

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION  
Columbus, Ohio

Financial Statements  
For the years ended July 31, 2019 and 2018  
and Independent Auditors' Report Thereon



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## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position, July 31, 2019 and 2018	3
Statements of Activities and Change in Net Assets for the years ended July 31, 2019 and 2018	4
Statements of Functional Expenses for the year ended July 31, 2019 and 2018	6
Statements of Cash Flows for the years ended July 31, 2019 and 2018	10
Notes to Financial Statements	12

## 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, 2019 and 2018 and 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, 2019 and 2018, and the change in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not subject management's discussion and analysis to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or any other assurance on it.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
July 17, 2020

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

	July 31	
	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,241,528	\$ 4,464,924
Accounts receivable	657,240	620,686
Prepaid expenses	215,332	234,193
Short-term investments	1,195,746	1,162,261
Total Current Assets	7,309,846	6,482,064
<b>LONG-TERM ASSETS</b>		
Investments - building fund	364,388	355,271
Pension asset	225,727	927,094
Property and equipment, net	1,398,263	1,442,736
Total Assets	\$ 9,298,224	\$ 9,207,165
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 100,000	\$ 100,000
Accounts payable	791,474	476,889
Accrued employee wages and benefits	349,466	311,822
Deferred income	1,391,210	973,414
Total Current Liabilities	2,632,150	1,862,125
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	50,000	150,000
Long-term accrued leave	70,135	105,203
Total Liabilities	2,752,285	2,117,328
<b>NET ASSETS</b>		
Without donor restrictions:		
Board-designated funds:		
Building fund	364,388	355,271
Fred Durkle Scholarship	52,238	50,000
Rossi/Denney Scholarship	52,250	50,000
Reserve fund	808,302	693,767
Total Board-Designated Funds	1,277,178	1,149,038
Undesignated	5,268,761	5,940,799
Total Net Assets	6,545,939	7,089,837
Total Liabilities And Net Assets	\$ 9,298,224	\$ 9,207,165

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER GAINS		
Tournament revenue	\$ 15,437,275	\$ 15,376,776
Other revenue	3,262,870	2,943,734
Service revenue	519,620	552,460
Investment income, net	<u>36,687</u>	<u>31,567</u>
Total Income	19,256,452	18,904,537
EXPENSES AND OTHER LOSSES		
Program:		
Tournament expenses	12,856,762	12,763,553
Compliance expenses	590,545	533,631
Service expenses	1,246,454	1,228,008
Officiating expenses	1,311,891	1,349,268
Marketing expenses	<u>424,863</u>	<u>395,539</u>
Total Program Expenses	16,430,515	16,269,999
General and administrative expenses	<u>2,859,963</u>	<u>2,772,049</u>
Total Expenses And Other Losses	<u>19,290,478</u>	<u>19,042,048</u>
Change In Net Assets From Operations	(34,026)	(137,511)
OTHER CHANGES IN NET ASSETS		
Pension-related changes other than net periodic benefit cost	<u>(509,872)</u>	<u>743,787</u>
Change In Net Assets Without Donor Restrictions	(543,898)	606,276
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>7,089,837</u>	<u>6,483,561</u>
End of year	<u>\$ 6,545,939</u>	<u>\$ 7,089,837</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, 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
Rule books/officiating expense	22,549	-	154,585	203,558
Rent and leases	19,430	5,164	38,228	283,228
Board travel and meetings	16,614	-	-	5,402
Consultant fees	21,949	3,317	37,144	37,144
Office expense	45,116	45,116	45,116	45,116
Legal fees	14,876	89,258	47,604	14,876
Net periodic pension expenses	-	-	-	-
Clinics and meetings	-	16,573	68,357	75,066
Scholar/athlete scholarships	-	-	-	-
Printing	57,513	2,721	63,126	17,621
Miscellaneous expenses	35,122	-	-	-
Depreciation	22,996	22,996	22,996	22,996
Repair and maintenance	13,577	13,040	13,040	13,040
Pension fees	-	-	-	-
Contract labor	37,696	-	10,768	-
Cause marketing	-	-	-	-
Audit fees	-	-	-	-
Contributions/donations	-	-	-	-
Interest expense	-	-	-	-
Other taxes and licenses	-	-	-	-
Workers' compensation	1,383	449	172	400
	<u>1,530,763</u>	<u>590,545</u>	<u>1,246,454</u>	<u>1,311,891</u>
Subtotal before tournament expenses				
Direct tournament expenses	<u>11,325,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
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
-	380,692	11,593	392,285
9,344	355,394	22,868	378,262
-	22,016	345,095	367,111
122,989	222,543	166,266	388,809
45,116	225,580	128,685	354,265
47,604	214,218	83,307	297,525
-	-	195,197	195,197
4,971	164,967	22,368	187,335
-	-	170,750	170,750
3,662	144,643	16,885	161,528
-	35,122	122,153	157,275
22,996	114,980	28,749	143,729
17,337	70,034	68,839	138,873
-	-	83,938	83,938
-	48,464	5,384	53,848
-	-	33,135	33,135
-	-	29,168	29,168
-	-	8,150	8,150
-	-	5,000	5,000
-	-	4,266	4,266
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

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2018

	<u>Tournament</u>	<u>Compliance</u>	<u>Service</u>	<u>Officiating</u>
Salaries	\$ 744,910	\$ 250,627	\$ 90,624	\$ 221,029
Insurance	74,869	20,393	602,374	291,198
Payroll taxes and benefits	309,534	104,476	37,777	56,933
Rule books/officiating expense	24,892	-	154,226	219,776
Rent and leases	19,618	5,181	38,245	325,315
Board travel and meetings	14,330	-	-	5,853
Consultant fees	85,393	4,419	48,607	48,607
Office expense	39,323	39,330	39,330	39,330
Legal fees	8,350	50,102	26,721	8,350
Net periodic pension expenses	-	-	-	-
Clinics and meetings	-	14,329	74,858	74,632
Scholar/athlete scholarships	-	-	-	-
Printing	55,383	2,245	62,755	15,716
Miscellaneous expenses	22,610	-	-	-
Depreciation	31,872	31,872	31,872	31,872
Repair and maintenance	11,261	10,657	10,657	10,657
Pension fees	-	-	-	-
Contract labor	34,868	-	9,962	-
Cause marketing	-	-	-	-
Audit fees	-	-	-	-
Contributions/donations	-	-	-	-
Interest expense	-	-	-	-
Other taxes and licenses	-	-	-	-
	<u>1,477,213</u>	<u>533,631</u>	<u>1,228,008</u>	<u>1,349,268</u>
Subtotal before tournament expenses				
Direct tournament expenses	<u>11,286,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,763,553</u>	<u>\$ 533,631</u>	<u>\$ 1,228,008</u>	<u>\$ 1,349,268</u>

See accompanying notes to the financial statements.

<u>Marketing</u>	<u>Program Total</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 98,293	\$ 1,405,483	\$ 983,280	\$ 2,388,763
7,998	996,832	73,066	1,069,898
40,974	549,694	374,090	923,784
-	398,894	11,174	410,068
9,361	397,720	22,965	420,685
-	20,183	367,110	387,293
114,099	301,125	166,206	467,331
39,330	196,643	99,925	296,568
26,721	120,244	46,761	167,005
-	-	38,511	38,511
8,045	171,864	36,203	208,067
-	-	164,750	164,750
3,356	139,455	14,029	153,484
-	22,610	117,446	140,056
31,872	159,360	39,843	199,203
15,490	58,722	64,764	123,486
-	-	58,047	58,047
-	44,830	4,981	49,811
-	-	32,624	32,624
-	-	21,138	21,138
-	-	23,550	23,550
-	-	7,217	7,217
-	-	4,369	4,369
<u>395,539</u>	<u>4,983,659</u>	<u>2,772,049</u>	<u>7,755,708</u>
<u>-</u>	<u>11,286,340</u>	<u>-</u>	<u>11,286,340</u>
<u>\$ 395,539</u>	<u>\$ 16,269,999</u>	<u>\$ 2,772,049</u>	<u>\$ 19,042,048</u>

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tournaments, sales and fees	\$ 19,600,404	\$ 18,901,749
Cash paid to suppliers and employees	(18,619,232)	(19,020,693)
Net Cash Provided By (Used In) Operating Activities	981,172	(118,944)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(95,225)	(78,459)
Purchase of investments	(49,770)	(5,768)
Proceeds from sale of investments	40,427	15,114
Net Cash Used In Investing Activities	(104,568)	(69,113)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(100,000)	(100,000)
Net Increase (Decrease) In Cash And Cash Equivalents	776,604	(288,057)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	4,464,924	4,752,981
End of year	\$ 5,241,528	\$ 4,464,924
<b>RECONCILIATION OF CHANGE IN NET ASSETS FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Change in net assets from operations:	\$ (34,026)	\$ (137,511)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	143,729	199,203
Unrealized loss (gain) on investments, net	2,686	(11,313)
Realized gains on investments, net	(8,341)	(4,338)
Interest and dividends	(27,001)	(15,916)
Gain on sale of asset	(4,031)	-
Direct tournament expenses		
Accounts receivable	(36,554)	(16,795)
Prepaid expenses	18,861	112,153
Accrued employee wages and benefits	2,576	13,678
Accounts payable	314,585	(342,190)
Deferred income	417,796	45,574
Pension asset	190,892	38,511
Net Cash Provided By (Used In) Operating Activities	\$ 981,172	\$ (118,944)

	<u>2019</u>	<u>2018</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 5,000</u>	<u>\$ 7,000</u>

See accompanying notes to the financial statements.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

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 school or student 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, 2019 and 2018. 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, which approximates fair value. At July 31, 2019 and 2018, 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, 2019 AND 2018

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 investment income 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 that 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, 2019 and 2018.

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 pre-season 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 statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are summarized and categorized based upon 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. 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, 2019 AND 2018

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 was no interest or penalties recognized during 2019 or 2018. The Association's tax years since 2016 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, 2019 and 2018, 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 (GAAP) guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition 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. This guidance was effective for the Association beginning August 1, 2019 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 Accounting Standards Update (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. ASU 2018-08 was effective for transactions in which the Association serves as the resource recipient for annual periods beginning August 1, 2019. 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, 2019 AND 2018

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, 2021. The Association is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This new ASU simplified and improved not-for-profit financial reporting. This guidance was effective for the Association beginning August 1, 2018. The Association has adjusted the presentation of these statements accordingly.

In August 2018, the FASB issued ASU No. 2018-04, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. The new guidance removes disclosures that no longer are considered cost-beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant. 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 costs 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.

NOTE 3 - LIQUIDITY

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

Cash	\$ 5,241,528
Accounts receivable	657,240
Short-term investments	<u>1,143,496</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, 2019 AND 2018

NOTE 4 - INVESTMENTS

Investments by type consist of the following at July 31:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term investments:				
Certificates of deposit	\$ 1,195,746	\$ 1,195,746	\$ 1,162,261	\$ 1,162,261
Investments - building fund:				
Equity mutual funds	\$ 168,423	\$ 210,127	\$ 158,173	\$ 208,131
Fixed income mutual funds	151,624	154,261	150,070	147,140
	<u>\$ 320,047</u>	<u>\$ 364,388</u>	<u>\$ 308,243</u>	<u>\$ 355,271</u>

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

	<u>2019</u>	<u>2018</u>
Interest income and dividends	\$ 27,001	\$ 15,916
Realized gains, net	8,341	4,338
Unrealized (losses) gains, net	(2,686)	11,313
Gain on sale of asset	4,031	-
	<u>\$ 36,687</u>	<u>\$ 31,567</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, 2019 AND 2018

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, 2019 and 2018.

*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. Furthermore, 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:

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

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

	2018			Total
	Level 1	Level 2	Level 3	
Short-term investments:				
Certificates of deposit	-	\$ 1,162,261	-	\$ 1,162,261
Investments - building fund:				
Equity mutual funds	\$ 208,131	-	-	\$ 208,131
Fixed income mutual funds	147,140	-	-	147,140
	\$ 355,271	-	-	\$ 355,271

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at July 31 consist of the following:

	2019	2018
Furniture and office equipment	\$ 2,836,006	\$ 2,818,105
Buildings and improvements	2,416,489	2,353,628
Vehicles	128,601	150,172
	5,381,096	5,321,905
Less - Accumulated depreciation	(4,251,833)	(4,148,169)
	1,129,263	1,173,736
Land	269,000	269,000
	\$ 1,398,263	\$ 1,442,736

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

NOTE 7 - NOTE PAYABLE - BUILDING

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

	2019	2018
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.	\$ 150,000	\$ 250,000
Less - Payments due within one year	(100,000)	(100,000)
	\$ 50,000	\$ 150,000

Approximate future maturities of debt due subsequent to July 31, 2019 are as follows:

Year Ending July 31	Amount
2020	\$ 100,000
2021	50,000
	\$ 150,000

NOTE 8 - RETIREMENT AND PENSION PLANS

The Association sponsors a defined contribution retirement plan for its current employees and 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. As of August 1, 2005, all employees became eligible to participate in the defined contribution plan sponsored by the Association.

*Defined Benefit Plan* - The Association's defined benefit pension plan covers approximately one-tenth of its currently employed full-time employees. The benefits are 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 is to contribute annually the amount determined by the actuary.

The Association accounts 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 are measured as of the date of the employer's fiscal year-end.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

NOTE 8 - RETIREMENT AND PENSION PLANS (Continued)

Weighted average actuarial assumptions used to determine pension benefit obligations for fiscal years ended July 31 are as follows:

	2019	2018
Discount rate	3.30%	4.10%
Rate of compensation increase	N/A	N/A

Weighted average assumptions used to determine pension-related changes:

	2019	2018
Discount rate	4.10%	3.70%
Expected long-term rate of return on plan assets	2.50%	5.20%
Rate of compensation increase	N/A	N/A

During the years ended July 31, 2019 and 2018, the Plan's funded status was determined using the mortality table RP2014 backed off to 2006 and projected generationally with projection scale MP2018.

Information about changes in obligations and plan assets of the defined benefit pension plan for years ended July 31 are as follows:

	2019	2018
Change in projected benefit obligation:		
Beginning projected benefit obligation	\$ 6,342,432	\$ 6,731,542
Service cost	-	-
Expenses paid	-	-
Interest cost	252,557	243,482
Actuarial loss (gain)	578,007	(232,178)
Benefits paid	(415,352)	(400,414)
Ending projected benefit obligation	6,757,644	6,342,432
Change in plan assets, at fair value:		
Beginning plan assets	7,269,526	6,953,360
Actual return (net of expenses)	129,197	716,580
Employer contribution	-	-
Benefits paid	(415,352)	(400,414)
Expenses paid	-	-
Ending plan assets	6,983,371	7,269,526
Over-Funded Status	\$ 225,727	\$ 927,094

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

NOTE 8 - RETIREMENT AND PENSION PLANS (Continued)

The accumulated benefit obligation was \$6,757,644 and \$6,342,432 as of July 31, 2019 and 2018, respectively.

Reconciliation of net periodic benefit cost as of July 31:

	2019	2018
Interest cost	\$ 252,558	\$ 243,482
Amortization of net gain	111,465	146,229
Service cost	-	-
Expected return on plan assets	(168,826)	(351,200)
Net Periodic Benefit Cost	\$ 195,197	\$ 38,511

The estimated net loss for the defined benefit pension plan that will be amortized from net assets without donor restriction over the next fiscal year approximates \$131,000.

The Association's pension plan target allocations for 2019 are 95% cash and cash equivalents and 5% fixed-income mutual funds. Plan asset allocations are 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.

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

	2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market mutual fund	\$ 6,723,856	-	-	\$ 6,723,856
Bonds:				
Bonds	-	\$ 102,838	-	102,838
Bond funds	-	154,677	-	154,677
Total Plan Assets	\$ 6,723,856	\$ 257,515	-	\$ 6,981,371
	2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market mutual fund	\$ 6,811,993	-	-	\$ 6,811,993
Bonds:				
Bonds	-	\$ 408,733	-	408,733
Bond funds	-	48,800	-	48,800
Total Plan Assets	\$ 6,811,993	\$ 457,533	-	\$ 7,269,526

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

NOTE 8 - RETIREMENT AND PENSION PLANS (Continued)

The Association's funding policy is to, as a base payment, contribute the minimum amount annually based on actuarial and economic assumptions designed to achieve adequate funding of projected benefit obligations. However, the Association makes pension contributions a priority budget item when formulating the annual budget for the organization.

The following benefit payments are expected for the years ending July 31:

<u>Year Ending July 31</u>	<u>Amount</u>
2020	\$ 463,130
2021	453,547
2022	441,747
2023	432,426
2024	442,372
2025-2029	2,070,363

These estimated benefit payments are based on assumptions about future events. Actual benefit payments could vary significantly from these estimates.

As of September 9, 2019, the Association approved the decision to terminate their 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 the date of this report, all participant balances have been distributed from the plan.

*Defined Contribution Plan* - 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 \$272,678 and \$277,265 for the years ended July 31, 2019 and 2018, 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.

NOTE 9 - OPERATING LEASES

The Association leases certain office equipment under noncancellable operating leases, which expire through 2024. Future minimum lease payments are as follows for the years ending July 31:

<u>Year Ending July 31</u>	<u>Amount</u>
2020	\$ 84,989
2021	39,708
2022	37,471
2023	37,471
2024	37,471
	<u>\$ 237,110</u>



OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

NOTE 9 - OPERATING LEASES (Continued)

Total rent expense for the years ended July 31, 2019 and 2018 amounted to \$378,258 and \$420,685, respectively.

NOTE 10 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of investments. 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 amounts with various banks for the years ended July 31, 2019 and 2018. At July 31, 2019 and 2018, the bank balances, including checking, savings and certificate of deposit accounts of the Association, amounted to \$6,590,855 and \$6,019,274, respectively. Of the total bank balances, \$2,285,507 and \$2,277,346 was covered by federal depository insurance and \$4,305,348 and \$3,741,928 was uninsured and uncollateralized as of July 31, 2019 and 2018, respectively.

NOTE 11 - 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, 2019 and 2018 of \$364,388 and \$355,271, 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, 2019 and 2018 was \$808,302 and \$693,767, respectively. Funds have also been designated for the Fred Durkle Scholarship Fund and the Rossi-Denney Scholarship Fund. Scholarship money is presented annually to senior athletes in the names of the late Fred Durkle, John Rossi and Bob Denney. The amount accumulated in the Fred Durkle Scholarship Fund as of July 31, 2019 and 2018 was \$52,238 and \$50,000, respectively. The amount accumulated in the Rossi/Denney Scholarship Fund as of July 31, 2019 and 2018 was \$52,250 and \$50,000, respectively.

NOTE 12 - OHSAA FOUNDATION

In 1998, the Association provided the initial funding to start the Ohio High School Athletic Association Foundation (Foundation). The Foundation is 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 provides the Foundation accounting and clerical services for no charge with a fair value of approximately \$13,000 and \$11,000 during 2019 and 2018, respectively. In addition, the Association contributed approximately \$18,000 to the Foundation during the year ended July 31, 2018. No contribution was made during the year ended July 31, 2019. Separately audited financial statements for the Foundation may be obtained by contacting Todd Boehm, Director of Finance and Accounting, of the Ohio High School Athletic Association, 4080 Roselea Place, Columbus, OH 43214.

NOTE 13 - 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.

OHIO HIGH SCHOOL ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JULY 31, 2019 AND 2018

NOTE 14 - 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 July 17, 2020, which is the date that the financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustments to our disclosures in the financial statements except for the matters described in the following paragraphs.

The coronavirus pandemic could materially and adversely affect the Association and its operations. Government-imposed stay-at-home orders, travel restrictions, and quarantines may result in direct operational and administrative disruptions to the Association's operations. Additionally, the Association's suppliers and customers 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 the pandemic will affect the results of its operations because the duration of the outbreak is uncertain. However, while it is premature to accurately predict the ultimate impact of these developments, the Association expects its results for the year ended December 31, 2020 to be impacted.

On April 29, 2020, the Association entered into a term note with a bank 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 (the "CARES Act"). The PPP Term Note is evidenced by a promissory note. The PPP Term Note bears interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. Beginning November 2020, the Association will make 60 equal monthly payments of principal and interest with the final payment due in October 2025. The PPP Term Note may be accelerated upon the occurrence of an event of default. The PPP Term Note is unsecured and guaranteed by the United States Small Business Administration. The Association may apply to the bank for forgiveness of the PPP Term Note, with the amount which may be forgiven equal to the sum of payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Association during the 8-week period beginning upon receipt of PPP Term Note funds, April 29, 2020, calculated in accordance with the terms of the CARES Act.