

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION  
Columbus, Ohio

Financial Statements  
For the years ended July 31, 2020 and 2019  
and Independent Auditors' Report Thereon



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Ohio High School Athletic Association  
Columbus, Ohio

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Ohio High School Athletic Association (the Association), which comprise the statements of financial position as of July 31, 2020 and 2019, the related statements of activities and change in net assets, functional expenses and cash flows for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 Association as of July 31, 2020 and 2019, and the change in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
December 21, 2020

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

	July 31	
	2020	2019
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,860,224	\$ 5,241,528
Accounts receivable	333,646	657,240
Prepaid expenses	108,059	215,332
Short-term investments	820,067	1,195,746
Total Current Assets	6,121,996	7,309,846
<b>LONG-TERM ASSETS</b>		
Investments - building fund	381,414	364,388
Pension asset	-	225,727
Property and equipment, net	1,320,115	1,398,263
Total Assets	\$ 7,823,525	\$ 9,298,224
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 50,000	\$ 100,000
Current portion of paycheck protection program loan	294,955	-
Accounts payable	301,600	791,474
Accrued employee wages and benefits	100,534	349,466
Deferred income	630,685	1,391,210
Total Current Liabilities	1,377,774	2,632,150
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	-	50,000
Paycheck protection program loan	294,955	-
Long-term accrued leave	-	70,135
Total Liabilities	1,672,729	2,752,285
<b>NET ASSETS</b>		
Without donor restrictions:		
Board-designated funds:		
Building fund	381,414	364,388
Fred Durkle Scholarship	52,780	52,238
Rossi/Denney Scholarship	53,378	52,250
Reserve fund	810,348	808,302
Total Board-Designated Funds	1,297,920	1,277,178
Undesignated	4,852,876	5,268,761
Total Net Assets	6,150,796	6,545,939
Total Liabilities And Net Assets	\$ 7,823,525	\$ 9,298,224

See accompanying notes to the financial statements.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>REVENUE AND OTHER GAINS</b>		
Tournament revenue	\$ 10,699,439	\$ 15,437,275
Other revenue	2,785,497	3,262,870
Service revenue	520,230	519,620
Other gains	<u>73,896</u>	<u>36,687</u>
Total Income	14,079,062	19,256,452
<b>EXPENSES</b>		
Program:		
Tournament expenses	9,321,339	12,856,762
Compliance expenses	587,929	590,545
Service expenses	1,068,553	1,246,454
Officiating expenses	1,238,579	1,311,891
Marketing expenses	<u>282,123</u>	<u>424,863</u>
Total Program Expenses	12,498,523	16,430,515
General and administrative expenses	<u>1,975,682</u>	<u>2,859,963</u>
Total Expenses	<u>14,474,205</u>	<u>19,290,478</u>
Change In Net Assets From Operations	(395,143)	(34,026)
<b>OTHER CHANGES IN NET ASSETS</b>		
Pension-related changes other than net periodic benefit cost	<u>-</u>	<u>(509,872)</u>
Change In Net Assets Without Donor Restrictions	(395,143)	(543,898)
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Beginning of year	<u>6,545,939</u>	<u>7,089,837</u>
End of year	<u>\$ 6,150,796</u>	<u>\$ 6,545,939</u>

See accompanying notes to the financial statements.

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OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2020

	<u>Tournament</u>	<u>Compliance</u>	<u>Service</u>	<u>Officiating</u>
Salaries	\$ 806,222	\$ 269,093	\$ 86,829	\$ 242,279
Insurance	86,681	24,019	506,996	273,875
Payroll taxes and benefits	334,215	111,137	35,861	66,554
Consultant fees	23,077	3,550	39,053	39,053
Rulebooks/officiating expense	23,603	-	160,615	196,985
Rent and leases	20,529	5,216	38,335	282,785
Office expense	44,280	44,297	44,297	44,297
Legal fees	13,832	82,991	44,262	13,832
Board travel and meetings	10,778	268	268	2,503
Miscellaneous expenses	21,385	-	-	-
Depreciation	20,717	20,716	20,716	20,716
Printing	38,319	2,784	46,172	17,867
Repair and maintenance	11,644	11,342	11,342	11,342
Clinics and meetings	-	13,302	25,608	27,198
Contract labor	29,879	-	8,537	-
Cause marketing	-	-	-	-
Pension fees	-	-	-	-
Audit fees	-	-	-	-
Contributions/donations	-	-	-	-
Other taxes and licenses	-	-	-	-
Interest expense	-	-	-	-
Net periodic pension expenses	-	-	-	-
Scholar/athlete scholarships	-	-	-	-
Workers' compensation	(2,304)	(786)	(338)	(707)
Subtotal before tournament expenses	1,482,857	587,929	1,068,553	1,238,579
Direct tournament expenses	7,838,482	-	-	-
Total	<u>\$ 9,321,339</u>	<u>\$ 587,929</u>	<u>\$ 1,068,553</u>	<u>\$ 1,238,579</u>



<u>Marketing</u>	<u>Program Total</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 57,388	\$ 1,461,811	\$ 579,723	\$ 2,041,534
5,123	896,694	57,312	954,006
23,701	571,468	265,177	836,645
57,851	162,584	370,873	533,457
-	381,203	11,903	393,106
9,447	356,312	23,511	379,823
44,297	221,468	89,074	310,542
44,262	199,179	77,459	276,638
-	13,817	142,374	156,191
-	21,385	123,926	145,311
20,716	103,581	25,895	129,476
2,336	107,478	16,957	124,435
13,777	59,447	57,929	117,376
3,292	69,400	14,814	84,214
-	38,416	4,268	42,684
-	-	39,088	39,088
-	-	37,760	37,760
-	-	27,898	27,898
-	-	4,300	4,300
-	-	3,996	3,996
-	-	3,205	3,205
-	-	-	-
-	-	-	-
(67)	(4,202)	(1,760)	(5,962)
282,123	4,660,041	1,975,682	6,635,723
-	7,838,482	-	7,838,482
<u>\$ 282,123</u>	<u>\$ 12,498,523</u>	<u>\$ 1,975,682</u>	<u>\$ 14,474,205</u>

See accompanying notes to the financial statements.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2019

	<u>Tournament</u>	<u>Compliance</u>	<u>Service</u>	<u>Officiating</u>
Salaries	\$ 817,843	\$ 265,444	\$ 101,812	\$ 236,833
Insurance	82,508	22,089	603,472	295,983
Payroll taxes and benefits	321,591	104,378	40,034	60,628
Consultant fees	21,949	3,317	37,144	37,144
Rulebooks/officiating expense	22,549	-	154,585	203,558
Rent and leases	19,430	5,164	38,228	283,228
Office expense	45,116	45,116	45,116	45,116
Legal fees	14,876	89,258	47,604	14,876
Board travel and meetings	16,614	-	-	5,402
Miscellaneous expenses	35,122	-	-	-
Depreciation	22,996	22,996	22,996	22,996
Printing	57,513	2,721	63,126	17,621
Repair and maintenance	13,577	13,040	13,040	13,040
Clinics and meetings	-	16,573	68,357	75,066
Contract labor	37,696	-	10,768	-
Cause marketing	-	-	-	-
Pension fees	-	-	-	-
Audit fees	-	-	-	-
Contributions/donations	-	-	-	-
Other taxes and licenses	-	-	-	-
Interest expense	-	-	-	-
Net periodic pension expenses	-	-	-	-
Scholar/athlete scholarships	-	-	-	-
Workers' compensation	1,383	449	172	400
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Subtotal before tournament expenses	1,530,763	590,545	1,246,454	1,311,891
	<hr/>	<hr/>	<hr/>	<hr/>
Direct tournament expenses	11,325,999	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 12,856,762</u>	<u>\$ 590,545</u>	<u>\$ 1,246,454</u>	<u>\$ 1,311,891</u>

<u>Marketing</u>	<u>Program Total</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 102,051	\$ 1,523,983	\$ 914,731	\$ 2,438,714
8,492	1,012,544	68,450	1,080,994
40,128	566,759	323,440	890,199
122,989	222,543	166,266	388,809
-	380,692	11,593	392,285
9,344	355,394	22,868	378,262
45,116	225,580	128,685	354,265
47,604	214,218	83,307	297,525
-	22,016	345,095	367,111
-	35,122	122,153	157,275
22,996	114,980	28,749	143,729
3,662	144,643	16,885	161,528
17,337	70,034	68,839	138,873
4,971	164,967	22,368	187,335
-	48,464	5,384	53,848
-	-	33,135	33,135
-	-	83,938	83,938
-	-	29,168	29,168
-	-	8,150	8,150
-	-	4,266	4,266
-	-	5,000	5,000
-	-	195,197	195,197
-	-	170,750	170,750
173	2,577	1,546	4,123
424,863	5,104,516	2,859,963	7,964,479
-	11,325,999	-	11,325,999
<u>\$ 424,863</u>	<u>\$ 16,430,515</u>	<u>\$ 2,859,963</u>	<u>\$ 19,290,478</u>

See accompanying notes to the financial statements.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JULY 31, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tournaments, sales and fees	\$ 13,568,235	\$ 19,600,404
Cash paid to suppliers and employees	(14,820,670)	(18,619,232)
Proceeds from termination of pension plan	34,343	-
Net Cash (Used In) Provided By Operating Activities	(1,218,092)	981,172
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(51,330)	(95,225)
Proceeds from sale of property and equipment	7,002	-
Purchase of investments	(8,825)	(49,770)
Proceeds from sale of investments	400,031	40,427
Net Cash Provided By (Used In) Investing Activities	346,878	(104,568)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(100,000)	(100,000)
Proceeds from Paycheck Protection Program loan	589,910	-
Net Cash Provided By (Used In) Financing Activities	489,910	(100,000)
Net (Decrease) Increase In Cash And Cash Equivalents	(381,304)	776,604
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	5,241,528	4,464,924
End of year	\$ 4,860,224	\$ 5,241,528
<b>RECONCILIATION OF CHANGE IN NET ASSETS FROM OPERATIONS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets from operations:	\$ (395,143)	\$ (34,026)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	129,476	143,729
Unrealized (gain) loss on investments, net	(12,862)	2,686
Realized gains on investments, net	(786)	(8,341)
Interest and dividends	(18,905)	(27,001)
Gain on sale of asset	(7,000)	(4,031)
Change in assets and liabilities:		
Accounts receivable	323,594	(36,554)
Prepaid expenses	107,273	18,861
Accrued employee wages and benefits	(319,067)	2,576
Accounts payable	(489,874)	314,585
Deferred income	(760,525)	417,796
Pension asset	225,727	190,892
Net Cash (Used In) Provided By Operating Activities	\$ (1,218,092)	\$ 981,172

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	<u>2020</u>	<u>2019</u>
Cash paid during the year for:		
Interest	<u>\$ 3,000</u>	<u>\$ 5,000</u>

See accompanying notes to the financial statements.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 1 - ORGANIZATION

The purpose of the Ohio High School Athletic Association (the Association) shall be to regulate, supervise and administer interscholastic athletic competition among its member schools to the end that the interscholastic program be an integral factor in the total educational program of the schools. This shall be accomplished in cooperation with all agencies vitally concerned with the health and educational welfare of high school, junior high school and middle school students; determining qualifications of individual participants, coaches and officials; providing information through literature and other materials to facilitate athletic relations among member schools; establishing standards for sportsmanship and competition; and furnishing protection against exploitation of schools or students in any manner directed by the member schools. The Columbus office is the administrative and primary office of the Association and is supported by six districts located throughout the state. These financial statements include all districts and the Columbus office.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the 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. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Association maintains, at various financial institutions, cash and cash equivalents that exceed federally insured amounts at times.

**Accounts Receivable** - Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Decisions to charge off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. A substantial portion of the Association's receivables are tournament proceeds owed to them by independent tournament director schools and corporate sponsors. No allowance for uncollectible accounts receivable is deemed to be necessary as of July 31, 2020 and 2019. It is reasonably possible that the Association's estimate of the reserve for uncollectible accounts will change.

**Short-Term Investments** - Short-term investments are carried at cost plus accrued interest, which approximates fair value. At July 31, 2020 and 2019, these investments were primarily interest-bearing bank certificates of deposit with original maturity dates of greater than three months that mature within the next fiscal year.

**Investments - Building Fund** - Building fund investments represent board-designated amounts set aside for the purpose of upgrading, remodeling and replacing significant components of the Columbus office. The Association's building fund investments consist of mutual funds and are recorded at fair value.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in other gains in the accompanying statement of activities and change in net assets. Dividends and interest are recognized when declared and earned, respectively.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is calculated over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments that materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in income. The useful lives and methods used are as follows:

<u>Description</u>	<u>Useful Life</u>	<u>Method</u>
Building	31-40 years	Straight-line
Furniture and fixtures	5-10 years	Straight-line
Vehicles	5 years	Straight-line

The Association evaluates whether events and circumstances have occurred that indicate the remaining carrying value of long-lived assets might not be recoverable. In cases where the expected future cash flows are determined to be less than the carrying amount of the assets, the assets are considered to be impaired and are written down to fair value, based on appraisals or other methods to estimate value. There were no impairment losses recorded during the years ended July 31, 2020 and 2019.

Deferred Income - Deferred income represents cash or other assets received for services before the services have been provided. Annual officials' dues and fees received prior to the licensing period, an entry fee for student participants in the preseason cross country invitational held after July 31, and a fee for football schools to participate in a third preseason contest, known as a Jamboree, received prior to the contest, are all recorded as deferred income, and recognized during the period earned.

Revenue Recognition - Tournament revenues are recognized at the time the tournaments occur. Officials' dues are recognized in the period for which the officials have been licensed. Sponsorship revenues are recognized in the period earned. Officials' dues and sponsorship revenues are included in other revenue in the statement of activities and change in net assets.

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are summarized and categorized based on their functional classification as either program or supporting expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated equally across the programs. Salaries, payroll taxes and benefits and consultant fees are allocated based on time and effort.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Association is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Association has not identified any material uncertain tax positions requiring accrual or disclosure in the financial statements. There were no interest or penalties recognized during 2020 or 2019. The Association's tax years since 2017 remain subject to examination.

Basis of Accounting - The Association classifies resources for accounting and reporting purposes into separate net asset classes based on the existence or absence of donor-imposed restrictions. Descriptions of the Association's net asset categories are as follows:

Net Assets Without Donor Restrictions - Net assets that are free of donor-imposed restriction; all revenues, expenses, gains and losses that are not changes in net assets with donor restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by the donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Association. Donor-imposed stipulations that will be met in the same period in which the revenue is received are recognized immediately as net assets without donor restrictions in the statement of activities and change in net assets. As of July 31, 2020 and 2019, the Association had no net assets with donor restrictions.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition. This new standard will replace all current generally accepted accounting principles guidance on this topic and eliminates all industry-specific guidance. The new guidance provides a unified model to determine when and how revenue is recognized. The core principle is that the Association should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The FASB also issued Accounting Standards Update (ASU) 2020-05 in June 2020, which defers the adoption of ASU 2014-09 for one year for organizations that had not already adopted that standard. Therefore, this guidance will be effective for the Association beginning August 1, 2020 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Association is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08) to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendments in ASU 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. For transactions in which the Association serves as the resource recipient ASU 2018-08 was effective for the year beginning August 1, 2019. The new guidance did not have a material impact on the Organization's financial statements. For transactions in which the Association serves as the resource provider, ASU 2018-08 will be effective for annual periods beginning August 1, 2020. The Association is currently in the process of evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.



OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and right-of-use asset at the commencement date for all leases, with the exception of short-term leases. This guidance will be effective for the Association beginning August 1, 2022. The Association is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The new guidance requires an entity (customer) in a hosting arrangement that is a service contract to determine which implementation costs to capitalize as an asset related to the service contract and which to expense. This guidance will be effective for the Association beginning August 1, 2022. The Association is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

Subsequent Events - Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. Management has evaluated subsequent events through December 21, 2020, which is the date that the financial statements were available to be issued.

NOTE 3 - LIQUIDITY

Financial assets available for general expenditures, that is, without donor restrictions or board designations limiting their use, within one year of the statement of financial position date, are comprised of the following as of July 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 4,860,224	\$ 5,241,528
Accounts receivable	333,646	657,240
Short-term investments	<u>766,689</u>	<u>1,143,496</u>
Financial Assets Available For General Expenditure	<u>\$ 5,960,559</u>	<u>\$ 7,042,264</u>

Although the Association does not intend to spend its board-designated funds other than amounts approved for general expenditure as part of its annual budgeting process, amounts from its board-designated funds could be made available if necessary. There are no minimum balance restrictions on the cash account that would restrict its availability. In addition to these available assets, a significant portion of the Association's annual expenditures will be funded with the annual tournament revenues, service revenue, investment income and miscellaneous revenue.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 4 - INVESTMENTS

Investments by type consist of the following at July 31:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term investments:				
Certificates of deposit	\$ 820,067	\$ 820,067	\$ 1,195,746	\$ 1,195,746
Investments - building fund:				
Equity mutual funds	\$ 168,846	\$ 215,514	\$ 168,423	\$ 210,127
Fixed income mutual funds	<u>155,364</u>	<u>165,900</u>	<u>151,624</u>	<u>154,261</u>
	<u>\$ 324,210</u>	<u>\$ 381,414</u>	<u>\$ 320,047</u>	<u>\$ 364,388</u>

Investment income for the years ended July 31 consists of the following:

	<u>2020</u>	<u>2019</u>
Interest income and dividends	\$ 18,905	\$ 27,001
Realized gains, net	786	8,341
Unrealized gains (losses), net	<u>12,862</u>	<u>(2,686)</u>
	<u>\$ 32,553</u>	<u>\$ 32,656</u>

NOTE 5 - FAIR VALUE MEASUREMENT

Fair value guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at July 31, 2020 and 2019.

*Certificates of Deposit:* Valued at cost, plus accrued interest, which approximates fair value.

*Mutual Funds:* Valued at the daily net asset value (NAV) as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their NAV and to transact at that price. The mutual funds held by the Association are deemed to be publicly traded.

The methods described above might produce a fair value calculation that might not be indicative of net realizable value or reflective of future fair values. Further, while the Association believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of investment securities at July 31, by asset category, are as follows:

	<u>2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Certificates of deposit	<u>-</u>	<u>\$ 820,067</u>	<u>-</u>	<u>\$ 820,067</u>
Investments - building fund:				
Equity mutual funds	\$ 215,514	-	-	\$ 215,514
Fixed income mutual funds	<u>165,900</u>	<u>-</u>	<u>-</u>	<u>165,900</u>
	<u>\$ 381,414</u>	<u>-</u>	<u>-</u>	<u>\$ 381,414</u>

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

	2019			Total
	Level 1	Level 2	Level 3	
Short-term investments:				
Certificates of deposit	-	\$ 1,195,746	-	\$ 1,195,746
Investments - building fund:				
Equity mutual funds	\$ 210,127	-	-	\$ 210,127
Fixed income mutual funds	154,261	-	-	154,261
	\$ 364,388	-	-	\$ 364,388

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at July 31 consist of the following:

	2020	2019
Furniture and office equipment	\$ 2,861,202	\$ 2,836,006
Buildings and improvements	2,434,169	2,416,489
Vehicles	53,951	128,601
	5,349,322	5,381,096
Less: Accumulated depreciation	(4,298,207)	(4,251,833)
	1,051,115	1,129,263
Land	269,000	269,000
	\$ 1,320,115	\$ 1,398,263

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 7 - NOTE PAYABLE - BUILDING

Long-term debt consists of the following at July 31:

	<u>2020</u>	<u>2019</u>
Term loan, payable to the previous owners of a building purchased by the Association, interest at 2.00% per annum, payable with annual principal payments of \$100,000 through October 2019, and \$50,000 at maturity in October 2020. The term loan is secured by the mortgage of the property acquired.	\$ 50,000	\$ 150,000
Less: Payments due within one year	<u>(50,000)</u>	<u>(100,000)</u>
	<u><u>-</u></u>	<u><u>\$ 50,000</u></u>

NOTE 8 - PAYCHECK PROTECTION PROGRAM, COVID-19

In April 2020, the Association entered into a term note with WesBanco Bank, Inc. (WesBanco) with a principal amount of \$589,910, pursuant to the Paycheck Protection Program (PPP Term Note) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP Term Note bears interest at a fixed annual rate of 1.00%, with the first six months of interest deferred for those funds not eligible for forgiveness. The PPP Term Note is unsecured and guaranteed by the United States Small Business Administration. The Association may apply to WesBanco for forgiveness of the PPP Term Note, with the amount eligible to be forgiven equal to the sum of payroll, healthcare and retirement benefit costs incurred by the Association during the 24-week period beginning upon receipt of PPP Term Note funds, calculated in accordance with the terms of the CARES Act. While the Association anticipates that 100% of the loan will be forgiven, it has recorded this loan in accordance with FASB ASC 470, Debt and, as such, is recorded as debt on the accompanying statement of financial position until the lien is released.

Maturity of PPP Term Notes is as follows for the years ending July 31:

<u>Year Ending</u> <u>July 31</u>	<u>Amount</u>
2021	\$ 294,955
2022	<u>294,955</u>
	<u><u>\$ 589,910</u></u>

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 9 - RETIREMENT AND PENSION PLANS

Defined Contribution Plan - The Association sponsors a defined contribution retirement plan for its current employees. As of August 1, 2005, all employees became eligible to participate in the defined contribution plan sponsored by the Association. The Association's defined contribution retirement plan is available to all full-time employees. The Association makes an annual contribution of 12% of eligible employee compensation to the plan and matches employee contributions up to 3%, which amounted to \$261,023 and \$272,678 for the years ended July 31, 2020 and 2019, respectively. Employees are eligible to contribute a portion of their salary, up to regulatory contribution ceilings, in addition to the amount contributed by the Association.

Defined Benefit Plan - The Association has, in the past, sponsored a defined benefit plan. On July 31, 2006, the Association froze the defined benefit plan to employees of record as of July 31, 2005. On July 31, 2009, the Association ceased accruing additional pension benefits and providing years of service for employees in the Association's defined benefit plan. On September 9, 2019, the Association approved the decision to terminate its sponsored pension plan. Participants in the plan had the option to elect to receive their plan balance in a lump sum distribution or through an annuity. The Association has contracted with a third party to administer these payments. As of July 29, 2020, all participant balances have been distributed from the plan.

The Association's defined benefit pension plan covered approximately 1/10 of its currently employed fulltime employees. Benefits were based on years of service and an employee's compensation during the last ten years of their employment, through July 31, 2009. The Association's funding policy was to contribute annually the amount determined by the actuary.

The Association accounted for the defined benefit pension plan in accordance with FASB ASC 715-20: Defined Benefit Plans. This Topic requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the change occurs through the statement of activities and change in net assets. Defined benefit plan assets and obligations were measured as of the date of the employer's fiscal year-end.

Weighted average actuarial assumptions used to determine pension benefit obligations for the fiscal year ended July 31, 2019 were as follows:

Discount rate	3.30	%
Rate of compensation increase	-	

Weighted average assumptions used to determine pension-related changes:

Discount rate	4.10	%
Expected long-term rate of return on plan assets	2.50	
Rate of compensation increase	-	

During the year ended July 31, 2019, the Plan's funded status was determined using the mortality table RP2014 backed off to 2006 and projected generationally with projection scale MP2018.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 9 - RETIREMENT AND PENSION PLANS (Continued)

Information about changes in obligations and plan assets of the defined benefit pension plan for the year ended July 31, 2019 was as follows:

Change in projected benefit obligation:	
Beginning projected benefit obligation	\$ 6,342,432
Service cost	-
Expenses paid	-
Interest cost	252,557
Actuarial loss	578,007
Benefits paid	<u>(415,352)</u>
Ending projected benefit obligation	6,757,644
Change in plan assets, at fair value:	
Beginning plan assets	7,269,526
Actual return (net of expenses)	129,197
Employer contribution	-
Benefits paid	(415,352)
Expenses paid	<u>-</u>
Ending plan assets	<u>6,983,371</u>
Overfunded Status	\$ <u><u>225,727</u></u>

The accumulated benefit obligation was \$6,757,644 as of July 31, 2019.

Reconciliation of net periodic benefit cost as of July 31, 2019:

Interest cost	\$ 252,558
Amortization of net gain	111,465
Service cost	-
Expected return on plan assets	<u>(168,826)</u>
Net Periodic Benefit Cost	\$ <u><u>195,197</u></u>

The Association's pension plan target allocations for 2019 were 95% cash and cash equivalents and 5% fixed-income mutual funds. Plan asset allocations were reviewed periodically and rebalanced to achieve target allocation among the asset categories when necessary.

To develop the expected long-term rate of return on assets assumption, the Association considered historical returns and future expectations for returns in each asset class, as well as the target allocation of the pension portfolio.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 9 - RETIREMENT AND PENSION PLANS (Continued)

The fair values of plan assets at July 31, 2019 by asset category, were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents:				
Money market mutual fund	\$ 6,725,856	-	-	\$ 6,725,856
Bonds:				
Bonds	-	\$ 102,838	-	102,838
Bond funds	-	<u>154,677</u>	-	<u>154,677</u>
Total Plan Assets	<u>\$ 6,725,856</u>	<u>\$ 257,515</u>	<u>-</u>	<u>\$ 6,983,371</u>

NOTE 10 - OPERATING LEASES

The Association leases certain office equipment under noncancellable operating leases, which expire through 2025. Future minimum lease payments are as follows for the years ending July 31:

<u>Year Ending</u> <u>July 31</u>	<u>Amount</u>
2021	\$ 93,617
2022	91,380
2023	91,380
2024	91,380
2025	<u>53,909</u>
	<u>\$ 421,666</u>

Total rent expense for the years ended July 31, 2020 and 2019 amounted to \$379,823 and \$378,258, respectively.

NOTE 11 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents. The Association places these investments with financial institutions. The carrying amount of cash and cash equivalents and short-term investments shown in the accompanying financial statement includes checking, money market, certificates of deposit and savings accounts with various banks for the years ended July 31, 2020 and 2019. At July 31, 2020 and 2019, the bank balances, including checking, savings and certificate of deposit accounts of the Association, amounted to \$5,885,529 and \$6,590,855, respectively. Of the total bank balances, \$1,794,373 and \$2,285,507 was covered by federal depository insurance and \$4,091,156 and \$4,305,348 was uninsured and uncollateralized as of July 31, 2020 and 2019, respectively. The Association monitors its financial stability and does not believe it is exposed to significant credit risk.



OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2020 AND 2019

NOTE 12 - BOARD DESIGNATIONS

The Association has designated funds as noted in Note 2 for the purpose of upgrading, remodeling and replacing significant components of Association property as of July 31, 2020 and 2019 of \$381,414 and \$364,388, respectively. The Association started the Board-Designated Reserve Fund to have a funding source for extraordinary or unforeseen expenditures. The value as of July 31, 2020 and 2019 was \$810,348 and \$808,302, respectively. Funds have also been designated for the Fred Durkle Scholarship Fund and the Rossi-Denney Scholarship Fund. Scholarship money has typically been presented annually to senior athletes in the names of the late Fred Durkle, John Rossi and Bob Denney. Due to the impact of the coronavirus pandemic, no scholarships were presented during the year ended July 31, 2020. The amount accumulated in the Fred Durkle Scholarship Fund as of July 31, 2020 and 2019 was \$52,780 and \$52,238, respectively. The amount accumulated in the Rossi/Denney Scholarship Fund as of July 31, 2020 and 2019 was \$53,378 and \$52,250, respectively.

NOTE 13 - OHSAA FOUNDATION

In 1998, the Association provided the initial funding to start the Ohio High School Athletic Association Foundation (Foundation), a separately formed, controlled and operated not-for-profit organization. The Foundation was formed to provide scholarships and conferences for Ohio student athletes. The Association billed the Foundation \$2,175 for accounting and clerical services during 2020, which approximates the fair value of services provided. The Association provided the Foundation accounting and clerical services for no charge with a fair value of approximately \$13,000 during 2019. Separately audited financial statements for the Foundation may be obtained by contacting the Finance and Accounting department of the Ohio High School Athletic Association, 4080 Roselea Place, Columbus, OH 43214.

NOTE 14 - CONTINGENCIES

The Association is, from time to time, subject to lawsuits from participants, independent contractors and member schools, which are typical of matters arising in the normal operations of interscholastic athletic associations. The Association does not believe that any matters or proceedings presently pending will have a materially adverse effect on its financial position, results of operations or liquidity.

NOTE 15 - RISKS AND UNCERTAINTIES

In the fiscal year ending July 31, 2020, the coronavirus pandemic impacted the Association by shortening the girls' basketball, boys' basketball and wrestling tournaments and cancelling the spring sport tournaments. Significant funding came from the PPP. The loan amount was \$589,910, which is expected to be forgiven once the application process is completed. The coronavirus pandemic could materially and adversely affect the Association and its operations in future years. Government-imposed stay-at-home orders may result in direct operational and administrative disruptions to the Association's operations. Additionally, the Association's revenue sources may be adversely affected by these disruptions, which in turn could negatively impact the Association's operating results. The Association is unable to accurately predict how restrictions related to the coronavirus pandemic will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain. The Association has considered potential impact and has planned and will implement strategies as necessary to minimize the impact of any potential disruptions. While it is premature to accurately predict the ultimate impact of these developments, the Association expects that its results for the year ended July 31, 2021 may be impacted.

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