

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

July 31, 2022 and 2021

*Financial Statements
and
Independent Auditor's Report*



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Nebraska School Activities Association
For the years ended July 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nebraska School Activities Association
Lincoln, Nebraska

Opinion

We have audited the accompanying financial statements of Nebraska School Activities Association, which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nebraska School Activities Association as of July 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter – New Accounting Principal

As discussed in Note L to the financial statements, for the year ended July 31, 2022, Nebraska School Activities Association retrospectively adopted new accounting guidance regarding *ASU 2020-07 Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska School Activities Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nebraska School Activities Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska School Activities Association's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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 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.



Lincoln, Nebraska
October 12, 2022

Nebraska School Activities Association

STATEMENTS OF FINANCIAL POSITION

July 31,

ASSETS

	2022	2021 (as restated)
Cash and cash equivalents (notes A and B)	5,746,211	5,003,701
Certificates of deposit (note B)	456,573	445,888
Investments (notes A, B, C and P)	1,355,882	1,510,996
Receivables (notes A, B, and M)	54,635	65,000
Inventories (note A)	56,484	46,503
Prepaid expenses	318,320	26,216
Property and equipment, net (notes A and D)	3,209,674	3,279,392
Loan origination fee, net (note E)	6,004	7,084
Total assets	<u>11,203,783</u>	<u>10,384,780</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	71,426	19,241
Deferred revenue (note A)	454,086	417,255
Accrued absences (note J)	114,773	92,819
Accrued interest payable	1,362	1,565
Capital leases payable (notes A and F)	<u>1,424,516</u>	<u>1,619,022</u>
Total liabilities	2,066,163	2,149,902
NET ASSETS (note A)		
Without donor restrictions		
Undesignated	<u>9,137,620</u>	<u>8,234,878</u>
Total liabilities and net assets	<u>11,203,783</u>	<u>10,384,780</u>

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENTS OF ACTIVITIES

For the years ended July 31,

	2022	2021 (as restated)
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Activities	\$ 4,025,330	\$ 2,896,639
Activities in-kind contributions (note K)	61,549	69,497
Corporate sponsorships	607,500	572,880
Membership, schools	12,370	12,160
Membership, officials/judges	179,300	177,200
Grant income (notes M and Q)	-	285,052
Interest	12,024	11,715
Gain (loss) on investments	(145,589)	215,146
Catastrophic insurance reimbursement	282,088	213,496
Publication, sales	1,717	1,504
Publication, advertising	50,875	40,775
Coaches education	26,750	24,685
Rental income	31,000	31,000
Television rights	150,757	133,275
Photos and video income	14,829	13,248
Special awards income	16,555	15,778
Royalties	39,862	36,800
Income from broadcasters	31,481	26,757
GoFan revenue share	100,421	77,987
Gain (loss) on disposal of assets	(2,889)	7,934
Other revenue	15,627	5,446
Total revenue and support	<u>5,511,557</u>	<u>4,868,974</u>
Expenses (note I)		
Program services		
Activities	1,792,292	1,345,231
Member services	1,982,668	1,732,722
Publications	174,925	140,974
Supporting services		
General and administrative	<u>658,930</u>	<u>625,269</u>
Total expenses	<u>4,608,815</u>	<u>3,844,196</u>
Increase in net assets	902,742	1,024,778
Net assets, beginning of year (note M)	<u>8,234,878</u>	<u>7,210,100</u>
Net assets, end of year	<u>\$ 9,137,620</u>	<u>\$ 8,234,878</u>

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENT OF FUNCTIONAL EXPENSES

Year ended July 31, 2022

	Program Services			General and	Total
	Activities	Member Services	Publications	Administration	2022
Activities	\$ 1,792,292	\$ -	\$ -	\$ -	\$ 1,792,292
Salaries	-	666,081	103,357	378,978	1,148,416
Payroll taxes	-	48,014	7,450	27,319	82,783
Medical and LTC insurance	-	102,488	15,903	58,312	176,703
Retirement	-	54,847	8,511	31,206	94,564
Lobbying fees	-	-	-	27,200	27,200
Postage	-	16,776	395	2,566	19,737
Officials' and Judges' expense	-	123,971	-	-	123,971
Awards	-	15,757	-	-	15,757
Vehicle expense	-	37,537	883	5,741	44,161
Staff travel	-	28,972	682	4,431	34,085
Committees	-	827	-	-	827
Meetings and promotions	-	9,665	-	-	9,665
Depreciation and amortization	-	113,401	2,668	17,344	133,413
General insurance	-	94,293	2,219	14,421	110,933
Catastrophic insurance	-	286,762	-	-	286,762
Utilities	-	20,176	475	3,086	23,737
Equipment maintenance and repair	-	18,507	435	2,831	21,773
Building maintenance and repair	-	26,416	622	4,040	31,078
Bank and credit card fees	-	13,381	-	704	14,085
Telephone	-	7,864	185	1,203	9,252
Internet expense	-	28,837	679	4,410	33,926
Stationery and supplies	-	20,680	487	3,162	24,329
Legal fees	-	18,493	435	2,828	21,756
Accounting fees	-	13,059	307	1,998	15,364
Publications	-	-	26,093	-	26,093
Miscellaneous	-	4,954	117	757	5,828
Programming	-	48,816	2,712	2,712	54,240
Legislative commission	-	1,432	-	-	1,432
Board of directors	-	84,854	-	-	84,854
Workers, staff and board uniforms	-	5,600	-	-	5,600
Representative assembly	-	12,473	-	-	12,473
Dues and subscriptions	-	13,282	-	-	13,282
Membership publications	-	6,057	-	-	6,057
Interest expense	-	-	-	61,666	61,666
Media administration	-	13,173	310	2,015	15,498
Corporate sponsorship	-	25,223	-	-	25,223
TOTAL EXPENSES	\$ 1,792,292	\$ 1,982,668	\$ 174,925	\$ 658,930	\$ 4,608,815

See accompanying notes to financial statements.

Nebraska School Activities Association
STATEMENT OF FUNCTIONAL EXPENSES
Year ended July 31, 2021

	Program Services				General and	Total
	Activities	Member Services	Publications	Total	Administration	2021
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	\$ 1,345,231	\$ 1,732,722	\$ 140,974	\$ 3,218,927	\$ 625,269	\$ 3,844,196

See accompanying notes to financial statements.

Nebraska School Activities Association

STATEMENTS OF CASH FLOWS

For the years ended July 31,

	2022	2021 (as restated)
Cash flows from operating activities		
Cash received from revenue and support	\$ 5,695,207	\$ 4,576,630
Cash paid to employees and suppliers	(4,641,682)	(3,367,290)
Interest received	12,024	11,715
Interest paid	(61,869)	(69,808)
Net cash provided by operating activities	<u>1,003,680</u>	<u>1,151,247</u>
Cash flows from investing activities		
Purchases of property and equipment	(65,504)	(35,545)
Proceeds from sale of property and equipment	-	18,682
Proceeds from sale of investments	186,541	1,024,247
Purchases of investments	(187,701)	(1,025,837)
Net cash used by investing activities	<u>(66,664)</u>	<u>(18,453)</u>
Cash flows from financing activities		
Principal payments on capital leases	(194,506)	(211,730)
Net increase in cash and cash equivalents	742,510	921,064
Cash and cash equivalents, beginning of year	<u>5,003,701</u>	<u>4,082,637</u>
Cash and cash equivalents, end of year	<u>\$ 5,746,211</u>	<u>\$ 5,003,701</u>
Increase in net assets	<u>\$ 902,742</u>	<u>\$ 1,024,778</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	133,413	132,812
(Gain) loss on investments	145,589	(215,146)
(Gain) loss on disposal of assets	2,889	(7,934)
(Increase) decrease in assets		
Receivables	10,365	(65,000)
Inventories	(9,981)	(3,011)
Prepaid expenses	(292,104)	273,512
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	52,185	(4,925)
Deferred revenue	36,831	7,450
Accrued absences	21,954	8,906
Accrued interest payable	(203)	(195)
Total adjustments to increase in net assets	<u>100,938</u>	<u>126,469</u>
Net cash provided by operating activities	<u>\$ 1,003,680</u>	<u>\$ 1,151,247</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, 2022 and 2021, 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.

Accounts Receivable. 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.

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. The Association does not have any contract assets as of July 31, 2022 or 2021. 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 liabilities include annual registration income from members schools and officials, advertising income received in advance for the upcoming fiscal year. These liabilities are recognized as income in the applicable year when earned. Contract liabilities are included on the statement of financial position as deferred revenue.

In-Kind Donations. In-kind donations are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Association. It is the Association's policy to sell all contributed assets immediately upon receipt at auction or for salvage unless the asset is restricted for use in a specific program by the donor.

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.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,746,211	\$ 5,003,701
Certificates of deposit	456,573	445,888
Receivables	54,635	-
Investments	<u>1,355,882</u>	<u>1,510,996</u>
	<u>\$ 7,613,301</u>	<u>\$ 6,960,585</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 \$1,534,487, including a balloon payment of \$592,101 relating to the capital lease on their building which becomes due on February 22, 2026.

NOTE C - INVESTMENTS

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Investments consist of:				
Corporate bonds	\$ 323,926	\$ 290,121	\$ 351,461	\$ 348,655
U.S. government obligations	279,740	253,369	233,396	233,338
Mortgage-backed securities	82,812	78,046	107,426	106,874
Listed equities	621,290	659,404	621,017	733,136
Exchange traded products	84,961	73,555	81,401	84,730
Mutual funds	1,378	1,387	4,008	4,263
	<u>\$ 1,394,107</u>	<u>\$ 1,355,882</u>	<u>\$ 1,398,709</u>	<u>\$ 1,510,996</u>
Unrealized gain (loss)		<u>\$ (38,225)</u>		<u>\$ 112,287</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of:		
	2022	2021
Building	\$ 4,334,548	\$ 4,334,996
Office furniture and equipment	307,288	328,800
Technology equipment	68,828	34,778
Athletic equipment	36,413	36,413
Vehicles	84,055	84,055
	4,831,132	4,819,042
Less accumulated depreciation	<u>(1,621,458)</u>	<u>(1,539,650)</u>
	<u>\$ 3,209,674</u>	<u>\$ 3,279,392</u>

Depreciation expense for the years ended July 31, 2022 and 2021 was \$132,333 and \$131,732, respectively.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE E - LOAN ORIGATION 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, 2022 and 2021 was \$32,160 and \$31,080, respectively. Amortization expense for each of the years ended July 31, 2022 and 2021 was \$1,080.

Remaining amortization expense for each subsequent year is as follows:

<u>Year ending July 31,</u>	
2023	\$ 1,080
2024	1,080
2025	1,080
2026	1,080
2027	1,080
Thereafter	<u>604</u>
	<u>\$ 6,004</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 2027.

Amortization of building and office equipment under capital leases amounted to \$96,892 and \$96,545 for the years ended July 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Building	\$ 4,324,785	\$ 4,324,785
Office equipment	<u>50,317</u>	<u>54,236</u>
	4,375,102	4,379,021
Less accumulated depreciation	<u>(1,286,244)</u>	<u>(1,213,298)</u>
	<u>\$ 3,088,858</u>	<u>\$ 3,165,723</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>Building</u>	<u>Office Equipment</u>	<u>Total</u>
<u>Year ending July 31,</u>			
2023	\$ 269,253	\$ 9,369	\$ 278,622
2024	269,253	5,497	274,750
2025	269,253	5,497	274,750
2026	726,728	5,498	732,226
2027	-	2,290	2,290
	<u>1,534,487</u>	<u>28,151</u>	<u>1,562,638</u>
Less amount representing interest	<u>(136,024)</u>	<u>(2,098)</u>	<u>(138,122)</u>
	<u>\$ 1,398,463</u>	<u>\$ 26,053</u>	<u>\$ 1,424,516</u>

NOTE G - OPERATING LEASES

As Lessee

The Association is the lessee of automobiles under operating leases expiring in various months through 2025. Vehicle lease expense was \$17,399 and \$18,556 for the years ended July 31, 2022 and 2021, respectively.

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

<u>Year ending July 31,</u>	
2023	\$ 14,212
2024	12,725
2025	<u>2,646</u>
	<u>\$ 29,583</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 \$7,000 and \$2,000 for rent and utility assessment, respectively, through August 30, 2025, including a renewal for an additional five years which was exercised on August 17, 2020. 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, 2022 and 2021. The accumulated depreciation of the office space directly related to the leasing activity amounted to \$295,088 and \$274,753 as of July 31, 2022 and 2021, respectively.

Future minimum rentals under existing operating leases are as follows:

<u>Year ending July 31,</u>	
2023	\$ 31,000
2024	31,000
2025	31,000
2026	22,750
2027	<u>22,000</u>
	<u>\$ 137,750</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 \$94,564 and \$88,613 for the years ended July 31, 2022 and 2021, 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, 2022 and 2021, unused vacation time amounted to \$64,255 and \$59,712, 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, 2022 and 2021, unused compensatory sick leave amounted to \$50,518 and \$33,107, respectively.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE K – IN-KIND CONTRIBUTIONS

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized as revenue within the statement of activities consist of the following:

	<u>2022</u>	<u>2021</u>
Sports equipment	\$ 48,874	\$ 50,830
Jackets	12,675	-
Gift cards	-	820
Tickets	<u>-</u>	<u>17,847</u>
	<u>\$ 61,549</u>	<u>\$ 69,497</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. All assets were valued according to the what the cost would have been for the Association to purchase on their own.

NOTE L – NEW ACCOUNTING STANDARD

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The update clarifies the presentation and disclosure of contributed nonfinancial assets, such as land, buildings, equipment, the use of fixed assets or utilities, materials and supplies, intangible assets, certain services, and unconditional promises of those assets; however, the ASU does not change the existing recognition and measurement requirements for contributed nonfinancial assets. Contributions may be disclosed using varying terms such as gifts, donations, or gifts in-kind. The standard is required to be applied retrospectively to all periods presented and is effective for reporting periods commencing after June 15, 2021. Early adoption is permitted.

The Organization adopted the standard, effective for the year ended July 31, 2022, using a retrospective application method for all periods presented. The in-kind donation policies disclosed in Note A reflect the impact of the adoption of the standard. See note K for further disclosure of the Association's in-kind activities.

NOTE M – PRIOR PERIOD ADJUSTMENT

The 2021 financial statements have restated to properly account for Employee Retention Credits (ERC) in the year the credits were applied for. This adjustment increased receivables and net assets without donor restrictions by \$65,000 at July 31, 2021, and increased grant income by \$65,000 for the year ended July 31, 2021.

NOTE N - 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, 2022 and 2021, 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.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE N - INCOME TAXES – CONTINUED

The Association's federal Return of Organization Exempt from Income Tax (Form 990) and Exempt Organization Business Income Tax returns (Form 990-T) for July 31, 2022, 2021, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

NOTE O - 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, 2022 and 2021, the bank accounts exceeded federally insured limits by \$5,504,309 and \$4,574,654, 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, 2022 and 2021, the STFIT account balance was \$32,122 and \$32,029, 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, 2022 and 2021, the money market fund account balance was \$448,002.

NOTE P - 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, 2022.

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.

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.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE P - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth the balances of assets and liabilities measured at fair value on a recurring basis as of July 31, 2022 and 2021.

	2022			
	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	\$ 290,121	\$ -	\$ 290,121	\$ -
U.S. government obligations	253,369	-	253,369	-
Mortgage-backed securities	78,046	-	78,046	-
Listed equities	659,404	659,404	-	-
Exchange traded products	73,555	73,555	-	-
Mutual funds	1,387	1,387	-	-
	<u>\$ 1,355,882</u>	<u>\$ 734,346</u>	<u>\$ 621,536</u>	<u>\$ -</u>
	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>

NOTE Q - GRANT INCOME

The Association received \$220,052 under the Small Business Administration Paycheck Protection Loan Program for the year ended July 31, 2021. The loan was eligible for partial or complete forgiveness when spent on qualifying expenditures. The Association believed it had substantially met the conditions required to have the loans forgiven and elected to record the funds as grant income under ASC 958-605 on the statements of activities for the year ended July 31, 2021. The loan in the amount of \$220,052 was granted full forgiveness on October 7, 2021.

The Association also included \$65,000 of Employee Retention Credits applied for under the CARES act for employee retention in grant income for the year ended July 31, 2021.

Nebraska School Activities Association
NOTES TO FINANCIAL STATEMENTS

NOTE R - DISAGGREGATED REVENUES

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

	<u>2022</u>	<u>2021</u>
Revenue recognized at a point in time		
Activities	\$ 4,025,330	\$ 2,896,639
Publication, advertising	50,875	40,775
Coaches education	26,750	24,685
Television rights	150,757	133,275
Photos and video income	14,829	13,248
GoFan revenue share	<u>100,421</u>	<u>77,987</u>
Total revenue recognized at a point in time	<u>\$ 4,368,962</u>	<u>\$ 3,186,609</u>
Revenue recognized over time		
Membership, schools	\$ 12,370	\$ 12,160
Membership, officials/judges	179,300	177,200
Catastrophic insurance reimbursement	282,088	213,496
Royalties	39,862	36,800
Income from broadcasters	<u>31,481</u>	<u>26,757</u>
Total revenue recognized over time	<u>\$ 545,101</u>	<u>\$ 466,413</u>

NOTE S – CONTRACT BALANCES

The following table provides information about the changes in the contract liabilities for the years ended July 31, 2022 and 2021.

Contract liabilities, beginning of year	\$ 417,255	\$ 409,805
Recognition of revenue included in beginning balance	417,255	409,805
Collection of customer prepayments	<u>454,086</u>	<u>417,255</u>
Contact liabilities, end of year	<u>\$ 454,086</u>	<u>\$ 417,255</u>

NOTE T - SUBSEQUENT EVENTS

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

HIBE

HIBE

SUPPLEMENTAL INFORMATION

Nebraska School Activities Association

SCHEDULE OF CASH AND CASH EQUIVALENTS

July 31, 2022

	<u>Interest Rate</u>	<u>Balance</u>
Cash and cash equivalents:		
Raymond James	0.02%	\$ 47,708
U.S. Bank, checking account	Variable	4,988,859
U.S. Bank, money market	Variable	229,520
U.S. Bank, government-backed money market	Variable	448,002
Union Bank and Trust Company		
Short Term Federal Investment Trust (STFIT)	Variable	<u>32,122</u>
Total cash and cash equivalents		<u>\$ 5,746,211</u>



Nebraska School Activities Association
SCHEDULE OF CERTIFICATES OF DEPOSIT

July 31, 2022

	<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%	\$ 40,974
Union Bank and Trust Company	8-11-2018	8-11-2023	3.25%	257,660
NebraskaLand	5-8-2022	5-8-2024	0.15%	88,387
Bank of the West	7-2-2022	9-2-2023	0.75%	34,354
Bank of the West	7-21-2019	7-21-2024	0.45%	<u>35,198</u>
Total certificates of deposit				<u>\$ 456,573</u>



Nebraska School Activities Association

SCHEDULE OF ACTIVITIES, REVENUES AND EXPENSES

For the year ended July 31, 2022

	Revenues			Expenses			Revenue Over (Under) Expenses	2022 Revenue Over (Under) 2021	2022 Expenses Over (Under) 2021	2022 Net Over (Under) 2021
	Registration Fees	Tournament and Meet Revenues	Other Revenues	Total	Travel Reimbursements To Schools	Tournament and Meet Expenses				
Baseball	\$ 4,275	\$ 153,362	\$ 5,000	\$ 162,637	\$ 5,798	\$ 110,929	\$ 45,910	\$ 39,114	\$ 18,387	\$ 20,727
Basketball										
Boys	13,500	649,918	85,000	748,418	42,602	171,954	533,862	35,007	19,282	15,725
Girls	13,500	538,242	85,000	636,742	42,795	176,396	417,551	169,762	36,685	133,077
Cross country	22,590	24,666	41,066	88,322	27,024	23,796	37,502	15,657	12,415	3,242
Debate	1,215	-	-	1,215	-	-	1,215	135	(2,595)	2,730
Football	13,455	350,529	28,000	391,984	29,239	83,237	279,508	228,341	81,830	146,511
Golf										
Boys	11,340	7,048	10,735	29,123	-	18,807	10,316	1,342	2,073	(731)
Girls	6,525	11,240	7,750	25,515	-	18,319	7,196	4,675	3,302	1,373
Journalism	4,680	949	2,000	7,629	-	12,015	(4,386)	386	1,938	(1,552)
Music	13,410	50	-	13,460	-	5,039	8,421	95	2,782	(2,687)
Play production	12,195	15,878	19,544	47,617	5,101	21,270	21,246	19,554	7,587	11,967
Soccer	7,560	240,322	-	247,882	6,512	112,026	129,344	44,398	34,808	9,590
Softball	6,615	80,864	-	87,479	20,893	42,907	23,679	8,461	14,605	(6,144)
Speech	12,915	17,376	-	30,291	-	51,995	(21,704)	2,991	(611)	3,602
Swimming	6,030	40,993	-	47,023	-	24,249	22,774	32,876	6,239	26,637
Tennis										
Boys	2,835	5,514	-	8,349	-	9,657	(1,308)	(493)	1,551	(2,044)
Girls	3,285	6,806	-	10,091	-	13,684	(3,593)	593	4,937	(4,344)
Track	26,955	249,382	-	276,337	103,437	127,691	45,209	34,807	39,537	(4,730)
Unified bowling	3,150	2,498	1,000	6,648	-	4,025	2,623	2,995	1,209	1,786
Volleyball	13,500	440,810	95,000	549,310	43,081	122,871	383,358	245,460	11,386	234,074
Wrestling	11,805	599,082	-	610,887	120,067	146,684	344,136	187,790	142,611	45,179
Dual wrestling	-	33,293	-	33,293	-	15,491	17,802	32,992	15,068	17,924
Unified track	2,025	50	-	2,075	-	17,081	(15,006)	(130)	(16,951)	16,821
Bowling	4,140	11,198	1,000	16,338	-	8,137	8,201	5,721	1,503	4,218
Girls wrestling	5,625	2,589	-	8,214	5,823	1,660	731	8,214	7,483	731
	\$ 223,125	\$ 3,482,659	\$ 381,095	\$ 4,086,879	\$ 452,372	\$ 1,339,920	\$ 2,294,587	\$ 1,120,743	\$ 447,061	\$ 673,682

Nebraska School Activities Association

SCHEDULE OF ACTIVITIES, REVENUES AND EXPENSES

For the year ended July 31, 2021

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