	-	47,906	-	24,954	24,954	22,952	607	4,153	(3,546)
Tennis										
Boys	2,790	-	8,668	-	8,877	8,877	(209)	303	1,194	(891)
Girls	3,015	-	8,699	-	9,164	9,164	(465)	333	1,914	(1,581)
Track	26,955	-	236,152	82,981	108,973	191,954	44,198	(29,694)	1,100	(30,794)
Unified bowling	2,565	1,000	20,666	-	3,056	3,056	17,610	(24,826)	(43,230)	18,404
Volleyball	13,545	85,000	416,517	41,276	125,234	166,510	250,007	17,868	6,097	11,771
Wrestling	11,385	-	507,300	55,687	100,291	155,978	351,322	305	(16,436)	16,741
Dual wrestling	-	-	21,457	-	17,206	17,206	4,251	(2,035)	610	(2,645)
	\$ 206,415	\$ 2,912,234	\$ 3,483,075	\$ 368,918	\$ 1,163,007	\$ 1,531,925	\$ 1,951,150	\$ (151,692)	\$ 34,586	\$ (186,278)