

FINANCIAL REPORT

**Louisiana High School Athletic Association
Baton Rouge, Louisiana**

June 30, 2021

**Michael R. Choate & Company
Certified Public Accountants**

FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee
The Louisiana High School Athletic Association

We have audited the accompanying financial statements of The Louisiana High School Athletic Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Louisiana High School Athletic Association as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Michael R. Choate". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Michael R. Choate & Company, CPA's
November 29, 2021

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS:	2021	2020
Current assets		
Cash and cash equivalents (\$117,965 restricted)	\$ 1,218,029	\$ 690,776
Receivables due from schools and affiliate	153,926	87,568
Prepaid expenses	21,463	18,000
Investment securities	1,091,987	807,014
Total current assets	2,485,405	1,603,358
Property & Equipment, net	2,558,329	2,594,995
Other assets	7,160	7,160
Total Assets	\$ 5,050,894	\$ 4,205,513
 LIABILITIES AND NET ASSETS:		
Current liabilities		
Accounts Payable	\$ 209,449	\$ 29,289
SBA loan - PPP	260,200	260,200
SBA loan - PPP#2	257,026	-
Payroll liabilities	(12,874)	180
Other liabilities - football bond	90,000	70,000
Deferred revenue	-	3,450
Accrued expenses	47,151	55,178
Total current liabilities	850,952	418,297
Accrued unpaid leave	74,559	205,413
Total Liabilities	925,511	623,710
 NET ASSETS:		
Unrestricted - without donor restrictions	3,238,141	2,712,169
Temporary restricted - with donor restrictions	887,242	869,634
Total Net Assets	4,125,383	3,581,803
 Total Liabilities and Net Assets	\$ 5,050,894	\$ 4,205,513

The accompanying notes to financial statements are an integral part of these statements.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF ACTIVITIES**

For the years ended June 30, 2021 and 2020

CHANGES IN NET ASSETS	Without donor restrictions 2021	With donor restrictions 2021	Total 2021	Total 2020
Support and Revenue:				
Membership Dues	\$ 278,950	\$ -	\$ 278,950	\$ 279,852
Card Processing Fee	49,020	-	49,020	48,980
Sports Revenue	40,610	-	40,610	116,650
State Championship Events:		-		
State Cheer Competition	105	-	105	9,746
State Baseball Tournament	299,533	-	299,533	-
State Swim Meet	17,295	-	17,295	62,915
State Volleyball Tournament	126,160	-	126,160	111,545
State Wrestling	66,096	-	66,096	62,999
State Track	38,536	-	38,536	-
State Cross Country	36,440	-	36,440	41,151
State Softball	177,671	-	177,671	-
State Soccer	88,106	-	88,106	74,371
State Golf	7,630	-	7,630	-
State Gymnastics	3,100	-	3,100	-
State Tennis	25,300	-	25,300	-
State Powerlifting	28,881	-	28,881	-
Bowling	3,131	-	3,131	-
State Football	674,463	-	674,463	812,108
State Basketball	565,977	-	565,977	358,051
Registration and Entry Fees	-	-	-	89,795
Marketing and Promotion:		-		
Broadcasting	155,060	-	155,060	112,335
Corporate Sponsorships	806,238	-	806,238	874,000
Other	2,072	-	2,072	51,240
Trophy Commission	-	-	-	2,760
Scholarships	-	-	-	-
Fines and Hearings	196,664	-	196,664	81,136
Net Investment Return	84,972	-	84,972	41,811
Officiating	209,460	-	209,460	199,265
Reimbursement - LHSCA	105,000	-	105,000	115,000
Other Income and Reimbursements	9,494	-	9,494	7,054
Total Support and Revenue	4,095,964	-	4,095,964	3,552,764
Expenses:				
Program Services	1,841,515	-	1,841,515	1,683,696
General and administrative expenses	1,728,476	-	1,728,476	2,069,956
Total Expenses	3,569,991	-	3,569,991	3,753,652
Increase (decrease) in Net Assets	525,973	-	525,973	(200,888)
	-	-	-	-
Increase (decrease) in Net Assets	525,973	-	525,973	(200,888)
Net Assets, Beginning of Year	2,712,169	869,634	3,581,803	3,764,951
Reclassifications	-	17,608	17,608	17,740
Net Assets, End of Year	\$ 3,238,142	\$ 887,242	\$ 4,125,384	\$ 3,581,803

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2021 and 2020

Program Services:	2021	2020
Annual Convention	\$ 1,094	\$ 13,640
Area Meetings	-	1,877
Classifications	-	5,000
Entry Fee Reimbursements	-	-
Executive Committee meetings	28,780	62,513
Executive Director meetings	3,119	682
National Meetings	12,606	46,255
State and National AD Meetings	-	2,132
School Visitations, Relations, Special Meetings	10,982	1,566
Hall of Fame Expenses	727	2,000
Hardship Program	2,351	5,982
Investigative Services	9,922	30,625
Officiating Services	189,894	169,136
Trophies and Plaques	4,452	63,787
Rule Books and Compliance	63,570	47,945
Scholarship Expenses	21,000	18,000
Staff Expenses	5,180	5,902
Lobbying Expenses	32,500	23,000
Marketing and Promotional Expenses:		
Royalty LRG	-	16,411
LHSCA & LFCA sponsorships	8,947	8,000
OMS Sponsorship	100,000	150,000
Media	3,250	5,676
100 Year Celebration	40,710	-
Marketing - general	3,344	32,205
State Championship Events:		
State Track & cross country	44,572	19,797
State Volleyball Tournament	63,232	42,577
State Wrestling	57,105	36,787
State Powerlifting	26,256	13,282
State Football	478,948	613,106
State Soccer	40,995	40,443
State Basketball	293,737	195,244
State Cheer Competition	-	1,570
State Baseball	171,759	-
State Softball	76,392	-
State Golf tourney	4,116	-
State Swim Meet	16,638	6,076
State Tennis	15,700	-
Other state events, awards	9,637	2,480
Total Program Services	\$ 1,841,515	\$ 1,683,696

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2021 and 2020

General and Administrative:	<u>2021</u>	<u>2020</u>
Accounting Fees	\$ 11,200	\$ 9,500
Admin Contract Services	10,870	-
Automobile Expenses	3,354	11,320
Bad Debt Expense	66,369	47,317
Bank & investment charges	4,450	5,875
Building Maintenance	64,647	38,907
Computer & Technology	91,294	100,021
Depreciation	114,782	115,617
Donations	2,286	-
Dues and Subscriptions	3,458	2,880
Equipment Leases & Maintenance	50,663	52,739
Rent	1,156	-
Insurance- Health, Liab, General etc	176,528	139,651
Legal services - Handbook	5,253	25,544
Legal services	16,288	97,912
Miscellaneous Expenses	2,964	4,557
Office Expenses	12,801	27,013
Payroll and Related Expenses	1,112,721	1,269,143
Payroll - vacation & leave	(130,854)	(15,781)
Payroll - Retirement Plan Contribution	35,658	62,614
Postage Expense	12,516	9,512
Telephone Expense	35,772	44,064
Utilities Expense	24,300	21,551
Total General and Administrative	<u>\$ 1,728,476</u>	<u>\$ 2,069,956</u>

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Increase (Decrease) in unrestricted and temporary restricted net assets	\$ 525,973	\$ (200,888)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,782	115,617
Investment return, net	(84,972)	(41,811)
Decrease (Increase) in operating assets		
Accounts receivable	(66,358)	64,049
Other receivables	-	-
Prepaid Expenses	(3,463)	16,906
Other assets	-	47,650
(Decrease) Increase in operating liabilities		
Payroll liabilities	(13,054)	180
Accrued unpaid leave	(130,854)	(15,781)
Accounts payable and accrued expenses	172,133	(52,807)
Deferred revenue and other liabilities	14,157	17,040
Net cash (used) provided by operating activities	528,344	(49,845)
Cash Flows From Investing Activities:		
Investment return, net	84,972	41,811
Sale (Purchase) of investment securities	(284,973)	(91,811)
Purchases of property, furniture and equipment	(78,116)	(2,211)
Net cash (used) by investing activities	(278,117)	(52,211)
Cash Flows From Financing Activities:		
Loan proceeds - PPP loan #2	257,026	260,200
Football bond	20,000	10,000
Net cash provided by financing activities	277,026	270,200
Net increase in cash and equivalents	527,253	168,144
Beginning cash and cash equivalents	690,776	522,632
Ending cash and cash equivalents	\$ 1,218,029	\$ 690,776
Additional disclosure:		
Interest paid	\$ -	\$ -

The accompanying notes to financial statements are an integral part of these statements.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

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.

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, 2021, the Association has classes of net assets with and without restrictions.

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.

Reclassifications

Certain revenue and expense items for the year ended June 30, 2020 have been reclassified for comparison purposes.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

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.

Functional Expenses

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

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.

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.

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.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

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.

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.

Allowance for Doubtful Accounts

Accounts receivable deemed uncollectible are written off using the direct write off method. During June 30, 2021 and 2020 accounts receivable of \$66,647 and \$47,314 were written off and recorded as bad debt.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

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, 2021 and 2020.

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 2018.

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, 2021 and 2020 was \$244,000 and \$244,000. This in-kind donation is not recorded in the financial statements.

2. PREPAID EXPENSES AND DEFERRED REVENUE

At June 30, 2021 and 2020, prepaid expenses of \$21,463 and \$18,000 represented expenses paid in advance for the fiscal year ended June 30, 2022 and 2021. These expenses are primarily for publications, events and insurance.

At June 30, 2021 and 2020 deferred revenue of \$117,965 and \$103,763 was reclassified as temporarily restricted net assets and represented primarily receipts received in advance for the arbitration fund for the fiscal year ended June 30, 2021 and 2020.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

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, 2021, the Association held the following investments:

<u>Institution</u>	<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>
American Funds	Cash, money market	\$ 842,406	\$ 842,406
	High Yield Bond fund	-	-
	Bond Mutual funds	250,000	249,581
	Equity Mutual Funds	-	-
		<u>\$ 1,092,406</u>	<u>\$ 1,091,987</u>
Net investment return is summarized as follows:			
	Interest and Dividends Income		\$ 21,505
	Net Realized/Unrealized Gains/(Losses)		<u>63,467</u>
	Total Net Investment Income		<u>\$ 84,972</u>

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, 2021 and 2020 the LHSCA reimbursed the LHSAA \$105,000 and \$115,000 for staff support, salary reimbursement and building utilization. During the year ended June 30, 2021 and 2020, the Hall of Fame was reimbursed by LHSAA \$727 and \$2,000 for staff support.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

5. LEASE COMMITMENTS

The Association leases office equipment for rental periods of 60 months. Annual minimum lease payments are due as follows:

June 30, 2022	\$54,120
2023	\$54,120

6. 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, 2021. The fair values are based on quoted market prices for mortgage backed securities, money market funds, bond funds, and mutual funds.

7. CONTINGENCIES AND LOSSES

CONTINGENCIES AND LOSSES – COVID 19

A world-wide pandemic has caused severe economic and health damage to the U.S. beginning mid-March 2020. According to John Hopkins, as of the date of this report over 45 million U.S cases have been confirmed with over 700,000 deaths. The Center for Disease Control and the President have issued requirements for allowing

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
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schools, businesses, and other entities to resume normal operations. The U.S Congress approved a \$2 trillion relief package in late March 2020 and additional relief packages and SBA loans have been approved.

The Governors have issued mandates and orders for their states which model the CDC phase-in guidelines. Certain businesses are allowed to be open at certain % of capacity. Schools were closed as of March 13, 2020 and virtual learning was established. Restaurants and retail are finally open in most states nationwide. Hospitality, amusements, sporting events, airlines and cruise lines have been hardest hit by these restrictions.

In this environment, the LHSAA has experienced sporting event cancellations beginning March 15, 2020 thru June 30, 2020. Basketball was limited while baseball, track, golf, gymnastics, tennis, cheer and others were cancelled. The related revenue and expenses were also cancelled.

Accounts receivable bad debts have also increased. Two SBA Payroll Protection loans of \$260,200 and \$257,026 were obtained to help offset these losses.

These loans are part of the SBA relief program and are expected to be forgiven.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

8. DEFINED BENEFIT PENSION PLAN

Substantially all of the LHSAA full-time employees hired before July 1, 2011 participate 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).

The Association also has a 403(b) plan which is a defined contribution plan for not-for-profit entities. LHSAA matches up to 6% of employee compensation.

Contributions to the plans 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, 2021, for the employer and covered employees were as follows:

	<u>Employer</u>	<u>Employee</u>
Teachers’ Retirement System:		
Regular Plan – June 30, 2021	26.3%	8%

Total contributions for 2021 and 2020 were \$40,117 and \$62,614.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021

9. PROPERTY AND EQUIPMENT, NET

At June 30, 2021 property and equipment consisted of the following:

Furniture & Equipment	\$ 210,869
Vehicles	123,796
Office building & improvements	3,102,851
Land	350,000
	<u>3,787,516</u>
Less Accumulated Depreciation	<u>(1,229,187)</u>
Property and Equipment, Net	<u>\$ 2,558,329</u>

Depreciation expense was \$114,782 and \$115,617 for the years June 30, 2021 and 2020.

10. AVAILABILITY OF RESOURCES AND LIQUIDITY

The Association has \$2,469,942 available within one year of the balance sheet date to meet cash needs for general expenses consisting of cash \$1,218,029; Accounts receivable \$153,926 and Investments of \$1,091,987.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

11. SUBSEQUENT EVENTS

COVID-19 PANDEMIC – Subsequent to year end June 30, 2021 the Covid-19 Pandemic is still significantly impacting the economy and health. In Louisiana, schools and related activities were closed during the summer of 2020. Schools opened in September 2020 and sporting events such as football started in early October 2020 with minimal fan attendance allowed. Other sporting events are scheduled but at reduced fan attendance.

The overall financial impact of the pandemic on the LHSAA cannot be known at this time.

In addition to COVID-19, the Association has had to deal with disruptions from four hurricanes that struck Louisiana from June 30, 2020 to the date of this report.

Certain events had to be moved or rescheduled and negatively impacted financial results.

Management has evaluated other subsequent events thru November 29, 2021 which is the date the financial statements were available to be issued. No other events have occurred which would require additional disclosure in these financial statements.