

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses:	
Program Expenses	5
General and Administrative Expenses	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 13



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American Society of Certified Public Accountants
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Independent Auditors' Report

**To the Executive Committee
Louisiana High School Athletic Association
Baton Rouge, Louisiana**

Opinion

We have audited the accompanying financial statements of the Louisiana High School Athletic Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana High School Athletic Association as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the Louisiana High School Athletic Association as of and for the year ended June 30, 2022, were audited by other auditors whose report dated June 23, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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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 the Louisiana High School Athletic Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.**
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.**
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana High School Athletic 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 the Louisiana High School Athletic Association's ability to continue as a going concern for a reasonable period.**

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.

Griffin & Furman, LLC

November 28, 2023

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Statements of Financial Condition

June 30, 2023 and 2022

	2023	(Restated) 2022
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,538,860	1,079,933
Receivables due from schools and affiliate	50,275	456,613
Prepaid expenses	112,631	2,401
Investment securities	1,111,724	1,083,121
	<hr/>	<hr/>
Total current assets	3,813,490	2,622,068
Property & equipment, net	2,365,094	2,434,543
Other assets	18,295	23,630
	<hr/>	<hr/>
Total assets	6,196,879	5,080,241
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and net assets:		
Liabilities:		
Current liabilities:		
Accounts payable	196,103	46,061
Other liabilities - football bond	90,000	70,000
Deferred revenue	8,641	-
Due to affiliates	100	52,900
Total current liabilities	<hr/> 294,844	<hr/> 168,961
Accrued unpaid leave	300,529	252,296
	<hr/>	<hr/>
Total liabilities	595,373	421,257
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	4,714,264	3,771,742
With donor restrictions	887,242	887,242
	<hr/>	<hr/>
Total net assets	5,601,506	4,658,984
	<hr/>	<hr/>
Total liabilities and net assets	\$ 6,196,879	5,080,241
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See accompanying notes to the financial statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Statements of Activities

For the Years Ending June 30, 2023 and 2022

	Without donor restrictions	With donor restrictions	Total	(Restated) Total
	2023	2023	2023	2022
Changes in net assets:				
Support and revenue:				
Membership dues	\$ 285,900	-	285,900	266,708
Card processing fee	57,657	-	57,657	53,243
Sports revenue	113,540	-	113,540	104,780
State championship events:				
State baseball tournament	356,220	-	356,220	406,669
State swim meet	62,870	-	62,870	60,480
State volleyball tournament	170,729	-	170,729	179,205
State wrestling	89,315	-	89,315	93,169
State track	20,020	-	20,020	29,790
State cross country	35,099	-	35,099	61,960
State softball	215,010	-	215,010	158,029
State soccer	91,078	-	91,078	72,154
State golf	5,415	-	5,415	5,350
State gymnastics	4,600	-	4,600	3,845
State tennis	29,685	-	29,685	31,825
State powerlifting	60,986	-	60,986	32,614
State bowling	3,855	-	3,855	2,600
State football	1,389,823	-	1,389,823	893,808
State basketball	677,585	-	677,585	216,626
Registration and entry fees	152,145	-	152,145	119,490
Marketing and promotion - broadcasting	117,093	-	117,093	151,405
Corporate sponsorships	822,170	-	822,170	730,600
Other	2,000	-	2,000	3,205
Trophy commission	-	-	-	1,610
Fines and hearings	134,401	-	134,401	140,611
Net investment return	46,374	-	46,374	(8,866)
Officiating	212,004	-	212,004	184,912
Reimbursement - LHSCA	125,950	-	125,950	112,098
Other income - PPP loan forgiveness	-	-	-	517,226
Other income - ERTC	375,479	-	375,479	-
Other income and reimbursements	53,658	-	53,658	12,785
Total support and revenue	5,710,661	-	5,710,661	4,637,931
Expenses:				
Program services	2,649,788	-	2,649,788	1,956,288
General and administrative expenses	2,118,351	-	2,118,351	2,048,480
Total expenses	4,768,139	-	4,768,139	4,004,768
Increase (decrease) in net assets	942,522	-	942,522	633,163
Net assets, beginning of year	3,771,742	887,242	4,658,984	4,125,384
Prior period adjustment	-	-	-	(99,563)
Net assets, beginning of year, as restated	3,771,742	887,242	4,658,984	4,025,821
Net assets, end of year	\$ 4,714,264	887,242	5,601,506	4,658,984

See accompanying notes to the financial statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Statements of Functional Expenses

For the Years Ending June 30, 2023 and 2022

	2023	(Restated) 2022
Program services:		
Annual convention	\$ 39,102	28,820
Area meetings	-	741
Classifications	-	3,292
Executive committee meetings	51,126	62,696
Executive director meetings	-	273
National meetings	34,997	117,931
School visitations, relations, special meetings	712	1,256
Hall of fame expenses	981	877
Hardship program	7,106	6,152
Investigative services	32,253	23,757
Officiating services	179,365	151,744
Trophies and plaques	11,920	13,033
Rule books and compliance	107,485	67,387
Scholarship expenses	3,000	3,000
Staff expenses	13,527	3,925
Lobbying expenses	30,000	30,146
Marketing and promotional expenses:		
OMS sponsorship	50,000	105,938
Media	6,452	10,984
Marketing - general	681	1,234
State championship events:		
State track & cross country	56,163	47,951
State volleyball tournament	47,644	45,909
State wrestling	29,647	73,486
State powerlifting	60,985	39,683
State football	1,053,946	633,729
State soccer	59,436	32,399
State basketball	298,191	182,234
State baseball	251,667	147,345
State softball	149,822	76,470
State golf tourney	7,188	5,138
State swim meet	26,429	15,017
State tennis	17,162	16,820
Other state events, awards	22,801	6,921
Total program services	\$ 2,649,788	1,956,288

See accompanying notes to the financial statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Statements of Functional Expenses

For the Years Ending June 30, 2023 and 2022

	<u>2023</u>	<u>(Restated) 2022</u>
General and administrative:		
Accounting fees	\$ 20,755	19,447
Automobile expenses	3,404	8,688
Bad debt expense	11,328	28,376
Bank & investment charges	9,848	8,365
Building maintenance	63,177	70,166
Computer and technology	89,154	118,716
Depreciation	159,392	136,073
Donations	500	-
Dues and subscriptions	51,438	6,083
Equipment leases and maintenance	34,634	49,138
Rent	1,315	1,022
Insurance- health, liab, general etc	191,018	175,885
Legal services - handbook	12,927	14,732
Legal services	42,109	38,920
Miscellaneous expenses	684	1,672
Office expenses	27,093	30,799
Payroll and related expenses	1,332,248	1,272,689
Postage expense	12,195	9,540
Telephone expense	28,035	32,230
Utilities expense	27,097	25,939
	<hr/>	<hr/>
Total general and administrative	\$ 2,118,351	2,048,480
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See accompanying notes to the financial statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Statements of Cash Flows

For the Years Ending June 30, 2023 and 2022

	<u>2023</u>	<u>(Restated)</u> <u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 942,522	633,163
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	159,392	136,073
Forgiveness of PPP loan	-	(517,226)
Investment return, net	(28,603)	8,866
Decrease (increase) in operating assets		
Accounts receivable	406,338	(402,250)
Prepaid expenses	(110,230)	19,062
Other assets	5,335	(3,596)
(Decrease) increase in operating liabilities		
Accrued unpaid leave	48,233	177,737
Accounts payable and accrued expenses	150,042	(210,538)
Deferred revenue and other liabilities	8,641	-
Net cash provided (used) by operating activities	<u>1,581,670</u>	<u>(158,709)</u>
Cash flows from investing activities:		
Purchases of property, furniture and equipment	<u>(89,943)</u>	<u>(12,287)</u>
Net cash used by investing activities	<u>(89,943)</u>	<u>(12,287)</u>
Cash flows from financing activities:		
Due to affiliate	(52,800)	52,900
Football bond	<u>20,000</u>	<u>(20,000)</u>
Net cash provided (used) by financing activities	<u>(32,800)</u>	<u>32,900</u>
Net increase (decrease) in cash and equivalents	1,458,927	(138,096)
Cash and cash equivalents, beginning of year	<u>1,079,933</u>	<u>1,218,029</u>
Cash and cash equivalents, end of year	<u>\$ 2,538,860</u>	<u>1,079,933</u>

See accompanying notes to the financial statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Notes to the Financial Statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies

(a) Nature of Activities and Program

The Louisiana High School Athletic Association (“LHSAA”) is a nonprofit organization exempt from the federal income tax, pursuant to Section 501(c)(3) of the Internal Revenue Code. The objective of the LHSAA is to promote, regulate, and direct interscholastic athletic activities of Louisiana high schools.

(b) Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” and subsequent pronouncements. The Association is now required to report information regarding its financial position and activities according to two classes of net assets: net assets unrestricted without donor restrictions and net assets with donor restrictions. At June 30, 2023, the Association has classes of net assets with and without restrictions.

(d) Use of Estimates

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

(e) Reclassifications

Certain revenue and expense items for the prior year ended June 30, 2022 have been reclassified for comparison purposes.

(f) Revenue Recognition

All revenue is recorded as unrestricted support or revenue in the year the revenue is billed and earned under the accrual basis of accounting.

(g) Functional Expenses

Expenses are charged directly to program or to general and administrative categories based on specific identification.

(h) Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Notes to the Financial Statements

June 30, 2023 and 2022

(i) Concentrations

The Association is a Louisiana state- wide organization. All member schools are in Louisiana. Accordingly, all revenue is concentrated in Louisiana. The Association also has concentrations of cash balances in banks in excess of the \$250,000 FDIC limit.

(j) Property and Equipment

Property and equipment consists of land, building, vehicles, furniture and equipment. These assets are recorded at cost and depreciated over their estimated useful lives.

Property and equipment are long-lived assets that have been purchased or acquired with an original cost of at least \$1,000 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as property and equipment in the Statement of Financial Position. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

Depreciation is computed and recorded using the straight-line method for the assets estimated useful life. The estimated useful lives of the various classes of depreciable capital assets are as follows:

Building and improvements	30 years
Equipment	5-7 years
Vehicles	5 years
Computers	3 years

Salvage values have not been estimated by management when calculating how much of an asset's cost needs to be depreciated.

(k) Compensated Absences

The Association's liability for accumulated unpaid vacation has been recorded. The liability has been determined using the number of vested vacation hours for each employee multiplied by the employee's current wage rate at the end of the year. The maximum number of vacation hours available to carry over is 450. Accrued vacation benefits will be paid from future years' resources and will be recorded as expenses in the various funds in the year in which they are paid or become due on demand to terminated employees. The Association's sick leave policy provides for the vesting of sick leave for certain employees where payment would have to be made to a terminated employee for any unused portion. The maximum number of sick leave hours available to carry over is 450.

(l) Allowance for Doubtful Accounts

Accounts receivable deemed uncollectible are written off using the direct write off method. During June 30, 2023 and 2022, accounts receivable of \$11,326 and \$28,271 were written off and recorded as bad debt. See Note 9 for additional information on accounts receivable balances written off in prior periods.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Notes to the Financial Statements

June 30, 2023 and 2022

(m) Income Taxes

LHSAA is a tax-exempt organization as described in Section 504(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue as an organization other than a private foundation. LHSAA, therefore, is not subject to income taxes. However, income from activities not directly related to LHSAA's tax-exempt purpose is subject to taxation as unrelated business income. LHSAA had no such income for the year ended June 30, 2023 and 2022.

On July 1, 2009 the LHSAA adopted the provision of the Accounting for Uncertainty in Income Taxes Topic of the FASB ASC, which clarified the accounting and recognition for income tax positions taken or expected to be taken in LHSAA's income tax returns. Management evaluated LHSAA's tax positions and concluded that LHSAA had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance. LHSAA is no longer subject to income tax examinations by the U. S. federal, state or local tax authorities for tax years prior to fiscal year end 2019.

(n) Donated Services and Equipment

Donated sports equipment, merchandise, advertising, car rentals and contingent medical services are received each year primarily from sponsors. The total for the year ended June 30, 2023 and 2022 was \$244,000 and \$244,000, respectively. This in-kind donation is not recorded in the financial statements.

(2) Prepaid Expenses and Deferred Revenue

At June 30, 2023 and 2022, prepaid expenses of \$112,631 and \$2,401 represented expenses paid in advance for the fiscal year ended June 30, 2023 and 2022, respectively. These expenses are primarily for publications, events and insurance.

(3) Investment Securities

Unrealized gains and losses are included in the changes in unrestricted net assets. Investments are stated at fair value and consist primarily of money market funds, bonds, asset backed securities, and mutual funds. Accordingly, as of June 30, 2023, the Association held the following investments:

<u>Institution</u>	<u>Description</u>	<u>Cost</u>	<u>Market</u>
American Funds	Cash, money market	\$ 871,568	871,568
	Bond mutual funds	<u>250,000</u>	<u>240,156</u>
		<u>\$ 1,121,568</u>	<u>1,111,724</u>

Net investment return is summarized as follows:

Net unrealized gains on investments	<u>\$ 28,603</u>
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LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Notes to the Financial Statements

June 30, 2023 and 2022

(4) Related Party Transactions

Individuals who are on the executive council of the LHSAA are also on the executive council of the Louisiana High School Coaches Association (LHSCA), and the Louisiana High School Hall of Fame, Inc. These individuals are certain principals and coaches from the various member schools, and the LHSAA commissioners. During the year ended June 30, 2023 and 2022 the LHSCA reimbursed the LHSAA \$125,950 and \$112,098 for staff support, salary reimbursement and building utilization. During the year ended June 30, 2023 and 2022, the Hall of Fame was reimbursed by LHSAA \$981 and \$877 for staff support. At June 30, 2023, LHSCA owed the Association \$11,443 and the Association owed LHSCA \$100.

(5) Fair Values of Financial Instruments

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments.

Cash, cash equivalents: The carrying amounts reported in the statements of financial position and cash flows approximate fair value. Any cash equivalent is considered to be highly liquid with a maturity of less than three months at the purchase date.

Investment securities: These values were furnished by the outside investment advisor to the Association, valued at the report date of June 30, 2023. The fair values are based on quoted market prices for mortgage backed securities, money market funds, bond funds, and mutual funds.

(6) Retirement Plans

The Association has a 403(b) plan which is a defined contribution plan for not-for-profit entities. LHSAA matches up to 6% of employee compensation. Substantially all employees of the Association participate in this plan. Contributions to this plan amounted to \$36,717 and \$51,958 for the years ending June 30, 2023 and 2022, respectively.

One Association employee participates in the Teachers Retirement System of Louisiana (the "System"), which is a cost-sharing, multiple-employer public employee retirement system. The System is administered and controlled at the state level by a separate board of trustees, with contribution rates and benefit provisions approved by the Louisiana Legislature. With respect to the Teachers' Retirement Regular Plan, normal retirement is at age 60 with 10 years of service, or at any age with 20 years of service. The formula for annual maximum retirement benefits is generally 2% (with less than 25 years of service) or 2.5% (with 25 or more year of service) times the years of creditable service times the average salary of the 36 highest successive months (plus \$300 applicable to persons becoming members prior to July 1, 1986).

Contributions to the System plan are determined by state statute or are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2023, for the employer and covered employees were as follows:

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Notes to the Financial Statements

June 30, 2023 and 2022

	<u>Employer</u>	<u>Employee</u>
Teachers' Retirement System		
Regular Plan	24.8%	8%

Contributions to this plan amounted to \$17,503 and \$20,137 for the years ending June 30, 2023 and 2022, respectively.

No pension liability is recorded in the financial statements because the participating employee is nearing retirement age and at retirement, the Association will not be required to fund the pension liability. Instead, the liability will be reallocated to the remaining participating employers in the System.

(7) Property and Equipment

At June 30, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 281,556	223,156
Vehicles	123,796	123,796
Office building and improvements	3,131,467	3,102,851
Land	<u>350,000</u>	<u>350,000</u>
	3,886,819	240,156
Less: accumulated depreciation	<u>(1,521,725)</u>	<u>(1,365,260)</u>
	<u>\$ 2,365,094</u>	<u>2,434,543</u>

Depreciation expense was \$159,392 and \$136,073 for the years ending June 30, 2023 and 2022, respectively.

(8) Availability of Resources and Liquidity

As of June 30, 2023, the Association has \$3,700,859 available within one year of the balance sheet date to meet cash needs for general expenses. This amount consists of cash of \$2,538,860, accounts receivable of \$50,275, and investments of \$1,111,724.

As of June 30, 2022, the Association has \$2,619,667 available within one year of the balance sheet date to meet cash needs for general expenses. This amount consists of cash of \$1,079,933, accounts receivable of \$456,613, and investments of \$1,083,121.

(9) Restatement and Prior Period Adjustment

The Association determined that certain adjustments were required to the prior period financial statements and has restated the financial statements for the year ending June 30, 2022. These adjustments include a decrease to the prior period beginning net assets of \$99,563 to reflect accounts receivable that should have been written off in the year ending June 30, 2021, the recording of bad debt expense in the prior period of \$28,271 for accounts receivables that should have been written off in year ending June 30, 2022, and an increase to accounts receivable of \$192,495 for an amount that should have been included in accounts receivable at June 30, 2022.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION

Notes to the Financial Statements

June 30, 2023 and 2022

(10) Subsequent Events

Management has evaluated subsequent events thru November 28, 2023 which is the date the financial statements were available to be issued.