

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

July 31, 2020 and 2019

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



Nebraska School Activities Association
For the years ended July 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2020, the entity adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers*, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to this matter.

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.

ABE LLP

Lincoln, Nebraska
October 14, 2020

Nebraska School Activities Association

STATEMENTS OF FINANCIAL POSITION

July 31,

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents (note A)	\$ 4,082,637	\$ 4,293,222
Certificates of deposit	434,234	422,644
Investments (notes A, D and N)	1,305,915	1,063,536
Receivables (note A)	-	9,344
Inventories (note A)	43,492	39,556
Prepaid expenses	299,729	20,812
Property and equipment, net (notes A and E)	3,386,327	3,481,509
Loan origination fee, net (note F)	<u>8,164</u>	<u>9,245</u>
 Total assets	 <u>\$ 9,560,498</u>	 <u>\$ 9,339,868</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 24,166	\$ 32,281
Deferred revenue (note A)	409,805	426,315
Accrued absences (note K)	83,914	81,006
Accrued interest payable	1,761	1,948
Capital leases payable (notes A and G)	<u>1,830,752</u>	<u>2,032,140</u>
 Total liabilities	 2,350,398	 2,573,690
 NET ASSETS (note A)		
Without donor restrictions		
Undesignated	<u>7,210,100</u>	<u>6,766,178</u>
 Total liabilities and net assets	 <u>\$ 9,560,498</u>	 <u>\$ 9,339,868</u>

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENTS OF ACTIVITIES

For the years ended July 31,

	<u>Without Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
Activities	\$ 2,569,564	\$ 3,536,585
Corporate sponsorships	454,750	521,500
Membership, schools	12,160	12,200
Membership, officials/judges	152,195	178,741
Grant income (note P)	280,395	-
Interest	17,326	17,079
Gain on investments	96,570	55,378
Catastrophic insurance reimbursement	231,168	239,011
Publication, sales	5,386	6,725
Publication, advertising	27,000	40,625
Coaches education	28,615	16,860
Rental income	31,100	31,800
Licensing	-	980
Television rights	121,350	120,000
Photos and video income	13,065	13,893
Special awards income	9,421	21,983
Royalties	35,260	33,820
Income from broadcasters	19,132	20,218
Gain on disposal of assets	7,600	4,534
Other revenue	12,617	9,560
	<u>4,124,674</u>	<u>4,881,492</u>
Expenses (note J)		
Program services		
Activities	1,186,728	1,568,004
Member services	1,760,892	1,952,183
Publications	195,471	200,515
Supporting services		
General and administrative	537,661	597,588
	<u>3,680,752</u>	<u>4,318,290</u>
Total expenses		
	443,922	563,202
Increase in net assets		
	<u>6,766,178</u>	<u>6,202,976</u>
Net assets, beginning of year		
	<u>\$ 7,210,100</u>	<u>\$ 6,766,178</u>
Net assets, end of year		

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENT OF FUNCTIONAL EXPENSES

Year ended July 31, 2020

	Program Services			General and Administration	Total 2020	
	Activities	Member Services	Publications			Total
Activities	\$ 1,186,728	\$ -	\$ -	\$ 1,186,728	\$ -	\$ 1,186,728
Salaries	-	666,079	128,919	794,998	279,323	1,074,321
Payroll taxes	-	48,633	9,413	58,046	20,394	78,440
Medical and LTC insurance	-	118,819	22,997	141,816	49,827	191,643
Retirement	-	55,933	10,826	66,759	23,455	90,214
Lobbying fees	-	-	-	-	27,200	27,200
Postage	-	15,736	370	16,106	2,407	18,513
Officials' and Judges' expense	-	77,799	-	77,799	-	77,799
Awards	-	7,816	-	7,816	-	7,816
Vehicle expense	-	28,028	659	28,687	4,287	32,974
Staff travel	-	5,058	119	5,177	774	5,951
Committees	-	195	-	195	-	195
Meetings and promotions	-	4,091	-	4,091	-	4,091
Depreciation and amortization	-	112,814	2,654	115,468	17,254	132,722
General insurance	-	82,254	1,935	84,189	12,580	96,769
Catastrophic insurance	-	275,069	-	275,069	-	275,069
Utilities	-	25,622	603	26,225	3,919	30,144
Equipment maintenance and repair	-	15,744	370	16,114	2,408	18,522
Building maintenance and repair	-	27,384	644	28,028	4,189	32,217
Bank and credit card fees	-	14,926	-	14,926	786	15,712
Telephone	-	10,553	248	10,801	1,614	12,415
Internet expense	-	19,584	461	20,045	2,995	23,040
Stationery and supplies	-	824	19	843	126	969
Legal fees	-	21,175	498	21,673	3,239	24,912
Audit fees	-	11,796	278	12,074	1,804	13,878
Publications	-	-	14,077	14,077	-	14,077
Miscellaneous	-	3,659	86	3,745	560	4,305
Programming	-	5,301	295	5,596	294	5,890
Legislative commission	-	1,578	-	1,578	-	1,578
Board of directors	-	60,889	-	60,889	-	60,889
Workers, staff and board uniforms	-	2,749	-	2,749	-	2,749
Dues and subscriptions	-	9,484	-	9,484	-	9,484
Membership publications	-	21,033	-	21,033	-	21,033
Interest expense	-	-	-	-	78,226	78,226
Corporate sponsorship	-	10,267	-	10,267	-	10,267
TOTAL EXPENSES	\$ 1,186,728	\$ 1,760,892	\$ 195,471	\$ 3,143,091	\$ 537,661	\$ 3,680,752

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

STATEMENTS OF CASH FLOWS

For the years ended July 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Cash received from revenue and support	\$ 3,996,011	\$ 4,793,378
Cash paid to employees and suppliers	(3,757,864)	(3,719,153)
Interest received	17,326	17,079
Interest paid	<u>(78,413)</u>	<u>(83,937)</u>
Net cash provided by operating activities	<u>177,060</u>	<u>1,007,367</u>
Cash flows from investing activities		
Purchases of property and equipment	(40,519)	(62,820)
Proceeds from sale of property and equipment	11,660	10,215
Proceeds from sale of investments	883,497	182,618
Purchase of investments	<u>(1,040,895)</u>	<u>(190,302)</u>
Net cash used by investing activities	<u>(186,257)</u>	<u>(60,289)</u>
Cash flows from financing activities		
Principal payments on capital leases	<u>(201,388)</u>	<u>(195,196)</u>
Net increase (decrease) in cash and cash equivalents	(210,585)	751,882
Cash and cash equivalents, beginning of year	<u>4,293,222</u>	<u>3,541,340</u>
Cash and cash equivalents, end of year	<u>\$ 4,082,637</u>	<u>\$ 4,293,222</u>
Increase in net assets	<u>\$ 443,922</u>	<u>\$ 563,202</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	132,722	129,683
Gain on investments	(96,570)	(55,378)
Gain on disposal of assets	(7,600)	(4,534)
(Increase) decrease in assets		
Receivables	9,344	(9,344)
Inventories	(3,937)	24,578
Prepaid expenses	(278,917)	354,466
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(8,115)	15,302
Deferred revenue	(16,510)	(1,779)
Accrued absences	2,908	(8,885)
Accrued interest payable	<u>(187)</u>	<u>56</u>
Total adjustments to increase in net assets	<u>(266,862)</u>	<u>444,165</u>
Net cash provided by operating activities	<u>\$ 177,060</u>	<u>\$ 1,007,367</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.

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, 2020 and 2019, 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.

Revenue Recognition. The Association is primarily funded through activity revenues, sponsorships, and membership fees. Recognition policies are as follows:

Activities. The Association charges member schools a registration fee to participate in school activities governed by the Association and entry fees are charged to the general public to attend tournaments and school activities. Revenue is recognized at a point in time when the activities are completed.

Sponsorships and grant income. Sponsorships and grant income are recognized when a donor makes a promise to give that is, in substance, unconditional. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Continued.

Memberships. The Association charges membership fees to officials and judges for permission to officiate/judge Association activities conducted during the year. Revenue is recognized over time as the activities are completed.

Insurance reimbursements. The Association charges member schools a fee to cover catastrophic insurance premiums for activities. Revenue is recognized over time as the school year progresses.

Publication advertising. The Association charges a fee for placing advertisements in the championship programs for each activity. Fees are based upon the size and placement of the ads. Revenue is recognized at a point in time when each activity has concluded.

Coaches education. The Association receives a commission for each coach that attends a seminar sponsored by the National Federation of State High Schools. Commissions are based upon the type of seminar conducted. Revenue is recognized at a point in time when each seminar has been presented.

Television rights. The Association charges local/regional television stations a fee to broadcast state tournaments for specific activities. Revenue is recognized at a point in time when the activities are completed.

Royalties. The Association receives a royalty for each Nebraska Coaches Association Gold Card that is sold to coaches that are part of the Association. Revenue is recognized over time as the season progresses.

Income from broadcasters. The Association charges media outlets a fee to cover postseason activities. A separate fee is charged for each fall, winter and spring season. Revenue is recognized over time as the season progresses.

Photos and video income. The Association receives a royalty from their contracted photographer for photos of championship events. The association also received a portion of the DVD sales from videos of state championships. Revenue is recognized at a point in time as each product is sold.

Cash and Cash Equivalents. For purposes of the statements of cash flows, the Association considers all 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
Technology equipment	5 years

Contract Balances. Contract assets represent the Association’s right to consideration in exchange for goods or services that have been transferred to the customer before payment is due. Contract liabilities include consideration due or paid by a customer prior to when the Association transfers goods or services and represent the Association’s obligation to the customer. Contract assets and liabilities are included on the balance sheet as receivables and deferred revenue.

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.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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. 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.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE B - NEW ACCOUNTING STANDARDS

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides a single model for entities to use in accounting for revenue arising from contracts with customers. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. ASU 2014-09 and all subsequently issued amendments, collectively "ASC 606," is effective for annual reporting periods beginning after December 15, 2019, but early adoption is permitted. The standard permits the use of either a full retrospective or a modified retrospective approach.

The Association adopted ASC 606 on August 1, 2019 using the modified retrospective method. The amount and timing of revenue recognition was not impacted by the new standard, and therefore, no cumulative adjustment was recognized in retained earnings upon adoption. Prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting methods.

Contributions

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounting for as contributions or exchange transactions and determining whether a contribution is conditional. For nonexchange transactions, the contribution guidance in ASC 958 is typically applied, whereas for exchange transactions, an entity should apply ASC 606 or other appropriate guidance. The Association has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

NOTE C - 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:

	2020	2019
Cash and cash equivalents	\$ 4,082,637	\$ 4,293,222
Certificates of deposit	434,234	422,644
Receivable	-	9,344
Investments	1,305,915	1,063,536
	\$ 5,822,786	\$ 5,788,746

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 be impacted by 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 \$2,123,865, including a balloon payment of \$590,158 relating to the capital lease on their building which becomes due on February 22, 2026.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE D - INVESTMENTS

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Corporate bonds	\$ -	\$ -	\$ 173,662	\$ 177,588
U.S. government obligations	-	-	67,189	70,475
Mortgage-backed securities	-	-	186,718	187,211
Listed equities	368,242	428,619	300,681	330,237
Exchange traded products	847,826	877,296	26,599	28,519
Mutual funds	-	-	274,802	269,506
	<u>\$ 1,216,068</u>	<u>\$ 1,305,915</u>	<u>\$ 1,029,651</u>	<u>\$ 1,063,536</u>
Unrealized gain		<u>\$ 89,847</u>		<u>\$ 33,885</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of:	2020	2019
Building	\$ 4,334,996	\$ 4,334,996
Office furniture and equipment	328,800	333,369
Technology equipment	29,915	17,555
Athletic equipment	36,413	36,413
Vehicles	79,168	73,154
	<u>4,809,292</u>	<u>4,795,487</u>
Less accumulated depreciation	<u>(1,422,965)</u>	<u>(1,313,978)</u>
	<u>\$ 3,386,327</u>	<u>\$ 3,481,509</u>

Depreciation expense for the years ended July 31, 2020 and 2019 was \$131,642 and \$128,603, respectively.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE F - 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, 2020 and 2019 was \$30,000 and \$28,919, respectively. Amortization expense for each of the years ended July 31, 2020 and 2019 was \$1,080.

Remaining amortization expense for each subsequent year is as follows:

<u>Year ending July 31,</u>	
2021	\$ 1,080
2022	1,080
2023	1,080
2024	1,080
2025	1,080
Thereafter	<u>2,764</u>
	<u>\$ 8,164</u>

NOTE G - 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 for each of the years ended July 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Building	\$ 4,324,785	\$ 4,324,785
Office equipment	<u>58,826</u>	<u>54,236</u>
	4,383,611	4,379,021
Less accumulated depreciation	<u>(1,116,753)</u>	<u>(1,019,410)</u>
	<u>\$ 3,266,858</u>	<u>\$ 3,359,611</u>

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE G - 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>
2021	\$ 269,253	\$ 12,265	\$ 281,518
2022	269,253	8,567	277,820
2023	269,253	3,872	273,125
2024	269,253	-	269,253
2025	269,253	-	269,253
Thereafter	<u>752,896</u>	<u>-</u>	<u>752,896</u>
	2,099,161	24,704	2,123,865
Less amount representing interest	<u>(291,554)</u>	<u>(1,559)</u>	<u>(293,113)</u>
	<u>\$ 1,807,607</u>	<u>\$ 23,145</u>	<u>\$ 1,830,752</u>

NOTE H - OPERATING LEASES

As Lessee

The Association is the lessee of automobiles under operating leases expiring in various months through 2022. Vehicle lease expense was \$18,714 and \$25,065 for the years ended July 31, 2020 and 2019, respectively.

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

<u>Year ending July 31,</u>	
2021	\$ 16,599
2022	<u>4,768</u>
	<u>\$ 21,367</u>

As Lessor

The Association is the lessor of office space under two non-cancellable operating leases. Under the first agreement annual lease payments were \$6,417 and \$1,833 for rent and utility assessment, respectively, through June 30, 2020. On August 17, 2020, this lease was extended another five years until August 30, 2025 with monthly payments of \$583 and \$168 for rent and utility assessment, respectively. Under the second agreement annual payments are \$20,000 and \$2,000 for rent and utility assessment, respectively, through August 31, 2027, including a renewal for an additional ten years, which was exercised October 19, 2016.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE H - OPERATING LEASES - CONTINUED

The cost of the office space directly related to leasing activity amounts to \$1,016,767 as of July 31, 2020 and 2019. The accumulated depreciation of the office space directly related to the leasing activity amounted to \$256,037 and \$235,557 as of July 31, 2020 and 2019, respectively.

Future minimum rentals under existing operating leases are as follows:

<u>Year ending July 31,</u>	
2021	\$ 30,250
2022	31,000
2023	31,000
2024	31,000
2025	31,000
Thereafter	<u>44,750</u>
	<u>\$ 199,000</u>

NOTE I - 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 \$90,214 and \$95,326 for the years ended July 31, 2020 and 2019, respectively.

NOTE J - 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 K - 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, 2020 and 2019, unused vacation time amounted to \$65,014 and \$58,689, 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, 2020 and 2019, unused compensatory sick leave amounted to \$18,900 and \$22,317, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE L - DONATED MATERIALS AND SERVICES

For the years ended July 31, 2020 and 2019, contributed athletic supplies amounted to \$54,510 and \$70,602, 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 M - 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, 2020 and 2019, 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, 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

NOTE N - 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, 2020 and 2019, the bank accounts exceeded federally insured limits by \$3,355,943 and \$3,621,223, 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, 2020 and 2019, the STFIT account balance was \$32,018 and \$31,721, 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, 2020 and 2019, the money market fund account balance was \$448,000.

NOTE O - 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, 2020.

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 O - 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, 2020 and 2019.

	2020			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Listed equities	\$ 428,619	\$ 428,619	\$ -	\$ -
Exchange traded products	877,296	877,296	-	-
	<u>\$ 1,305,915</u>	<u>\$ 1,305,915</u>	<u>\$ -</u>	<u>\$ -</u>
	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>

NOTE P - GRANT INCOME

On May 5, 2020 the Association received \$280,395 under the Small Business Administration Payroll Protection Loan Program. The loan is eligible for partial or complete forgiveness when spent on qualifying expenditures. The Association believes it has substantially met the conditions required to have the loan forgiven and has elected to record these funds as grant income under ASC 958-605 on the statement of activities for the year ended July 31, 2020.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE Q - DISAGGREGATED REVENUES

The following tables shows the Association's revenue disaggregated according to the timing of the transfer of control of goods or services:

	2020	2019
Revenue recognized at a point in time		
Activities	\$ 2,569,564	\$ 3,536,585
Publication, advertising	27,000	40,625
Coaches education	28,615	16,860
Television rights	121,350	120,000
Photos and video income	13,065	13,893
Total revenue recognized at a point in time	\$ 2,759,594	\$ 3,727,963
Revenue recognized over time		
Membership, schools	\$ 12,160	\$ 12,200
Membership, officials/judges	152,195	178,741
Catastrophic insurance reimbursement	231,168	239,011
Royalties	35,260	33,820
Income from broadcasters	19,132	20,218
Total revenue recognized over time	\$ 449,915	\$ 483,990

NOTE R - RISKS AND UNCERTAINTIES

The COVID-19 (coronavirus) outbreak has prompted global health concern. Consequently, the Association could be impacted by the resulting volatility in the economy beyond the financial statement date. Specifically, the Association could experience a loss in activity revenue and sponsorships due to economic impacts of the virus.

NOTE S - RECLASSIFICATIONS

Certain amounts in the year ended July 31, 2019 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2019 statement of activities.

NOTE T - SUBSEQUENT EVENTS

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

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HIBE

SUPPLEMENTAL INFORMATION

HIBE

Nebraska School Activities Association

SCHEDULE OF CASH AND CASH EQUIVALENTS

July 31, 2020

	<u>Interest Rate</u>	<u>Balance</u>
Cash and cash equivalents:		
Cash on hand	-	\$ 75
Raymond James	0.02%	28,118
U.S. Bank, checking account	Variable	3,344,952
U.S. Bank, money market	Variable	229,474
U.S. Bank, government-backed money market	Variable	448,000
Union Bank and Trust Company		
Short Term Federal Investment Trust (STFIT)	Variable	<u>32,018</u>
 Total cash and cash equivalents		 <u>\$ 4,082,637</u>



Nebraska School Activities Association

SCHEDULE OF CERTIFICATES OF DEPOSIT

July 31, 2020

	<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	6-17-2016	6-17-2021	1.85%	\$ 39,868
Union Bank and Trust Company	8-11-2018	8-11-2023	3.25%	241,508
NebraskaLand	5-8-2019	11-8-2021	2.72%	84,793
Bank of the West	8-2-2018	8-2-2022	1.24%	33,273
Bank of the West	7-21-2019	7-21-2024	0.45%	<u>34,792</u>
Total certificates of deposit				<u>\$ 434,234</u>



Nebraska School Activities Association

SCHEDULE OF ACTIVITIES, REVENUES AND EXPENSES

For the year ended July 31, 2020

	Revenues			Expenses			Revenue Over (Under) Expenses	2020	2020	2020	
	Registration Fees	Tournament and Meet Revenues	Other Revenues	Total	Travel Reimbursements To Schools	Tournament and Meet Expenses		Total	Revenue Over (Under) 2019	Expenses Over (Under) 2019	Net Over (Under) 2019
Baseball	\$ 4,140	\$ 5,060	\$ -	\$ 9,200	\$ -	\$ 9,593	\$ 9,593	\$ (393)	\$ (86,056)	\$ (73,914)	\$ (12,142)
Basketball											
Boys	13,500	179,461	85,000	277,961	44,544	164,394	208,938	69,023	(528,313)	(18,078)	(510,235)
Girls	13,590	471,626	85,000	570,216	47,382	175,628	223,010	347,206	52,709	(312)	53,021
Cross country	22,545	20,392	37,219	80,156	27,411	21,971	49,382	30,774	(1,298)	382	(1,680)
Debate	1,125	-	-	1,125	-	-	-	1,125	(45)	-	(45)
Football	13,500	233,881	28,000	275,381	36,658	93,073	129,731	145,650	(49,641)	17,675	(67,316)
Golf											
Boys	11,350	100	-	11,450	-	2,994	2,994	8,456	(15,718)	(12,003)	(3,715)
Girls	6,210	8,552	10,872	25,634	-	19,907	19,907	5,727	803	2,737	(1,934)
Journalism	4,320	100	-	4,420	-	8,173	8,173	(3,753)	(3,732)	(2,169)	(1,563)
Music	13,455	-	-	13,455	-	4,813	4,813	8,642	(410)	(2,329)	1,919
Play production	11,970	14,716	22,407	49,093	6,366	23,320	29,686	19,407	(2,044)	243	(2,287)
Soccer	7,425	6,735	-	14,160	-	8,075	8,075	6,085	(152,992)	(80,553)	(72,439)
Softball	6,750	69,508	-	76,258	19,941	42,853	62,794	13,464	7,305	(1,697)	9,002
Speech	13,050	-	-	13,050	-	12,187	12,187	863	(15,943)	(46,266)	30,323
Swimming	5,490	43,813	-	49,303	-	26,510	26,510	22,793	361	1,415	(1,054)
Tennis											
Boys	2,835	4,852	-	7,687	-	9,615	9,615	(1,928)	(122)	436	(558)
Girls	3,105	502	-	3,607	-	690	690	2,917	(4,981)	(8,175)	3,194
Track	27,045	1,638	-	28,683	-	12,873	12,873	15,810	(201,725)	(174,036)	(27,689)
Unified bowling	3,150	1,671	1,000	5,821	-	3,156	3,156	2,665	335	(1,419)	1,754
Volleyball	13,545	403,149	85,000	501,694	45,448	134,008	179,456	322,238	29,316	8,973	20,343
Wrestling	11,520	509,574	-	521,094	58,595	112,038	170,633	350,461	17,833	14,569	3,264
Dual wrestling	-	28,091	-	28,091	-	14,512	14,512	13,579	357	(255)	612
Unified track	2,025	-	-	2,025	-	-	-	2,025	(13,020)	(6,500)	(6,520)
	<u>\$ 211,645</u>	<u>\$ 2,003,421</u>	<u>\$ 354,498</u>	<u>\$ 2,569,564</u>	<u>\$ 286,345</u>	<u>\$ 900,383</u>	<u>\$ 1,186,728</u>	<u>\$ 1,382,836</u>	<u>\$ (967,021)</u>	<u>\$ (381,276)</u>	<u>\$ (585,745)</u>

Nebraska School Activities Association

SCHEDULE OF ACTIVITIES, REVENUES AND EXPENSES

For the year ended July 31, 2019

	Revenues				Expenses			Revenue Over (Under) Expenses	2019	2019	2019
	Registration Fees	Tournament and Meet Revenues	Other Revenues	Total	Travel Reimbursements To Schools	Tournament and Meet Expenses	Total		Revenue Over (Under) 2018	Expenses Over (Under) 2018	Net Over (Under) 2018
Baseball	\$ 3,915	\$ 81,341	\$ 10,000	\$ 95,256	\$ 8,628	\$ 74,879	\$ 83,507	\$ 11,749	\$ (16,307)	\$ (12,239)	\$ (4,068)
Basketball											
Boys	13,455	707,819	85,000	806,274	44,954	182,062	227,016	579,258	(26,793)	8,707	(35,500)
Girls	13,500	419,007	85,000	517,507	44,621	178,701	223,322	294,185	(2,237)	7,466	(9,703)
Cross country	22,050	23,351	36,053	81,454	26,030	22,970	49,000	32,454	(1,625)	(1,542)	(83)
Debate	1,170	-	-	1,170	-	-	-	1,170	-	-	-
Football	13,500	288,522	23,000	325,022	31,373	80,683	112,056	212,966	44,346	23,661	20,685
Golf											
Boys	11,070	7,581	8,517	27,168	-	14,997	14,997	12,171	2,330	(5,406)	7,736
Girls	6,255	8,595	9,981	24,831	-	17,170	17,170	7,661	(2,739)	(2,677)	(62)
Journalism	4,320	1,832	2,000	8,152	-	10,342	10,342	(2,190)	419	1,518	(1,099)
Music	13,410	455	-	13,865	-	7,142	7,142	6,723	(1,041)	2,099	(3,140)
Play production	12,105	16,176	22,856	51,137	7,422	22,021	29,443	21,694	4,514	1,737	2,777
Soccer	7,290	159,862	-	167,152	7,121	81,507	88,628	78,524	8,068	3,696	4,372
Softball	6,615	57,338	5,000	68,953	26,049	38,442	64,491	4,462	(8,206)	1,660	(9,866)
Speech	13,140	15,853	-	28,993	-	58,453	58,453	(29,460)	495	2,661	(2,166)
Swimming	5,580	43,362	-	48,942	-	25,095	25,095	23,847	1,036	141	895
Tennis											
Boys	2,745	5,064	-	7,809	-	9,179	9,179	(1,370)	(859)	302	(1,161)
Girls	3,015	5,573	-	8,588	-	8,865	8,865	(277)	(111)	(299)	188
Track	27,040	203,368	-	230,408	80,523	106,386	186,909	43,499	(5,744)	(5,045)	(699)
Unified bowling	2,745	1,741	1,000	5,486	-	4,575	4,575	911	(15,180)	1,519	(16,699)
Volleyball	13,500	373,878	85,000	472,378	39,898	130,585	170,483	301,895	55,861	3,973	51,888
Wrestling	11,475	491,786	-	503,261	54,160	101,904	156,064	347,197	(4,039)	86	(4,125)
Dual wrestling	-	27,734	-	27,734	-	14,767	14,767	12,967	6,277	(2,439)	8,716
Unified track	45	15,000	-	15,045	-	6,500	6,500	8,545	15,045	6,500	8,545
	<u>\$ 207,940</u>	<u>\$ 2,955,238</u>	<u>\$ 373,407</u>	<u>\$ 3,536,585</u>	<u>\$ 370,779</u>	<u>\$ 1,197,225</u>	<u>\$ 1,568,004</u>	<u>\$ 1,968,581</u>	<u>\$ 53,510</u>	<u>\$ 36,079</u>	<u>\$ 17,431</u>