

**NCHSAA FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2023 AND FOR THE PERIOD**  
**MAY 5, 2023 TO JUNE 30, 2023**

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors  
NCHSAA Foundation, Inc.

Management is responsible for the accompanying financial statements of NCHSAA Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the period May 5, 2023 to June 30, 2023, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

*Blackman & Sloop*

Chapel Hill, North Carolina  
February 7, 2024

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## NCHSAA FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION

## EXHIBIT A

June 30, 2023

ASSETS**ASSETS:**

Cash and cash equivalents	\$ 492,211
Investments	<u>17,917,268</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 18,409,479</u></u></b>

LIABILITIES AND NET ASSETS**NET ASSETS:**

Without donor restrictions:	
Undesignated	\$ -
Board designated	<u>2,482,156</u>
	<u>2,482,156</u>
With donor restrictions:	
Perpetuity restricted	15,674,544
Purpose and time restricted	<u>252,779</u>
	<u>15,927,323</u>
<b>TOTAL NET ASSETS</b>	<b><u>18,409,479</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 18,409,479</u></u></b>

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

## NCHSAA FOUNDATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Period May 5, 2023 to June 30, 2023

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 2,461,732	\$ 15,796,272	\$ 18,258,004
Net investment return	20,424	131,051	151,475
	<u>2,482,156</u>	<u>15,927,323</u>	<u>18,409,479</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,482,156</u>	<u>15,927,323</u>	<u>18,409,479</u>
<b>CHANGES IN NET ASSETS</b>	2,482,156	15,927,323	18,409,479
<b>NET ASSETS - BEGINNING OF PERIOD</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - END OF PERIOD</b>	<u>\$ 2,482,156</u>	<u>\$ 15,927,323</u>	<u>\$ 18,409,479</u>

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

## NCHSAA FOUNDATION, INC.

## STATEMENT OF CASH FLOWS

## EXHIBIT C

For the Period May 5, 2023 to June 30, 2023

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in net assets	\$ 18,409,479
Adjustments to reconcile changes in net assets to net cash provided by operations:	
Gift of endowment and scholarship funds from NCHSAA	(18,258,004)
Unrealized gains on investments	<u>(150,914)</u>

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>561</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

Cash portion of gift from NCHSAA	<u>491,650</u>
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<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	492,211
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<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<u>-</u>
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<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u><u>\$ 492,211</u></u>
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The accompanying Notes to Financial Statements are an integral part of these financial statements.

## NCHSAA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**ORGANIZATION**

The NCHSAA Foundation, Inc. (the “Organization”) was organized in 2023, and incorporated pursuant to the laws of the state of North Carolina. The Organization’s purpose is to serve and promote North Carolina high school interscholastic athletics among members of the North Carolina High School Athletics Association (“NCHSAA”), and other high school activities and programs. The Organization makes grants to member organizations and individuals from donor-based endowment and scholarship funds. These grants permit the member organization or individual to study, prepare materials for, or publish materials to be used in furthering the education of high school students on the context of high school activities or high school athletic programs.

**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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. If contributions with donor restrictions are expended in the same period as when they were received, the support is classified as without donor restrictions.

## B. Cash and Cash Equivalents.

Cash and cash equivalents include cash and money market investment funds.

## C. Investments.

Investments in marketable securities are stated at fair value. Donated securities are recorded at fair value at the date of gift. Net investment return includes interest and dividend income, realized and unrealized gains and losses, and investment fees.

## D. Promises to Give.

Unconditional promises to give are recognized as support in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. 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 their estimated future cash flows. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. An allowance is provided for amounts management estimates to be uncollectible.

## NCHSAA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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

## E. Net Assets.

Net assets, support and revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Without Donor Restrictions* – Resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations and undesignated gifts.

*With Donor Restrictions* – Resources that carry a donor-imposed restriction. Some donor restrictions allow the Organization to use or expend the donated assets for a specific purpose; those restrictions can be satisfied by the passage of time or by actions of the Organization. Other donor restrictions are perpetual in nature, where the donor stipulates that donated assets be maintained in perpetuity; those restrictions permit the Organization to use or expend part or all of the income derived from the donated assets.

## F. Contribution of Nonfinancial Assets.

The Organization recognizes contributions that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

## G. 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, and those differences can be material.

## H. Income Tax.

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a private foundation. If applicable, penalties and interest assessed by income taxing authorities are included in general and administrative expenses.

**CASH AND CASH 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.



## NCHSAA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets at June 30, 2023:

Liquid current assets:

Cash and cash equivalents	\$ 492,211
Investments	17,917,268
	<u>18,409,479</u>

Less amounts unavailable for general expenditures within one year, due to:

Restrictions by donor and board for time or purpose	<u>(18,409,479)</u>
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Financial assets available to meet cash needs for general expenditures within one year

\$ -

The Organization's programs are supported by contributions with and without donor restrictions. Donors include individuals, corporations, and foundations. Because these revenues require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has net assets designated by the board, that can be changed if needed, for general expenditure needs.

**INVESTMENTS**

Investments consist of the following at June 30, 2023:

	Cost	Fair Value	Unrealized Gain (loss)
Mutual funds	\$ 5,824,472	\$ 5,325,637	\$ (498,835)
Equity securities	6,764,561	9,828,415	3,063,854
Fixed income	3,066,750	2,750,958	(315,792)
ETFs	11,491	12,258	767
	<u>\$ 15,667,274</u>	<u>\$ 17,917,268</u>	<u>\$ 2,249,994</u>

## NCHSAA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**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 ended June 30, 2023, to the Organization's valuation techniques used to measure asset values on a recurring basis. The following table summarizes the assets of the Organization for which fair values are determined on a recurring basis as of June 30, 2023. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets:	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,325,637	\$ -	\$ -	\$ 5,325,637
Equity securities	9,828,415	-	-	9,828,415
Fixed income	2,750,958	-	-	2,750,958
ETFs	12,258	-	-	12,258
	<u>\$ 17,917,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,917,268</u>

## NCHSAA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**NET ASSETS**

Net assets at June 30, 2023, consist of the following:

	Purpose/Time Restricted	Perpetuity Restricted	Board Designated/ Undesignated	Totals
Administrators Education Fund	\$ 19	\$ 2,300	\$ 1,334,895	\$ 1,337,214
Alford Family Golf Scholarship	2,213	21,319	-	23,532
Charlie Adams Endowed Scholarship	3,641	106,695	93,443	203,779
Clary Medal Awards	38,086	100,000	-	138,086
Coaches Education Fund	91	350	202,917	203,358
Dave Harris Athletic Director Award	15,423	18,936	-	34,359
Gainey Student Scholarships	19,851	150,100	-	169,951
General Endowment	124,358	14,989,609	30,700	15,144,667
Health & Safety Fund	316	1,760	661,442	663,518
Lacrosse Scholarship	92	11,040	12,181	23,313
McGee Scholarship	359	43,286	97,366	141,011
Officiating	55	6,640	-	6,695
Student Services	27	800	-	827
Tony Cullen Memorial Fund	9,179	72,292	11,505	92,976
Tony Webb Coach of the Year Award	38,503	81,237	-	119,740
Willie Bradshaw Scholarship	566	68,180	37,707	106,453
	<u>252,779</u>	<u>15,674,544</u>	<u>2,482,156</u>	<u>18,409,479</u>
Undesignated	-	-	-	-
Total net assets at June 30, 2023	<u>\$ 252,779</u>	<u>\$ 15,674,544</u>	<u>\$ 2,482,156</u>	<u>\$ 18,409,479</u>

**ENDOWMENTS**

The Organization's endowments were established for a variety of purposes. 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 net assets restricted in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

## NCHSAA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**ENDOWMENTS (CONTINUED)**

The remaining portion of the endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets with or without donor restrictions 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.

*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. At June 30, 2023, there were no endowment funds below the required amounts.

## NCHSAA FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

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**ENDOWMENTS (CONTINUED)**

The changes in endowment net assets for the year ended June 30, 2023 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Net investment return	20,424	131,051	151,475
Contributions	<u>2,461,732</u>	<u>15,796,272</u>	<u>18,258,004</u>
Endowment net assets, end of year	<u>\$ 2,482,156</u>	<u>\$ 15,927,323</u>	<u>\$ 18,409,479</u>

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events for recognition or disclosure through February 7, 2024, which was the date that the financial statements were available to be issued, and determined there are no events that require disclosure.