

FINANCIAL REPORT

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

June 30, 2022

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

FINANCIAL REPORT

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

June 30, 2022

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

Opinion

We have audited the financial statements of Louisiana High School Athletic Association which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, changes in net assets, 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 Louisiana High School Athletic Association as of June 30, 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 Louisiana High School Athletic 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.

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. 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 Louisiana High School Athletic Association's ability to continue as a going concern for the twelve-month period ending November 2, 2023.

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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 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 Louisiana High School Athletic 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.



Michael R. Choate & Company CPAs
Baton Rouge, LA
November 16, 2022

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS:	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents (\$119,951 restricted)	\$ 1,068,041	\$ 1,218,029
Receivables due from schools and affiliate	444,923	153,926
Prepaid expenses	2,401	21,463
Investment securities	1,083,121	1,091,987
Total current assets	<u>2,598,486</u>	<u>2,485,405</u>
Property & Equipment, net	2,434,543	2,558,329
Other assets	13,957	7,160
Total Assets	<u>\$ 5,046,986</u>	<u>\$ 5,050,894</u>
 LIABILITIES AND NET ASSETS:		
Current liabilities		
Accounts Payable	\$ 46,062	\$ 209,449
SBA loan - PPP	-	260,200
SBA loan - PPP#2	-	257,026
Payroll liabilities	(14,702)	(12,874)
Other liabilities - football bond	70,000	90,000
Deferred revenue	(100)	-
Due to Affiliates	52,900	-
Accrued expenses	47,151	47,151
Total current liabilities	<u>201,311</u>	<u>850,952</u>
Accrued unpaid leave	252,296	74,559
Total Liabilities	<u>453,607</u>	<u>925,511</u>
 NET ASSETS:		
Unrestricted - without donor restrictions	3,706,137	3,238,141
Temporary restricted - with donor restrictions	887,242	887,242
Total Net Assets	<u>4,593,379</u>	<u>4,125,383</u>
Total Liabilities and Net Assets	<u>\$ 5,046,986</u>	<u>\$ 5,050,894</u>

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, 2022 and 2021

	Without donor restrictions 2022	With donor restrictions 2022	Total 2022	Total 2021
CHANGES IN NET ASSETS				
Support and Revenue:				
Membership Dues	\$ 267,758	\$ -	\$ 267,758	\$ 278,950
Card Processing Fee	53,243	-	53,243	49,020
Sports Revenue	104,830	-	104,830	40,610
State Championship Events:				
State Cheer Competition	-	-	-	105
State Baseball Tournament	214,633	-	214,633	299,533
State Swim Meet	60,480	-	60,480	17,295
State Volleyball Tournament	179,205	-	179,205	126,160
State Wrestling	93,169	-	93,169	66,096
State Track	29,790	-	29,790	38,536
State Cross Country	61,960	-	61,960	36,440
State Softball	158,028	-	158,028	177,671
State Soccer	72,154	-	72,154	88,106
State Golf	5,350	-	5,350	7,630
State Gymnastics	3,845	-	3,845	3,100
State Tennis	31,825	-	31,825	25,300
State Powerlifting	32,614	-	32,614	28,881
Bowling	2,600	-	2,600	3,131
State Football	893,808	-	893,808	674,463
State Basketball	211,625	-	211,625	565,977
Registration and Entry Fees	119,490	-	119,490	-
Marketing and Promotion:				
Broadcasting	151,405	-	151,405	155,060
Corporate Sponsorships	730,600	-	730,600	806,238
Other	3,205	-	3,205	2,072
Trophy Commission	1,610	-	1,610	-
Fines and Hearings	139,561	-	139,561	196,664
Net Investment Return	(8,866)	-	(8,866)	84,972
Officiating	184,912	-	184,912	209,460
Reimbursement - LHSCA	112,098	-	112,098	105,000
Other income - PPP loan forgiveness	517,226	-	517,226	-
Other Income and Reimbursements	12,016	-	12,016	9,494
Total Support and Revenue	4,440,173	-	4,440,173	4,095,964
Expenses:				
Program Services	1,956,282	-	1,956,282	1,841,515
General and administrative expenses	2,015,896	-	2,015,896	1,728,476
Total Expenses	3,972,178	-	3,972,178	3,569,991
Increase (decrease) in Net Assets	467,995	-	467,995	525,973
	-	-	-	-
Increase (decrease) in Net Assets	467,995	-	467,995	525,973
Net Assets, Beginning of Year	3,238,142	887,242	4,125,384	3,581,803
Reclassifications	-	-	-	17,608
Net Assets, End of Year	\$ 3,706,137	\$ 887,242	\$ 4,593,379	\$ 4,125,384

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, 2022 and 2021

Program Services:	2022	2021
Annual Convention	\$ 28,820	\$ 1,094
Area Meetings	741	-
Classifications	3,292	-
Entry Fee Reimbursements	-	-
Executive Committee meetings	62,694	28,780
Executive Director meetings	273	3,119
National Meetings	117,931	12,606
State and National AD Meetings	-	-
School Visitations, Relations, Special Meetings	1,255	10,982
Hall of Fame Expenses	877	727
Hardship Program	6,152	2,351
Investigative Services	23,756	9,922
Officiating Services	151,743	189,894
Trophies and Plaques	13,033	4,452
Rule Books and Compliance	67,387	63,570
Scholarship Expenses	3,000	21,000
Staff Expenses	3,925	5,180
Lobbying Expenses	30,146	32,500
Marketing and Promotional Expenses:	-	-
Royalty LRG	-	-
LHSCA & LFCA sponsorships	-	8,947
OMS Sponsorship	105,938	100,000
Media	10,984	3,250
100 Year Celebration	-	40,710
Marketing - general	1,234	3,344
State Championship Events:	-	-
State Track & cross country	47,950	44,572
State Volleyball Tournament	45,909	63,232
State Wrestling	73,486	57,105
State Powerlifting	39,682	26,256
State Football	633,731	478,948
State Soccer	32,399	40,995
State Basketball	182,234	293,737
State Cheer Competition	-	-
State Baseball	147,344	171,759
State Softball	76,470	76,392
State Golf tourney	5,139	4,116
State Swim Meet	15,017	16,638
State Tennis	16,820	15,700
Other state events, awards	6,921	9,637
Total Program Services	\$ 1,956,282	\$ 1,841,515

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, 2022 and 2021

General and Administrative:	2022	2021
Accounting Fees	\$ 19,447	\$ 11,200
Admin Contract Services	-	10,870
Automobile Expenses	8,688	3,354
Bad Debt Expense	105	66,369
Bank & investment charges	8,365	4,450
Building Maintenance	70,166	64,647
Computer & Technology	118,716	91,294
Depreciation	136,073	114,782
Donations	-	2,286
Dues and Subscriptions	6,083	3,458
Equipment Leases & Maintenance	49,138	50,663
Rent	1,022	1,156
Insurance- Health, Liab, General etc	175,885	176,528
Legal services - Handbook	14,732	5,253
Legal services	38,920	16,288
Miscellaneous Expenses	1,705	2,964
Office Expenses	30,799	12,801
Payroll and Related Expenses	1,153,279	1,112,721
Payroll - vacation & leave	47,316	(130,854)
Payroll - Retirement Plan Contribution	67,748	35,658
Postage Expense	9,540	12,516
Telephone Expense	32,230	35,772
Utilities Expense	25,939	24,300
Total General and Administrative	\$ 2,015,896	\$ 1,728,476

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, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities:		
Increase (Decrease) in unrestricted and temporary restricted net assets	\$ 467,995	\$ 525,973
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	136,073	114,782
Forgiveness of PPP loan	(517,226)	
Investment return, net	8,866	(84,972)
Decrease (Increase) in operating assets		
Accounts receivable	(290,997)	(66,358)
Prepaid Expenses	19,062	(3,463)
Other assets	(6,796)	-
(Decrease) Increase in operating liabilities		
Payroll liabilities	(1,828)	(13,054)
Accrued unpaid leave	177,737	(130,854)
Accounts payable and accrued expenses	(163,387)	172,133
Deferred revenue and other liabilities	-	14,157
Net cash (used) provided by operating activities	(170,501)	528,344
Cash Flows From Investing Activities:		
Investment return, net	(8,866)	84,972
Sale (Purchase) of investment securities	8,866	(284,973)
Purchases of property, furniture and equipment	(12,287)	(78,116)
Net cash (used) by investing activities	(12,287)	(278,117)
Cash Flows From Financing Activities:		
Loan proceeds - PPP loan #2	-	257,026
Due to affiliate	52,900	-
Football bond	(20,100)	20,000
Net cash provided by financing activities	32,800	277,026
Net increase in cash and equivalents	(149,988)	527,253
Beginning cash and cash equivalents	1,218,029	690,776
Ending cash and cash equivalents	\$ 1,068,041	\$ 1,218,029
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, 2022

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, 2022, 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 prior year ended June 30, 2021 have been reclassified for comparison purposes.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

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, 2022**

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, 2022 and 2021 accounts receivable of \$105 and \$66,369 were written off and recorded as bad debt.

LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022

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, 2022 and 2021.

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.

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, 2022 and 2021 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 2021, prepaid expenses of \$2,401 and \$21,463 represented expenses paid in advance for the fiscal year ended June 30, 2023 and 2022. These expenses are primarily for publications, events and insurance.

At June 30, 2022 and 2021 deferred revenue of \$119,951 and \$117,965 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, 2022 and 2021.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022**

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, 2022, the Association held the following investments:

<u>Institution</u>	<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>
American Funds	Cash, money market	\$ 843,543	\$ 843,543
	High Yield Bond fund	-	-
	Bond Mutual funds	250,000	239,578
	Equity Mutual Funds	-	-
		<u>\$ 1,093,543</u>	<u>\$ 1,083,121</u>

Net investment return is summarized as follows:

Interest and Dividends Income	\$ 2,735
Net Realized/Unrealized Gains/(Losses)	(11,601)
Total Net Investment Income	<u>\$ (8,866)</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, 2022 and 2021 the LHSCA reimbursed the LHSAA \$112,098 and \$105,000 for staff support, salary reimbursement and building utilization. During the year ended June 30, 2022 and 2021, the Hall of Fame was reimbursed by LHSAA \$877 and \$727 for staff support. At June 30, 2022, LHSCA owed the Association \$196,266 and the Association owed LHSCA \$47,250.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022**

5. LEASE COMMITMENTS

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

June 30, 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, 2022. 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 caused severe economic and health damage to the U.S. beginning mid-March 2020.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022**

In this environment, the LHSAA 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. Normal operations began to return for year ended June 30, 2021.

Accounts receivable bad debts 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 have been forgiven and reported as other income for the year ended June 30, 2022.

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).

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022**

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, 2022, for the employer and covered employees were as follows:

	<u>Employer</u>	<u>Employee</u>
Teachers' Retirement System:		
Regular Plan – June 30, 2022	26.3%	8%

Total contributions for 2022 and 2021 were \$20,137 and \$40,117.

9. PROPERTY AND EQUIPMENT, NET

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

Furniture & Equipment	\$	223,156
Vehicles		123,796
Office building & improvements		3,102,851
Land		350,000
		3,799,803
Less Accumulated Depreciation		(1,365,260)
Property and Equipment, Net		\$ 2,434,543

Depreciation expense was \$136,073 and \$114,782 for the years June 30, 2022 and 2021.

**LOUISIANA HIGH SCHOOL ATHLETIC ASSOCIATION
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2022**

10. AVAILABILITY OF RESOURCES AND LIQUIDITY

The Association has \$2,596,085 available within one year of the balance sheet date to meet cash needs for general expenses consisting of cash \$1,068,041; Accounts receivable \$444,923 and Investments of \$1,083,121.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the Association received Employee Retention Tax Credits (ERTC) totaling \$380,855.

Management has evaluated subsequent events thru November 2, 2022 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.