

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

FINANCIAL STATEMENTS

June 30, 2021 and 2020

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

TABLE OF CONTENTS

June 30, 2021 and 2020

| | <u>Page Number</u> |
|---|--------------------|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Jersey State Interscholastic Athletic Association

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey State Interscholastic Athletic Association (the "Association") which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mercedien, P.C.

Certified Public Accountants

October 14, 2021

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

STATEMENTS OF FINANCIAL POSITION June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,298,506 | \$ 2,055,050 |
| Grant receivable | 208,333 | - |
| Accounts receivable - net of allowance of \$7,210 in 2021 and \$7,500 in 2020 | 251,263 | 143,703 |
| Prepaid expenses and other assets | <u>95,162</u> | <u>102,600</u> |
| Total Current Assets | 2,853,264 | 2,301,353 |
| Property and equipment, net | <u>781,563</u> | <u>911,793</u> |
| Total Assets | <u><u>\$ 3,634,827</u></u> | <u><u>\$ 3,213,146</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 434,711 | \$ 419,461 |
| Deferred revenue | <u>120,591</u> | <u>99,000</u> |
| Total Current Liabilities | 555,302 | 518,461 |
| Paycheck Protection Program (PPP) Loan | <u>-</u> | <u>226,279</u> |
| Total Liabilities | <u>555,302</u> | <u>744,740</u> |
| Net assets without donor restrictions | <u>3,079,525</u> | <u>2,468,406</u> |
| Total Liabilities and Net Assets | <u><u>\$ 3,634,827</u></u> | <u><u>\$ 3,213,146</u></u> |

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|---------------------|---------------------|
| Support and Revenues | | |
| Sports activities | \$ 755,163 | \$ 1,587,721 |
| Membership dues | 1,064,000 | 935,995 |
| Officials dues | 445,028 | 430,490 |
| Corporate sponsorships | 444,688 | 531,401 |
| Broadcast/media | 110,000 | 185,400 |
| Workshops | 65,518 | 127,501 |
| Grants | 655,000 | 85,240 |
| Contributions | 14,477 | 33,175 |
| Other program service revenue | 12,590 | 56,853 |
| Interest income | 4,672 | 29,368 |
| PPP Loan forgiveness | 226,279 | - |
| Miscellaneous income | 38,860 | 15,226 |
| Total Support and Revenues | <u>3,836,275</u> | <u>4,018,370</u> |
| Expenses | | |
| Program services | 1,814,558 | 3,319,392 |
| Management and general | 1,410,598 | 1,340,312 |
| Total Expenses | <u>3,225,156</u> | <u>4,659,704</u> |
| Change in net assets | 611,119 | (641,334) |
| Net assets, beginning of year | <u>2,468,406</u> | <u>3,109,740</u> |
| Net assets, end of year | <u>\$ 3,079,525</u> | <u>\$ 2,468,406</u> |

See notes to financial statements.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2021

| | Program Services | Management and General | Total |
|---------------------------|---------------------|---------------------------|---------------------|
| Payroll | \$ 467,546 | \$ 572,704 | \$ 1,040,250 |
| Payroll taxes | 39,717 | 48,650 | 88,367 |
| Employee benefits | 97,928 | 119,954 | 217,882 |
| Grants and sponsorships | 9,126 | - | 9,126 |
| Professional fees | 118,821 | 238,554 | 357,375 |
| Sports activities | 527,773 | - | 527,773 |
| Officials | 275,742 | - | 275,742 |
| Workshops | 19,820 | - | 19,820 |
| Coaches association | 21,591 | - | 21,591 |
| Rulebooks | 35,974 | - | 35,974 |
| Office expense | 16,454 | 33,035 | 49,489 |
| Postage and delivery | 5,013 | 10,065 | 15,078 |
| Printing and reproduction | 1,294 | 2,596 | 3,890 |
| Information technology | 40,296 | 80,900 | 121,196 |
| Conferences and meetings | 729 | 1,464 | 2,193 |
| Repairs and maintenance | 24,151 | 48,488 | 72,639 |
| Depreciation | 44,765 | 89,875 | 134,640 |
| Business insurance | 67,818 | 136,155 | 203,973 |
| Miscellaneous | - | 28,158 | 28,158 |
| Total | <u>\$ 1,814,558</u> | <u>\$ 1,410,598</u> | <u>\$ 3,225,156</u> |

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2020

| | Program Services | Management and General | Total |
|---------------------------|---------------------|---------------------------|---------------------|
| Payroll | \$ 695,815 | \$ 555,894 | \$ 1,251,709 |
| Payroll taxes | 55,624 | 44,438 | 100,062 |
| Employee benefits | 183,737 | 146,790 | 330,527 |
| Grants and sponsorships | 91,796 | - | 91,796 |
| Professional fees | 208,404 | 246,948 | 455,352 |
| Sports activities | 1,366,239 | - | 1,366,239 |
| Officials | 292,903 | - | 292,903 |
| Workshops | 62,507 | - | 62,507 |
| Coaches association | 25,091 | - | 25,091 |
| Rulebooks | 65,478 | - | 65,478 |
| Corporate Hall of Fame | 1,928 | - | 1,928 |
| Office expense | 27,253 | 32,294 | 59,547 |
| Postage and delivery | 13,679 | 16,208 | 29,887 |
| Printing and reproduction | 5,838 | 6,918 | 12,756 |
| Information technology | 25,898 | 30,689 | 56,587 |
| Conferences and meetings | 15,662 | 18,558 | 34,220 |
| Repairs and maintenance | 37,569 | 44,517 | 82,086 |
| Depreciation | 63,937 | 75,763 | 139,700 |
| Business insurance | 80,034 | 94,837 | 174,871 |
| Miscellaneous | - | 26,458 | 26,458 |
| Total | <u>\$ 3,319,392</u> | <u>\$ 1,340,312</u> | <u>\$ 4,659,704</u> |

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 611,119 | \$ (641,334) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 134,640 | 139,700 |
| Bad debts | 18,078 | 10,439 |
| PPP Loan forgiveness | (226,279) | - |
| Increase (decrease) in cash from | | |
| Grant receivable | (208,333) | - |
| Accounts receivable | (125,638) | 73,580 |
| Deferred revenue | 21,591 | (273,692) |
| Prepaid expenses | 7,438 | (42,718) |
| Accounts payable and accrued expenses | 15,250 | 762 |
| Net cash from operating activities | <u>247,866</u> | <u>(733,263)</u> |
| Cash flows from Investing Activities | | |
| Purchases of property and equipment | (4,410) | (104,603) |
| Net cash used in investing activities | <u>(4,410)</u> | <u>(104,603)</u> |
| Cash flows from Financing Activities | | |
| Proceeds from PPP Loan | - | 226,279 |
| Net cash from financing activities | <u>-</u> | <u>226,279</u> |
| Net change in cash and cash equivalents | 243,456 | (611,587) |
| Cash and cash equivalents, beginning of year | 2,055,050 | 2,666,637 |
| Cash and cash equivalents, end of year | <u>\$ 2,298,506</u> | <u>\$ 2,055,050</u> |
| Supplemental Disclosure of Cash Flow Information: | | |
| Non-cash investing and financing activities: | | |
| PPP Loan forgiveness | <u>\$ 226,279</u> | <u>\$ -</u> |

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

The New Jersey State Interscholastic Athletic Association ("NJSIAA" or the "Association") is a nonprofit organization incorporated under the laws of the State of New Jersey in 1918. The Association is a voluntary organization made up of all approved public, private and parochial high schools in the State of New Jersey. The Association's purpose is to foster and administer interscholastic sports among member schools. The Association promotes participation and sportsmanship to develop good citizens through interscholastic activities which provide equitable opportunities, positive recognition and learning experiences to students while maximizing the achievement of educational goals.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Association is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Association and/or by the passage of time.

The Association has no net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers cash equivalents to be all highly liquid debt instruments with an initial maturity of ninety days or less. Cash and cash equivalents consist mainly of cash and money market funds.

Accounts and Grant Receivable

Accounts receivable consist primarily of member and officials' dues. The grant receivable consists of a payment due under a stipend award agreement from the State of New Jersey, Department of Treasury. The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts and grants receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchased, in excess of \$2,500, are capitalized as assets and recorded at cost, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is computed on the straight-line method for financial reporting purposes over the following estimated useful lives:

| | |
|----------------------------|------------|
| Buildings and improvements | 3-39 years |
| Furniture and equipment | 3-20 years |

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Revenue Recognition

Contributions and grants are recognized when the donor or grantor makes a promise to give to the Association that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. For the fiscal year ending June 30, 2021, the Association received a stipend award from the State of New Jersey, Department of Treasury in the amount of \$625,000 to assist with COVID-19 pandemic-related losses both incurred during the fiscal year ended June 30, 2020, and anticipated for the fiscal year ending June 30, 2021. The award was spent in full and is included in grants revenue in the statements of activities.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services 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, are recorded at their fair values in the period received.

The Association records the value of in-kind goods and services as revenue and expense when the in-kind contribution is both budget-relieving and relates to events and programs under the Association's control.

Membership and officials dues revenue is recognized ratably over the membership period, which aligns with the Association's fiscal year. The benefits derived as part of the dues are not distinct within the contracts. The performance obligation is met over the membership or dues period of one year. The Association bills annually for the entire year.

Sports activities and workshop revenue is recognized as each activity or event occurs. Corporate and broadcast media revenue are recognized as per terms of contracts. The benefits derived are listed in the contract and are satisfied throughout the contract year, which aligns with the fiscal year. The Association recognizes revenue as the performance obligations are satisfied.

The Association's deferred revenue (contract liability) balance as of June 30, 2021, was \$120,591, which represents an increase of \$21,591 from the balance at June 30, 2020. The increase primarily reflects timing differences between payments received for sports activities and officials dues collected prior to the fall sports season and the Association's satisfaction of its performance obligations. The entire amount of deferred revenue at June 30, 2020, was recognized as revenue in 2021.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Association's revenue disaggregated according to the timing of when revenue is recognized is as follows:

| | June 30, | |
|--|---------------------|---------------------|
| | 2021 | 2020 |
| Revenue recognized at a point in time (ASC 606) | | |
| Sports activities | \$ 755,163 | \$ 1,587,721 |
| Corporate sponsorships | 444,688 | 531,401 |
| Broadcast/media | 110,000 | 185,400 |
| Workshops | 65,518 | 127,501 |
| Other program service revenue | 12,590 | 56,853 |
| Total Revenue recognized at a point in time | <u>1,387,959</u> | <u>2,488,876</u> |
| Revenue recognized over time (ASC 606) | | |
| Officials dues | 445,028 | 430,490 |
| Membership dues | 1,064,000 | 935,995 |
| Total Revenue recognized over time | <u>1,509,028</u> | <u>1,366,485</u> |
| Other revenue not subject to ASC 606 | | |
| Grants | 655,000 | 85,240 |
| Contributions | 14,477 | 33,175 |
| Interest income | 4,672 | 29,368 |
| Miscellaneous income | 38,860 | 15,226 |
| Paycheck Protection Program (PPP) Loan forgiveness | 226,279 | - |
| Total Other Revenue | <u>939,288</u> | <u>163,009</u> |
| Total Revenue | <u>\$ 3,836,275</u> | <u>\$ 4,018,370</u> |

Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Association's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended June 30, 2021 and 2020.

U.S. GAAP requires management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Association did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of June 30, 2021 and 2020, or in the accompanying statements of activities for the years then ended. If the Association were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

Functional Allocation of Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on the percentage of direct program expenses to total expenses.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through October 14, 2021, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

Recently Adopted Accounting Pronouncement

ASU 2014-09, Revenue from Contracts with Customers (Topic 606), also referred to as Accounting Standards Codification 606 ("ASC 606"), requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Association did not record a cumulative effect adjustment to net assets as a result of the adoption of ASC 606 because the timing and measurement of revenue for the Association's contracts with its members and customers is the same under both ASC 606 and legacy guidance.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued accounting pronouncements through the date of these financial statements which may be applicable to the Association and for which the Association is currently evaluating the effect that each will have on the financial statements and related disclosure.

ASU 2016-02, Leases (Topic 842), issued in February 2016, requires an entity (lessee) that leases assets for a term exceeding a one-year period to recognize a right-of-use asset and corresponding lease liability on the statements of financial position. ASU 2016-02 will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. ASU 2016-02 introduces limited changes to the lessor accounting model, none of which rise to the same level of significance as the changes made to the lessee accounting model. ASU 2016-02 also requires entities to disclose in the footnotes to their financial statements information about the amount, timing and uncertainty for the payments they make for lease agreements. In November 2019, the FASB issued ASU 2019-10 and in June 2020 the FASB issued ASU 2020-05, each of which deferred the effective date of ASU 2016-02 by one additional year. The updated standard will be effective for the Association for the year ending June 30, 2023, with early adoption permitted.

ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, issued in September 2020, is intended to increase the transparency regarding the measurement of contributed nonfinancial assets recognized by programs and other activities. The amendments in this update require that the Association present contributed nonfinancial assets as a separate line item in the statements of activities by category that depicts the type of contributed nonfinancial assets. The guidance will be effective for the Association for the year ending June 30, 2023.

C. LIQUIDITY AND AVAILABILITY

The following table represents the Association's financial assets at June 30, 2021 and 2020:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 2,298,506 | \$ 2,055,050 |
| Grant receivable | 208,333 | - |
| Accounts receivable | 251,263 | 143,703 |
| Total financial assets available within one year | <u>\$ 2,758,102</u> | <u>\$ 2,198,753</u> |

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

C. LIQUIDITY AND AVAILABILITY (CONTINUED)

The Association's goal is generally to maintain financial assets to meet operating expenses as they come due. As part of its liquidity plan, excess cash is invested in interest-bearing money market accounts. Should unanticipated liquidity needs arise, the Association would liquidate its excess cash in money market accounts or seek to leverage its relationships with various financial institutions to establish a credit facility.

D. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | June 30, | |
|-------------------------------|------------|------------|
| | 2021 | 2020 |
| Land | \$ 361,346 | \$ 361,346 |
| Buildings and improvements | 2,744,861 | 2,744,861 |
| Furniture and equipment | 695,723 | 691,312 |
| Subtotal | 3,801,930 | 3,797,519 |
| Less accumulated depreciation | 3,020,367 | 2,885,726 |
| Total | \$ 781,563 | \$ 911,793 |

Depreciation expense for the years ended June 30, 2021 and 2020, was \$134,640 and \$139,700, respectively.

E. OPERATING LEASES

The Association has several noncancelable operating leases, primarily for equipment, that expire at various dates through March 2023. Rent expense amounted to \$22,900 for each of the years ended June 30, 2021 and 2020. Future minimum lease payments under operating leases are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|------------------|
| 2022 | \$ 17,560 |
| 2023 | 1,848 |
| Total | <u>\$ 19,408</u> |

F. RETIREMENT PLAN

The Association has a defined contribution plan covering substantially all of its employees. Under the terms of this plan, contributions begin for full-time staff members after completing one year of service. Currently, for employees hired on or after January 1, 2001, the Association contributes five percent of each eligible staff member's salary on a quarterly basis to the retirement plan. For employees hired on or before December 31, 2000, the Association contributes nineteen percent of each eligible staff member's salary on a quarterly basis to the retirement plan. Contributions and other expenses related to the administration of the plan totaled \$59,800 and \$142,671 for the years ended June 30, 2021 and 2021, respectively.

NEW JERSEY STATE INTERSCHOLASTIC ATHLETIC ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

G. CONCENTRATION OF RISK AND UNCERTAINTIES

The Association maintains cash and cash equivalent balances which may, at times, exceed federally insured limits. The Association historically has not experienced any credit related losses. Management believes that it is not subject to any significant credit risk on its cash and cash equivalent accounts.

The Association is significantly affected by market factors, including demand for and price of tournament game tickets. These factors are influenced by a variety of external forces, including weather conditions, enacted legislation, heightened security concerns, and corporate sponsorships. Currently, regulation provides for fixed ticket prices for tournament games, which does not permit the Association to adjust ticket prices to respond to rising costs from changes in market factors.

H. CORONAVIRUS OUTBREAK AND PAYCHECK PROTECTION PROGRAM LOAN

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Association, to date, the Association was forced to conduct abbreviated Fall 2020 and Winter 2021 sports seasons with limited or no championship events. The Association was able to hold championship events for its Spring 2021 season, however, admission fees for events were waived. The Association currently anticipates operating its 2021-2022 seasons without restriction, however, public health measures may alter these plans at any time, which could have a significant impact on the Association's activities and financial results.

In May 2020, the Association entered into a term note agreement as part of the United States Small Business Administration's Paycheck Protection Program ("PPP"). The funds were used to retain employees. The loan was for a principal sum of \$226,279 and bore interest at a rate of 1% per annum payable over a two-year period after a six-month interest and principal deferral period. The PPP loan was forgivable if certain criteria were met. During the year ended June 30, 2021, the Association met the forgiveness criteria and received formal notification that the loan was discharged in full. Accordingly, the Association has recognized loan forgiveness income in its statements of activities.

I. LITIGATION

From time to time, the Association, or the Association on behalf of its members, is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Association at June 30, 2021.