

**NORTH CAROLINA HIGH SCHOOL  
ATHLETIC ASSOCIATION, INC.**

Chapel Hill, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for the  
Year Ended June 30, 2014)

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**BLACKMAN  
& SLOOP**  
CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
North Carolina High School  
Athletic Association, Inc.  
Chapel Hill, North Carolina

We have audited the accompanying financial statements of North Carolina High School Athletic Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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.

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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 North Carolina High School Athletic Association, Inc., as of June 30, 2015, 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.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Blackman & Sloop*

Chapel Hill, North Carolina  
November 24, 2015

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## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

EXHIBIT A

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ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 9,035,241	\$ 9,888,794
Investments	9,022,888	8,665,858
Grant receivable	68,322	19,671
Corporate sponsors receivable	104,047	204,861
Other receivables	94,528	29,383
Prepaid expenses	58,571	48,101
	<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>	18,383,597	18,856,668
	<hr/>	<hr/>
<b>PROPERTY AND EQUIPMENT, NET</b>	1,575,202	567,674
	<hr/>	<hr/>
<b>OTHER ASSETS:</b>		
Investments	12,439,511	11,779,856
Agency cash	62,668	62,668
Cash surrender values - life insurance	2,310,718	2,249,909
	<hr/>	<hr/>
<b>TOTAL OTHER ASSETS</b>	14,812,897	14,092,433
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 34,771,696</u>	<u>\$ 33,516,775</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

EXHIBIT A

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LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 1,409,334	\$ 823,940
Accrued vacation	83,335	66,919
Deferred revenue	236,955	234,930
Agency funds	62,668	62,668
Current portion of long-term debt	195,242	190,211
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,987,534</u>	<u>1,378,668</u>
<b>LONG-TERM LIABILITIES:</b>		
Loan payable, net of current portion	614,731	809,789
<b>TOTAL LIABILITIES</b>	<u>2,602,265</u>	<u>2,188,457</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Board designated	7,930,951	8,483,164
Undesignated	11,718,826	10,972,022
Temporarily restricted	80,143	93,276
Permanently restricted	12,439,511	11,779,856
<b>TOTAL NET ASSETS</b>	<u>32,169,431</u>	<u>31,328,318</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 34,771,696</u>	<u>\$ 33,516,775</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Year Ended June 30, 2015  
 (With Comparative Totals for the Year Ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Totals	2014 Totals
<b>SUPPORT AND REVENUE:</b>					
Playoffs	\$ 1,539,460	\$ -	\$ -	\$ 1,539,460	\$ 1,449,848
Contributions	1,544,103	22,793	659,655	2,226,551	2,065,111
In-kind contributions	112,493	-	-	112,493	204,848
Government grants and contracts	-	298,434	-	298,434	322,413
Officials' registrations	465,700	-	-	465,700	426,789
Membership dues	370,691	-	-	370,691	363,199
Fines, insurance administration, and other	636,565	-	-	636,565	598,351
Programs, books, and directories	45,822	-	-	45,822	46,613
Unrealized (losses) gains on investments	(1,081,268)	-	-	(1,081,268)	1,259,006
Realized gains	961,975	-	-	961,975	1,056,873
Investment income	744,220	-	-	744,220	670,195
Change in cash surrender value - life insurance	60,809	-	-	60,809	45,358
	5,400,570	321,227	659,655	6,381,452	8,508,604
Net assets released from restrictions	334,360	(334,360)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>5,734,930</b>	<b>(13,133)</b>	<b>659,655</b>	<b>6,381,452</b>	<b>8,508,604</b>
<b>EXPENSES:</b>					
Program services	4,336,278	-	-	4,336,278	4,007,456
Supporting services:					
General and administrative	853,614	-	-	853,614	890,939
Fundraising	350,447	-	-	350,447	274,729
Total supporting services	1,204,061	-	-	1,204,061	1,165,668
<b>TOTAL EXPENSES</b>	<b>5,540,339</b>	<b>-</b>	<b>-</b>	<b>5,540,339</b>	<b>5,173,124</b>
<b>CHANGES IN NET ASSETS</b>	<b>194,591</b>	<b>(13,133)</b>	<b>659,655</b>	<b>841,113</b>	<b>3,335,480</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>19,455,186</b>	<b>93,276</b>	<b>11,779,856</b>	<b>31,328,318</b>	<b>27,992,838</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 19,649,777</b>	<b>\$ 80,143</b>	<b>\$ 12,439,511</b>	<b>\$ 32,169,431</b>	<b>\$ 31,328,318</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

EXHIBIT C

For the Year Ended June 30, 2015  
 (With Comparative Totals for the Year Ended June 30, 2014)

	Program Services	General and Administrative	Fundraising	2015 Totals	2014 Totals
Salaries and benefits	\$ 778,105	\$ 309,094	\$ 201,299	\$ 1,288,498	\$ 1,340,428
Payments to schools	969,133	-	-	969,133	641,848
Team expenses	951,910	-	-	951,910	932,472
Insurance	471,000	52,333	-	523,333	458,780
Gate receipts distribution	305,882	-	-	305,882	279,359
Office expense and supplies	118,755	76,092	8,358	203,205	191,503
Investment fees	-	199,483	-	199,483	194,829
Printing, publications, and programs	142,557	9,808	18,125	170,490	176,088
Awards	163,167	-	-	163,167	155,423
Other expenses	52,646	33,116	72,950	158,712	273,644
Meetings expense	91,353	22,838	2,251	116,442	101,870
Workshops	95,133	-	-	95,133	106,933
Professional services	19,928	59,786	-	79,714	75,761
Depreciation	39,310	39,311	-	78,621	68,529
Contract services	50,000	-	-	50,000	66,000
Advertising	-	-	45,000	45,000	10,970
Temporary office space	23,227	10,720	1,787	35,734	-
Telephone and utilities	23,227	4,099	-	27,326	36,210
Hall of Fame	22,944	-	-	22,944	16,119
Interest expense	-	22,558	-	22,558	1,320
Travel	7,673	5,116	677	13,466	16,659
Building and grounds maintenance	1,029	9,260	-	10,289	17,731
Vehicle expense	9,299	-	-	9,299	10,648
Total expenses	<u>\$ 4,336,278</u>	<u>\$ 853,614</u>	<u>\$ 350,447</u>	<u>\$ 5,540,339</u>	<u>\$ 5,173,124</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

EXHIBIT D

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 841,113	\$ 3,335,480
Adjustments to reconcile changes in net assets to net cash provided by operations:		
Depreciation	78,621	68,529
Increase in cash surrender values of life insurance	(60,809)	(45,358)
Increase in values of annuity investments	(19,804)	(191,871)
Permanently restricted contributions	(659,655)	(690,140)
Realized gains on investments	(950,756)	(1,058,972)
Realized (gain) loss on sale of property and equipment	(11,219)	2,099
Unrealized losses (gains) on investments	1,081,268	(1,259,006)
Increase (decrease) in cash arising from changes in assets and liabilities:		
Grant receivable	(48,651)	(10,860)
Corporate sponsors receivable	100,814	103,966
Other receivables	(65,145)	(11,048)
Prepaid expenses	(10,470)	50,262
Accounts payable and accrued expenses	585,394	624,702
Accrued vacation	16,416	4,940
Deferred revenue	2,025	68,738
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>879,142</u>	<u>991,461</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(1,110,007)	(133,630)
Proceeds from sale of equipment	35,076	14,114
Proceeds from sale of investments	5,717,995	7,150,366
Purchase of investments	<u>(6,845,387)</u>	<u>(10,765,118)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(2,202,323)</u>	<u>(3,734,268)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from loan	-	1,000,000
Payments on loan	(190,027)	-
Permanently restricted contributions	<u>659,655</u>	<u>690,140</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>469,628</u>	<u>1,690,140</u>
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	(853,553)	(1,052,667)
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	<u>9,888,794</u>	<u>10,941,461</u>
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<u>\$ 9,035,241</u>	<u>\$ 9,888,794</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid	<u>\$ 22,558</u>	<u>\$ 1,320</u>
Non cash transactions:		
In-kind contributions	<u>\$ 112,493</u>	<u>\$ 204,848</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.****NOTES TO FINANCIAL STATEMENTS**

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**ORGANIZATION**

The North Carolina High School Athletic Association, Inc. (the "Organization") was organized in 1913 and incorporated pursuant to the laws of the state of North Carolina. The Organization's programs consist of administering the state's interscholastic programs for its member high schools in North Carolina; the education and training of officials of high school athletic events; and the administration of chemical awareness and substance abuse education programs for high school students, teachers, and administrators.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Accounting.**

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If restricted contributions are expended in the same period as when they were received, the support is classified as unrestricted.

**B. Cash and Equivalents.**

Cash and equivalents include cash and money market investment funds.

**C. Investments.**

Investments in marketable securities are stated at their fair market value based on readily available published fair market values. Donated securities are recorded at their fair market value at the date of gift.

**D. Receivables.**

Accounts, grants, corporate sponsorship, and other receivables are recorded at their net realizable value. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. No allowance has been recorded at June 30, 2015 and 2014, based on management's estimated collectability of these receivables.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## E. Property and Equipment.

Property and equipment are stated at cost when purchased and at fair market value on the date of the gift when donated. Property and equipment are capitalized if their lives are expected to be greater than one year and their cost exceeds \$500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

## F. Promises to Give.

Unconditional promises to give are recognized as support and assets in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. An allowance for uncollectible promises is calculated based on management's estimate.

## G. Net Assets.

*Unrestricted* - Resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

*Temporarily Restricted* - Resources that carry a donor-imposed restriction requiring the Organization to use or expend the donated assets as specified by the donor. The restrictions are satisfied by the passage of time or by actions of the Organization.

*Permanently Restricted* - Resources that carry a donor-imposed restriction that stipulates donated assets be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets.

## H. Contributions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## I. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## J. Income Tax.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. If applicable, penalties and interest assessed by income taxing authorities are included in general and administrative expenses. Management evaluated tax positions for its tax returns, and concluded that there are no uncertain tax positions, and believes there is no income tax effect on the financial statements.

**CASH AND EQUIVALENTS**

At times, the Organization places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Organization has not experienced any financial loss related to such deposits.

**INVESTMENTS**

Investments consist of the following at June 30, 2015:

	Cost	Market	Unrealized Gain
Mutual funds	\$ 9,189,547	\$ 9,598,025	\$ 408,478
Annuity contracts	1,719,068	1,719,068	-
Equity securities	8,060,428	9,559,429	1,499,001
ETFs and UITs	571,630	585,877	14,247
	<u>\$ 19,540,673</u>	<u>\$ 21,462,399</u>	<u>\$ 1,921,726</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**INVESTMENTS (CONTINUED)**

Investments consist of the following at June 30, 2014:

	Cost	Market	Unrealized Gain
Mutual funds	\$ 8,109,864	\$ 9,000,487	\$ 890,623
Annuity contracts	1,699,264	1,699,264	-
Equity securities	7,334,542	9,410,521	2,075,979
ETFs and UITs	299,050	335,442	36,392
	<u>\$ 17,442,720</u>	<u>\$ 20,445,714</u>	<u>\$ 3,002,994</u>

**FAIR VALUE OF ASSETS**

U.S. GAAP defines fair value as the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price).

U.S. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets as of the reporting date.

Level 2 - Valuations based on inputs other than quoted prices, which are either directly or indirectly observable as of the reporting date, are valued at prices for similar assets or liabilities in markets not active, or determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset. Fair value for these assets is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the asset was acquired, the nature of the assets, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the asset. The inputs into the determination of fair value require significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a readily available market for these assets existed.

There were no changes during the year ending June 30, 2015, to the Organization's valuation techniques used to measure asset values on a recurring basis.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**FAIR VALUE OF ASSETS (CONTINUED)**

The following tables summarize the assets of the Foundation for which fair values are determined on a recurring basis as of June 30, 2015 and 2014. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	June 30, 2015			
Assets:	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 9,598,025	\$ -	\$ -	\$ 9,598,025
Annuity contracts	-	-	1,719,068	1,719,068
Equity securities	9,559,429	-	-	9,559,429
ETFs and UITs	585,877	-	-	585,877
	<u>\$ 19,743,331</u>	<u>\$ -</u>	<u>\$ 1,719,068</u>	<u>\$ 21,462,399</u>

  

	June 30, 2014			
Assets:	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 9,000,487	\$ -	\$ -	\$ 9,000,487
Annuity contracts	-	-	1,699,264	1,699,264
Equity securities	9,410,521	-	-	9,410,521
ETFs and UITs	335,442	-	-	335,442
	<u>\$ 18,746,450</u>	<u>\$ -</u>	<u>\$ 1,699,264</u>	<u>\$ 20,445,714</u>

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2015 and 2014:

	2015	2014
Investments, fair value beginning of year	\$ 1,699,264	\$ 1,507,393
Change in annuity valuation	19,804	191,871
Investments, fair value end of year	<u>\$ 1,719,068</u>	<u>\$ 1,699,264</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture, fixtures, and equipment	\$ 500,209	\$ 350,361
Building and improvements	1,737,155	777,374
Vehicles	121,366	120,632
Renovations in process	-	60,000
	<u>2,358,730</u>	<u>1,308,367</u>
Less: accumulated depreciation	<u>(783,528)</u>	<u>(740,693)</u>
	<u>\$ 1,575,202</u>	<u>\$ 567,674</u>

**LOAN PAYABLE**

The Organization borrowed \$1 million in June 2014 to pay for renovations to its office building. Principal and interest payments amount to \$17,825 per month, with interest calculated at 2.64% per annum. The loan matures June 2019. Principal prepayment is allowed, however it is subject to a prepayment fee as described in the loan agreement. The fair value of the loan payable approximates the carrying value. Future minimum principal payments as of June 30, 2015, are as follows:

<u>June 30,</u>	
2016	\$ 195,242
2017	\$ 200,085
2018	\$ 205,432
2019	\$ 209,214

**CONDITIONAL PROMISES TO GIVE**

Conditional promises to give at June 30, 2015 and 2014, total approximately \$1 million and \$430,000, respectively. These conditional promises to give, which are predominantly for specific championship events and all-star games, are not recognized in the accompanying financial statements. They will be recognized when the conditions upon which they depend are substantially met.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted and permanently restricted net assets at June 30 consist of the following:

	<u>2015</u>	<u>2014</u>
Temporarily restricted net assets:		
Mylan grant	\$ 10,170	\$ 10,170
Tony Webb Coach of the Year Award	10,767	13,137
Gaine Student Scholarships	18,970	20,900
Clary Medal Awards	16,970	18,900
Charlie Adams Endowed Scholarship	6,912	8,750
Scholar Athletes Scholarship	2,758	8,768
Tony Cullen Memorial Fund	5,676	5,247
Dave Harris Athletic Director Award	5,486	5,094
Tony Cullen Expendable	2,310	2,310
McGee Scholarship	119	-
McGee Expendable	5	-
	<u>80,143</u>	<u>93,276</u>
Temporarily restricted net assets	<u>\$ 80,143</u>	<u>\$ 93,276</u>
Permanently restricted net assets:		
Endowment	\$ 11,874,499	\$ 11,223,756
Hall of Fame Endowment	120,165	115,970
Tony Webb Coach of the Year Award	78,970	78,720
Gaine Student Scholarships	100,000	100,000
Clary Medal Awards	100,000	100,000
Charlie Adams Endowed Scholarship	56,280	56,155
Scholar Athletes Scholarship	60,944	59,844
Tony Cullen Memorial Fund	22,397	20,705
Dave Harris Athletic Director Award	18,936	18,936
McGee Scholarship	7,320	5,770
	<u>12,439,511</u>	<u>11,779,856</u>
Permanently restricted net assets	<u>\$ 12,439,511</u>	<u>\$ 11,779,856</u>



## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**ENDOWMENTS**

The Organization's endowments were established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**ENDOWMENTS (CONTINUED)***Strategies Employed For Achieving Objectives*

The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization makes investments in a wide array of asset classes, including, but not limited to, stocks, mutual funds and cash equivalents.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that SPMIFA requires to retain as a fund of perpetual duration. There were no endowments below the required amounts at year-end.

The changes in endowment net assets for the year ended June 30, 2015, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 8,483,164	\$ 80,796	\$ 11,779,856	\$ 20,343,816
Investment return:				
Income (loss)	(556,611)	9,112	-	(547,499)
Net appreciation	880,735	-	-	880,735
Total investment return	324,124	9,112	-	333,236
Contributions/other revenue	392,814	-	659,655	1,052,469
Appropriation for expenditure	(1,269,151)	(22,250)	-	(1,291,401)
Transfers	-	-	-	-
Endowment net assets, end of year	<u>\$ 7,930,951</u>	<u>\$ 67,658</u>	<u>\$ 12,439,511</u>	<u>\$ 20,438,120</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**ENDOWMENTS (CONTINUED)**

The changes in endowment net assets for the year ended June 30, 2014, were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 7,213,787	\$ 29,102	\$ 11,089,716	\$ 18,332,605
Investment return:				
Income	986,643	64,694	-	1,051,337
Net appreciation	1,119,465	-	-	1,119,465
Total investment return	<u>2,106,108</u>	<u>64,694</u>	<u>-</u>	<u>2,170,802</u>
Contributions/other revenue	377,416	-	690,140	1,067,556
Appropriation for expenditure	(1,214,147)	(13,000)	-	(1,227,147)
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 8,483,164</u>	<u>\$ 80,796</u>	<u>\$ 11,779,856</u>	<u>\$ 20,343,816</u>

**PROGRAM SERVICES**

The following program services are included in the accompanying financial statements:

	<u>2015</u>	<u>2014</u>
Administration of the state's athletic program for its member schools, including the education and training of officials.	\$ 4,037,844	\$ 3,685,043
Administration of chemical awareness and substance abuse education programs for high school students, teachers, and administration.	<u>298,434</u>	<u>322,413</u>
	<u>\$ 4,336,278</u>	<u>\$ 4,007,456</u>

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**RETIREMENT PLANS**

The Organization established a 401(k) retirement plan (the "Plan") effective June 1, 2010. Employees are eligible to participate on the first day of the month following employment. The Organization provides for a safe harbor matching of each participant's deferral up to a maximum of 4% of compensation. The plan also allows for a discretionary matching contribution, and a discretionary profit sharing contribution, both of which are determined by management annually. Participants are 100% vested in the discretionary contributions after six years of service. Plan benefits are distributed upon retirement, disability, termination, or death. The Organization's share of retirement cost was \$77,832 and \$82,019, for the years ended June 30, 2015 and 2014, respectively. This includes a 2% additional discretionary matching contribution, and a 2% profit sharing contribution for each year.

**OPERATING LEASES**

The Organization was obligated under an operating lease agreement for office equipment. The monthly payment was \$3,616, and the lease was set to expire in 2016. The lease was terminated early April 2014. Total rental expense for the operating lease amounted to \$0 and \$36,160, for the years ended June 30, 2015 and 2014, respectively.

The Organization is obligated under an operating lease agreement for office equipment. The monthly payment is \$3,001, and the lease expires in 2019. Minimum future rental payments are as follows:

<u>Year Ending June 30,</u>		
2016	\$	36,009
2017		36,009
2018		36,009
2019		36,009
2020		3,001
		<u>3,001</u>
	\$	<u>147,037</u>

Rent expense for the above operating lease amounted to \$36,009 and \$6,002, for the years ended June 30, 2015 and 2014, respectively.

The Organization entered into a one-year lease agreement for temporary office space in June 2014. Rent expense under this short-term lease was \$24,095 for the year ended June 30, 2015. There was no rent expense recorded in the year ended June 30, 2014.

**DONATED SERVICES AND SUPPLIES**

Although not recognized in the accompanying financial statements, volunteers have contributed services and supplies toward the general operation and championship activities of the Organization. Certain officiating and team supplies, and travel expenses totaling \$112,493 and \$204,848, have been recognized as contributions as of June 30, 2015 and 2014, respectively.

## NORTH CAROLINA HIGH SCHOOL ATHLETIC ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**RECLASSIFICATIONS**

Certain reclassifications have been made to the 2014 financial statements in order to conform to 2015 presentation. Such reclassification had no effect on net assets.

**PRIOR YEAR INFORMATION**

The statements of activities and changes in net assets, and functional expenses include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**CONTINGENCY**

The Organization is a co-defendant in a lawsuit. Liability exposure is capped at \$1M, and would be fully covered by insurance. The Organization believes the suit is without merit and intends to vigorously defend its position. No accrual has been made in the accompanying financial statements for any possible loss.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition or disclosure through November 24, 2015, which was the date that the financial statements were available to be issued, and determined there are no events that require disclosure.