

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

July 31, 2021 and 2020

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



CPAs & Consultants | Wealth Management

Nebraska School Activities Association
For the years ended July 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

ABE LLP

Lincoln, Nebraska
October 7, 2021

Nebraska School Activities Association

STATEMENTS OF FINANCIAL POSITION

July 31,

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents (note A)	\$ 5,003,701	\$ 4,082,637
Certificates of deposit	445,888	434,234
Investments (notes A, C and N)	1,510,996	1,305,915
Inventories (note A)	46,503	43,492
Prepaid expenses	26,216	299,729
Property and equipment, net (notes A and D)	3,279,392	3,386,327
Loan origination fee, net (note E)	<u>7,084</u>	<u>8,164</u>
 Total assets	 <u>\$ 10,319,780</u>	 <u>\$ 9,560,498</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 19,241	\$ 24,166
Deferred revenue (note A)	417,255	409,805
Accrued absences (note J)	92,819	83,914
Accrued interest payable	1,565	1,761
Capital leases payable (notes A and F)	<u>1,619,022</u>	<u>1,830,752</u>
 Total liabilities	 2,149,902	 2,350,398
 NET ASSETS (note A)		
Without donor restrictions		
Undesignated	<u>8,169,878</u>	<u>7,210,100</u>
 Total liabilities and net assets	 <u>\$ 10,319,780</u>	 <u>\$ 9,560,498</u>

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENTS OF ACTIVITIES

For the years ended July 31,

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Activities	\$ 2,966,136	\$ 2,569,564
Corporate sponsorships	572,880	454,750
Membership, schools	12,160	12,160
Membership, officials/judges	177,200	152,195
Grant income (note O)	220,052	280,395
Interest	11,715	17,326
Gain on investments	215,146	96,570
Catastrophic insurance reimbursement	213,496	231,168
Publication, sales	1,504	5,386
Publication, advertising	40,775	27,000
Coaches education	24,685	28,615
Rental income	31,000	31,100
Television rights	133,275	121,350
Photos and video income	13,248	13,065
Special awards income	15,778	9,421
Royalties	36,800	35,260
Income from broadcasters	26,757	19,132
GoFan revenue share	77,987	-
Gain on disposal of assets	7,934	7,600
Other revenue	<u>5,446</u>	<u>12,617</u>
Total revenue and support	<u>4,803,974</u>	<u>4,124,674</u>
Expenses (note I)		
Program services		
Activities	1,345,231	1,186,728
Member services	1,732,722	1,760,892
Publications	140,974	195,471
Supporting services		
General and administrative	<u>625,269</u>	<u>537,661</u>
Total expenses	<u>3,844,196</u>	<u>3,680,752</u>
Increase in net assets	959,778	443,922
Net assets, beginning of year	<u>7,210,100</u>	<u>6,766,178</u>
Net assets, end of year	<u><u>\$ 8,169,878</u></u>	<u><u>\$ 7,210,100</u></u>

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENT OF FUNCTIONAL EXPENSES

Year ended July 31, 2021

	Program Services			General and Administration	Total 2021	
	Activities	Member Services	Publications			Total
Activities	\$ 1,345,231	\$ -	\$ -	\$ 1,345,231	\$ -	\$ 1,345,231
Salaries	-	625,530	97,065	722,595	355,905	1,078,500
Payroll taxes	-	45,639	7,082	52,721	25,967	78,688
Medical and LTC insurance	-	97,809	15,177	112,986	55,651	168,637
Retirement	-	51,396	7,975	59,371	29,242	88,613
Lobbying fees	-	-	-	-	27,200	27,200
Postage	-	12,057	284	12,341	1,844	14,185
Officials' and Judges' expense	-	82,601	-	82,601	-	82,601
Awards	-	13,418	-	13,418	-	13,418
Vehicle expense	-	34,943	822	35,765	5,344	41,109
Staff travel	-	6,523	153	6,676	998	7,674
Committees	-	2,387	-	2,387	-	2,387
Meetings and promotions	-	3,330	-	3,330	-	3,330
Depreciation and amortization	-	112,890	2,656	115,546	17,266	132,812
General insurance	-	81,439	1,916	83,355	12,456	95,811
Catastrophic insurance	-	289,546	-	289,546	-	289,546
Utilities	-	23,547	554	24,101	3,601	27,702
Equipment maintenance and repair	-	8,543	201	8,744	1,306	10,050
Building maintenance and repair	-	24,532	577	25,109	3,752	28,861
Bank and credit card fees	-	12,455	-	12,455	656	13,111
Telephone	-	10,248	241	10,489	1,567	12,056
Internet expense	-	26,649	627	27,276	4,076	31,352
Stationery and supplies	-	11,892	280	12,172	1,818	13,990
Legal fees	-	24,919	586	25,505	3,812	29,317
Accounting fees	-	12,793	301	13,094	1,957	15,051
Publications	-	-	3,658	3,658	-	3,658
Miscellaneous	-	3,259	77	3,336	498	3,834
Programming	-	13,352	742	14,094	741	14,835
Board of directors	-	67,522	-	67,522	-	67,522
Dues and subscriptions	-	8,408	-	8,408	-	8,408
Membership publications	-	2,766	-	2,766	-	2,766
Interest expense	-	-	-	-	69,612	69,612
Corporate sponsorship	-	22,329	-	22,329	-	22,329
TOTAL EXPENSES	<u>\$ 1,345,231</u>	<u>\$ 1,732,722</u>	<u>\$ 140,974</u>	<u>\$ 3,218,927</u>	<u>\$ 625,269</u>	<u>\$ 3,844,196</u>

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
Accounting 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

STATEMENTS OF CASH FLOWS

For the years ended July 31,

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from revenue and support	\$ 4,576,630	\$ 3,996,011
Cash paid to employees and suppliers	(3,367,290)	(3,757,864)
Interest received	11,715	17,326
Interest paid	<u>(69,808)</u>	<u>(78,413)</u>
Net cash provided by operating activities	<u>1,151,247</u>	<u>177,060</u>
Cash flows from investing activities		
Purchases of property and equipment	(35,545)	(40,519)
Proceeds from sale of property and equipment	18,682	11,660
Proceeds from sale of investments	1,024,247	883,497
Purchases of investments	<u>(1,025,837)</u>	<u>(1,040,895)</u>
Net cash used by investing activities	<u>(18,453)</u>	<u>(186,257)</u>
Cash flows from financing activities		
Principal payments on capital leases	<u>(211,730)</u>	<u>(201,388)</u>
Net increase (decrease) in cash and cash equivalents	921,064	(210,585)
Cash and cash equivalents, beginning of year	<u>4,082,637</u>	<u>4,293,222</u>
Cash and cash equivalents, end of year	<u>\$ 5,003,701</u>	<u>\$ 4,082,637</u>
Increase in net assets	<u>\$ 959,778</u>	<u>\$ 443,922</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	132,812	132,722
Gain on investments	(215,146)	(96,570)
Gain on disposal of assets	(7,934)	(7,600)
(Increase) decrease in assets		
Receivables	-	9,344
Inventories	(3,011)	(3,937)
Prepaid expenses	273,512	(278,917)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,925)	(8,115)
Deferred revenue	7,450	(16,510)
Accrued absences	8,906	2,908
Accrued interest payable	<u>(195)</u>	<u>(187)</u>
Total adjustments to increase in net assets	<u>191,469</u>	<u>(266,862)</u>
Net cash provided by operating activities	<u>\$ 1,151,247</u>	<u>\$ 177,060</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, 2021 and 2020, 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, video, and GoFan income. The Association receives a royalty from their contracted photographer for photos of championship events. The Association also receives a portion of the DVD sales from videos of state championships as well as a portion of the transaction fee charged for online digital ticket sales. 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

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.

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.

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,003,701	\$ 4,082,637
Certificates of deposit	445,888	434,234
Investments	<u>1,510,996</u>	<u>1,305,915</u>
	<u>\$ 6,960,585</u>	<u>\$ 5,822,786</u>

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 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 \$1,842,344, 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

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Corporate bonds	\$ 351,461	\$ 348,655	\$ -	\$ -
U.S. government obligations	233,396	233,338	-	-
Mortgage-backed securities	107,426	106,874	-	-
Listed equities	1,236,062	733,136	368,242	428,619
Exchange traded products	81,401	84,730	847,826	877,296
Mutual funds	4,008	4,263	-	-
	<u>\$ 1,398,709</u>	<u>\$ 1,510,996</u>	<u>\$ 1,216,068</u>	<u>\$ 1,305,915</u>
Unrealized gain		<u>\$ 112,287</u>		<u>\$ 89,847</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2021	2020
Building	\$ 4,334,996	\$ 4,334,996
Office furniture and equipment	328,800	328,800
Technology equipment	34,778	29,915
Athletic equipment	36,413	36,413
Vehicles	84,055	79,168
	4,819,042	4,809,292
Less accumulated depreciation	<u>(1,539,650)</u>	<u>(1,422,965)</u>
	<u>\$ 3,279,392</u>	<u>\$ 3,386,327</u>

Depreciation expense for the years ended July 31, 2021 and 2020 was \$131,732 and \$131,642, 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, 2021 and 2020 was \$31,080 and \$30,000, respectively. Amortization expense for each of the years ended July 31, 2021 and 2020 was \$1,080.

Remaining amortization expense for each subsequent year is as follows:

<u>Year ending July 31,</u>	
2022	\$ 1,080
2023	1,080
2024	1,080
2025	1,080
2026	1,080
Thereafter	<u>1,684</u>
	<u>\$ 7,084</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 \$96,545 and \$97,343 for the years ended July 31, 2021 and 2020, 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>2021</u>	<u>2020</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>(1,213,298)</u>	<u>(1,116,753)</u>
	<u>\$ 3,165,723</u>	<u>\$ 3,262,268</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>
2022	\$ 269,253	\$ 8,567	\$ 277,820
2023	269,253	3,872	273,125
2024	269,253	-	269,253
2025	269,253	-	269,253
2026	<u>752,893</u>	<u>-</u>	<u>752,893</u>
	1,829,905	12,439	1,842,344
Less amount representing interest	<u>(222,780)</u>	<u>(542)</u>	<u>(223,322)</u>
	<u>\$ 1,607,125</u>	<u>\$ 11,897</u>	<u>\$ 1,619,022</u>

NOTE G - OPERATING LEASES

As Lessee

The Association is the lessee of automobiles under operating leases expiring in various months through 2024. Vehicle lease expense was \$18,556 and \$18,714 for the years ended July 31, 2021 and 2020, respectively.

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

<u>Year ending July 31,</u>	
2022	\$ 13,689
2023	8,921
2024	<u>7,435</u>
	<u>\$ 30,045</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 annual lease payments of \$7,000 and \$2,000 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 G - OPERATING LEASES - CONTINUED

The cost of the office space directly related to leasing activity amounts to \$1,016,767 as of July 31, 2021 and 2020. The accumulated depreciation of the office space directly related to the leasing activity amounted to \$274,753 and \$256,037 as of July 31, 2021 and 2020, respectively.

Future minimum rentals under existing operating leases are as follows:

<u>Year ending July 31,</u>	
2022	\$ 31,000
2023	31,000
2024	31,000
2025	31,000
2026	22,750
Thereafter	<u>22,000</u>
	<u>\$ 168,750</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 \$88,613 and \$90,214 for the years ended July 31, 2021 and 2020, respectively.

NOTE I – EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the following basis:

- Personnel costs are allocated on the basis of each job function.
- Building and occupancy costs are allocated on the basis of square footage.
- Office and other administrative costs were allocated based on 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, 2021 and 2020, unused vacation time amounted to \$59,712 and \$65,014, 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, 2021 and 2020, unused compensatory sick leave amounted to \$33,107 and \$18,900, respectively.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE K - DONATED MATERIALS AND SERVICES

For the years ended July 31, 2021 and 2020, contributed athletic supplies amounted to \$69,497 and \$54,510, 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, 2021 and 2020, 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, 2021, 2020, and 2019 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, 2021 and 2020, the bank accounts exceeded federally insured limits by \$4,574,654 and \$3,355,943, 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, 2021 and 2020, the STFIT account balance was \$32,029 and \$32,018, 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, 2021 and 2020, 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, 2021.

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

Mortgage-backed securities: Valued using quoted prices for similar assets in active markets.

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.

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, 2021 and 2020.

	2021			
	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	\$ 348,655	\$ -	\$ 348,655	\$ -
U.S. government obligations	233,338	-	233,338	-
Mortgage-backed securities	106,874	-	106,874	-
Listed equities	733,136	733,136	-	-
Exchange traded products	84,730	84,730	-	-
Mutual funds	4,263	4,263	-	-
	<u>\$1,510,996</u>	<u>\$ 822,129</u>	<u>\$ 688,867</u>	<u>\$ -</u>
	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>

NOTE O - GRANT INCOME

The Association received \$220,052 and \$280,395 under the Small Business Administration Paycheck Protection Loan Program for the years ended July 31, 2021 and 2020, respectively. The loans are eligible for partial or complete forgiveness when spent on qualifying expenditures. The Association believes it has substantially met the conditions required to have the loans forgiven and has elected to record these funds as grant income under ASC 958-605 on the statements of activities for the year ended July 31, 2021 and 2020, respectively. The first loan in the amount of \$280,395 was granted full forgiveness on April 22, 2021.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE P - DISAGGREGATED REVENUES

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

	2021	2020
Revenue recognized at a point in time		
Activities	\$ 2,966,136	\$ 2,569,564
Publication, advertising	40,775	27,000
Coaches education	24,685	28,615
Television rights	133,275	121,350
Photos and video income	13,248	13,065
Total revenue recognized at a point in time	\$ 3,178,119	\$ 2,759,594
Revenue recognized over time		
Membership, schools	\$ 12,160	\$ 12,160
Membership, officials/judges	177,200	152,195
Catastrophic insurance reimbursement	213,496	231,168
Royalties	36,800	35,260
Income from broadcasters	26,757	19,132
Total revenue recognized over time	\$ 466,413	\$ 449,915

NOTE Q - 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 R - SUBSEQUENT EVENTS

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

The Association's application for forgiveness on the second Paycheck Protection Program loan was approved on October 7, 2021.

HIBE

HIBE

SUPPLEMENTAL INFORMATION

Nebraska School Activities Association

SCHEDULE OF CASH AND CASH EQUIVALENTS

July 31, 2021

	<u>Interest Rate</u>	<u>Balance</u>
Cash and cash equivalents:		
Raymond James	0.02%	\$ 38,184
U.S. Bank, checking account	Variable	4,255,991
U.S. Bank, money market	Variable	229,497
U.S. Bank, government-backed money market	Variable	448,000
Union Bank and Trust Company		
Short Term Federal Investment Trust (STFIT)	Variable	<u>32,029</u>
 Total cash and cash equivalents		 <u>\$ 5,003,701</u>



Nebraska School Activities Association

SCHEDULE OF CERTIFICATES OF DEPOSIT

July 31, 2021

	<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	6-17-2021	6-17-2026	0.80%	\$ 40,675
Union Bank and Trust Company	8-11-2018	8-11-2023	3.25%	249,453
NebraskaLand	5-8-2019	11-8-2021	2.72%	87,123
Bank of the West	8-2-2018	8-2-2022	1.24%	33,688
Bank of the West	7-21-2019	7-21-2024	0.45%	<u>34,949</u>
 Total certificates of deposit				 <u>\$ 445,888</u>



Nebraska School Activities Association

SCHEDULE OF ACTIVITIES, REVENUES AND EXPENSES

For the year ended July 31, 2021

	Revenues				Expenses			Revenue Over (Under) Expenses	2021	2021	2021
	Registration Fees	Tournament and Meet Revenues	Other Revenues	Total	Travel Reimbursements To Schools	Tournament and Meet Expenses	Total		Revenue Over (Under) 2020	Expenses Over (Under) 2020	Net Over (Under) 2020
Baseball	\$ 4,275	\$ 109,248	\$ 10,000	\$ 123,523	\$ 7,640	\$ 90,700	\$ 98,340	\$ 25,183	\$ 114,323	\$ 88,747	\$ 25,576
Basketball											
Boys	13,500	614,911	85,000	713,411	22,943	172,331	195,274	518,137	435,450	(13,664)	449,114
Girls	13,545	368,435	85,000	466,980	23,288	159,218	182,506	284,474	(103,236)	(40,504)	(62,732)
Cross country	22,455	19,757	30,453	72,665	21,185	17,220	38,405	34,260	(7,491)	(10,977)	3,486
Debate	1,080	-	-	1,080	-	2,595	2,595	(1,515)	(45)	2,595	(2,640)
Football	13,455	147,188	3,000	163,643	3,262	27,384	30,646	132,997	(111,738)	(99,085)	(12,653)
Golf											
Boys	11,340	6,933	9,508	27,781	-	16,734	16,734	11,047	16,331	13,740	2,591
Girls	6,345	6,564	7,931	20,840	-	15,017	15,017	5,823	(4,794)	(4,890)	96
Journalism	4,590	653	2,000	7,243	-	10,077	10,077	(2,834)	2,823	1,904	919
Music	13,365	-	-	13,365	-	2,257	2,257	11,108	(90)	(2,556)	2,466
Play production	11,745	4,335	11,983	28,063	5,294	13,490	18,784	9,279	(21,030)	(10,902)	(10,128)
Soccer	7,470	196,014	-	203,484	7,413	76,317	83,730	119,754	189,324	75,655	113,669
Softball	6,615	72,403	-	79,018	4,723	44,472	49,195	29,823	2,760	(13,599)	16,359
Speech	13,005	14,295	-	27,300	-	52,606	52,606	(25,306)	14,250	40,419	(26,169)
Swimming	5,715	8,432	-	14,147	-	18,010	18,010	(3,863)	(35,156)	(8,500)	(26,656)
Tennis											
Boys	2,835	6,007	-	8,842	-	8,106	8,106	736	1,155	(1,509)	2,664
Girls	3,195	6,303	-	9,498	-	8,747	8,747	751	5,891	8,057	(2,166)
Track	27,135	214,395	-	241,530	50,420	141,171	191,591	49,939	212,847	178,718	34,129
Unified bowling	3,150	503	-	3,653	-	2,816	2,816	837	(2,168)	(340)	(1,828)
Volleyball	13,500	225,350	65,000	303,850	22,350	132,216	154,566	149,284	(197,844)	(24,890)	(172,954)
Wrestling	11,610	411,487	-	423,097	24,440	99,700	124,140	298,957	(97,997)	(46,493)	(51,504)
Dual wrestling	-	301	-	301	-	423	423	(122)	(27,790)	(14,089)	(13,701)
Unified track	2,205	-	-	2,205	34,000	32	34,032	(31,827)	180	34,032	(33,852)
Bowling	3,690	5,927	1,000	10,617	-	6,634	6,634	3,983	10,617	6,634	3,983
	<u>\$ 215,820</u>	<u>\$ 2,439,441</u>	<u>\$ 310,875</u>	<u>\$ 2,966,136</u>	<u>\$ 226,958</u>	<u>\$ 1,118,273</u>	<u>\$ 1,345,231</u>	<u>\$ 1,620,905</u>	<u>\$ 396,572</u>	<u>\$ 158,503</u>	<u>\$ 238,069</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>