

GEORGIA HIGH SCHOOL ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

OFFICERS

President
Vice President
Executive Director
Assistant Executive Director

Dr. Glenn White
Lisa Moore Williams
Dr. James R.Hines,Jr.
Ernie Yarbrough

BOARD OF TRUSTEES

Steven Craft

Jesse Crews

Jim Finch

Jasper Jewell

Joe Lancaster

Gary Long

Michelle Masters

Tommy Stringer (deceased) / Curt Miller

**Established
1904**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Georgia High School Association

Report on the Financial Statements

We have audited the accompanying financial statements of the Georgia High School Association (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of June 30, 2018 and 2017, and the related statements of support, revenues, expenses and other changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting, as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 assets, liabilities and net asset of Georgia High School Association as of June 30, 2018 and 2017, and its support, revenue, and expenses, and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Jackson & Brown, P.C.
Thomaston, Georgia
September 28, 2018

GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,325,346	\$ 1,037,211
Short - term investments	--	115,605
Prepaid expenses	<u>--</u>	<u>4,750</u>
TOTAL CURRENT ASSETS	1,325,346	1,157,566
Long - term investments	4,992,736	4,544,409
Property and equipment (net of depreciation)	<u>324,944</u>	<u>323,205</u>
TOTAL ASSETS	<u>6,643,026</u>	<u>6,025,180</u>
LIABILITIES		
Current Liabilities – payroll withholdings	\$ <u>21,314</u>	\$ <u>5,499</u>
TOTAL CURRENT LIABILITIES	<u>21,314</u>	<u>5,499</u>
TOTAL LIABILITIES	21,314	5,499
COMMITMENTS AND CONTINGENCIES	--	--
NET ASSETS		
Unrestricted	6,621,712	6,019,680
Temporarily restricted	--	--
Permanently restricted	<u>--</u>	<u>--</u>
TOTAL NET ASSETS	<u>6,621,712</u>	<u>6,019,680</u>
TOTAL LIABILITIES AND NET ASSETS	<u>6,643,026</u>	<u>6,025,180</u>

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF SUPPORT, REVENUES, EXPENSES
AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Invitational & regional tournaments		
Baseball	\$ 3,301	\$ 3,481
Basketball	64,133	63,174
Cheerleading	23,128	22,361
Cross Country	4,580	4,444
Gymnastics	119	--
Lacrosse	627	690
One-Act Plays	20	20
Soccer	2,142	1,850
Softball	8,786	10,349
Swimming	2,616	2,313
Tennis	9	45
Track	14,570	13,916
Volleyball	4,696	4,784
Wrestling	<u>12,547</u>	<u>11,908</u>
	141,274	139,335
State tournaments & playoffs		
Baseball	192,609	215,768
Basketball	786,236	618,644
Cheerleading	83,630	80,530
Cross Country	3,219	6,191
Football	1,770,671	1,686,086
Gymnastics	2,611	2,091
Lacrosse	21,477	29,584
Soccer	166,148	152,061
Soccer officials	40,920	43,608
Softball	94,489	99,877
Swimming	180	5,646
Tennis	5,676	--
Track	1,068	329
Volleyball	31,137	32,530
Wrestling	59,405	57,418
Weight Appeals	<u>10,100</u>	<u>13,325</u>
	3,269,576	3,043,688

See the accompanying notes and auditor's report

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF SUPPORT, REVENUES, EXPENSES
AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Other revenues		
Dues from member schools	110,202	108,699
Corporate sponsorships	791,914	682,803
Rule books and publications	285	1,025
Vendor & Licensing Royalties	134,846	106,397
Fines	285,320	251,983
Officials' registration & insignia	298,082	309,819
Community coach registration	504,860	480,220
Trophies and awards	12,674	10,670
Media Partnerships	80,000	80,000
Miscellaneous	2,630	595
Camp fees	80,110	67,426
	<u>2,300,923</u>	<u>2,099,637</u>
TOTAL UNRESTRICTED REVENUES	5,711,773	5,282,660
EXPENSES	<u>5,561,382</u>	<u>5,265,561</u>
INCREASE IN NET ASSETS – OPERATING	150,391	17,099
NON-OPERATING ITEMS		
Investment income	448,915	611,130
Write-off of stale checks	2,726	1,805
	<u>451,641</u>	<u>612,935</u>
TOTAL NON-OPERATING ITEMS	451,641	612,935
INCREASE IN UNRESTRICTED NET ASSETS	<u>602,032</u>	<u>630,034</u>
NET ASSETS AT BEGINNING OF YEAR	<u>6,019,680</u>	<u>5,389,646</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,621,712</u>	<u>\$ 6,019,680</u>

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
SALARIES		
Executive Director	\$ 125,000	\$ 131,731
Assistant Executive Director	90,755	95,067
Associate Directors	430,900	457,105
Administrative Associates	255,731	255,796
Executive Director – Retired	<u>133,875</u>	<u>15,144</u>
	1,036,261	954,843
 TRAVEL EXPENSES AND ALLOWANCES		
National Meetings	27,891	30,443
State Executive Committee	26,574	91,403
Executive Director	5,529	822
Administrative Staff	5,589	4,364
Hardship Committee	8,375	10,750
Youth Leadership Program	14,222	--
Reclassifications and Miscellaneous	<u>8,886</u>	<u>10,349</u>
	97,066	148,131
 TOURNAMENTS		
Baseball	71,326	70,647
Payout to Schools	37,245	46,454
Basketball	132,230	73,501
Payout to Schools	281,331	210,548
Cheerleading	64,896	65,114
Payout to Schools	13,470	10,123
Competitive Dance	1,302	--
Cross Country	3,820	9,372
Football	271,220	146,088
Payout to Schools	1,030,313	965,747
Golf	7,058	8,744
Gymnastics	5,810	3,815
Lacrosse	10,556	9,387
Payout to School	7,051	3,305
Riflery	2,959	3,263
Soccer	105,375	87,900
Payout to Schools	29,549	33,098

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Softball	46,821	39,286
Payout to Schools	22,530	36,866
Swimming	15,674	18,588
Tennis	5,412	2,719
Track	19,593	31,750
Volleyball	11,652	11,165
Payout to Schools	5,790	7,296
Wrestling	<u>137,080</u>	<u>94,134</u>
 TOTAL TOURNAMENTS	 2,340,063	 1,988,910
 BOOKS AND PUBLICATIONS		
Rule books	79,972	91,013
 CLINICS AND EXAMS		
Baseball	4,618	4,986
Basketball	3,882	7,465
Cheerleading	699	2,018
Football	4,628	6,930
Gymnastics	84	350
Soccer	3,529	1,565
Softball	5,180	5,346
Swimming/Diving	296	100
Track	336	529
Volleyball	608	100
Wrestling	1,673	341
Lacrosse	<u>50</u>	<u>50</u>
	25,583	29,780

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2018 AND 2016**

	<u>2018</u>	<u>2017</u>
BUILDING AND EQUIPMENT MAINTENANCE AND EXPENSE		
Outside services and supplies	50,319	36,254
Utilities	12,959	13,182
Repairs	16,199	6,306
	79,477	55,742
OTHER EXPENSES		
Insurance	837,138	903,766
Outside services	171,082	175,855
Office supplies	15,813	21,236
Postage and delivery	13,169	38,886
Telephone & communications	11,497	16,573
Professional fees	58,710	119,340
Marketing expense	13,260	12,769
State meets (non-athletic)	38,695	37,675
Flowers and honoraria	200	2,750
Retirement expense	116,718	107,770
Community coaching program	166,031	167,624
AAASP	75,500	76,000
Sports medicine	757	126
NASO summit	823	3,000
Depreciation	21,659	25,581
Dues and subscriptions	2,732	2,731
Trophies and awards	84,213	84,451
Officials' evaluations	17,322	15,936
Officials' supplies	24,006	15,657
Officials' camps	53,081	36,892
Payroll taxes	78,867	72,536
City and county taxes	1,256	1,051
Licensing payouts	100,431	58,937
	1,902,960	1,997,142
	\$ 5,561,382	\$ 5,265,561

See the accompanying notes and auditor's report.

**GEORGIA HIGH SCHOOL ASSOCIATION
STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 602,032	\$ 630,034
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	21,659	25,581
Net (gain) loss on investments	(448,915)	(611,130)
Increase in payables	15,815	2,381
Decrease in prepaid expenses	<u>4,750</u>	<u>--</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	195,341	46,866
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash provided by investments	116,192	34,589
Payments for property and equipment	<u>(23,398)</u>	<u>(9,216)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	92,794	25,373
 CASH FLOWS FROM FINANCING ACTIVITIES	--	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	288,135	72,239
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,037,211</u>	<u>964,972</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,325,346</u>	<u>\$ 1,037,211</u>

SUPPLEMENTAL DISCLOSURES OF CASH PAID DURING THE YEAR FOR:

Interest	\$	--	\$	--
Foreign taxes		492		305

See the accompanying notes and auditor's report.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Georgia High School Association (the Association) promotes education in Georgia high schools from a mental, physical, and moral viewpoint through the study of public speaking, the standardization and encouragement of athletics, and the appreciation of music, homemaking, and other fine arts through regional and state contests. The Association's support comes primarily from member dues, corporate sponsorships, and event admission receipts.

Basis of Accounting

The books of the Association are maintained on the "modified cash basis" of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, certain revenues and related assets are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Modifications to the cash basis of accounting result from management's decision to record property and equipment and related depreciation, prepaid expenses and current liabilities in the accompanying statement of assets, liabilities and net assets-modified cash basis.

Basis of Presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Catastrophic insurance premiums collected from member schools in fiscal year 2018 were \$ 200,235 and were \$ 200,725 for fiscal year 2017. These amounts have been subtracted from insurance expense for statement presentation.

Property and Equipment

The Association capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

Property and Equipment (Con't)

The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using both straight line and modified accelerated cost recovery system methods over estimated useful lives ranging from five to forty-five years.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Association generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association at the members' facilities, but these services do not meet the criteria for recognition as contributed services. The Association receives more that 3,000 volunteer hours per year.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't)

Investments (Con't)

Short-term investments consist of certificates of deposit with original maturities of twelve months or less. Long-term investments consist of money market funds and debt and equity securities with original maturities greater than twelve months.

Income Taxes

The Association is a not – for – profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation..

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE B – RESTRICTIONS OF NET ASSETS

There are no restrictions on the net assets of the Association.

NOTE C – CONCENTRATION OF CASH DEPOSITS

As of August 4, 2017 The Association has established an Automated Clearing House (ACH) debit and credit link between its Raymond James broker account and its Southcrest Bank accounts. This arrangement allows The Association to secure deposits over \$250,000 under Securities Investor Protection Corporation (SIPC).

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE D – INVESTMENTS

The fair values of short-term investments totaled \$ -0- and \$115,605 at June 30, 2018 and 2017, respectively. The fair values of long-term investments totaled \$4,992,736 and \$4,554,409 at June 30, 2018 and 2017, respectively.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Association's financial condition.

The following schedule summarizes investment returns and their classification in the statement of activities for the years ended:

	June 30, 2018		June 30, 2017	
	Unrestricted	Total	Unrestricted	Total
Interest & dividend income	\$ 89,425	\$ 89,425	\$ 79,174	\$ 79,174
Net realized & unrealized gains (Losses)	<u>359,490</u>	<u>359,490</u>	<u>531,956</u>	<u>531,956</u>
Total investment income	<u>\$ 448,915</u>	<u>\$ 448,915</u>	<u>\$ 611,130</u>	<u>\$ 611,130</u>

NOTE E – FAIR VALUE MEASUREMENTS

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis are as follows:

Description	June 30, 2018		June 30, 2017	
	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Short-term Investments				
Certificates of Deposit	\$ --	\$ --	\$ 115,605	\$ 115,605
Total short-term Investments	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 115,605</u>	<u>\$ 115,605</u>
Long-term Investments				
Money Market Funds	\$ 193,772	\$ 193,772	\$ 206,935	\$ 206,935
Common Stocks	4,210,571	4,210,571	3,754,348	3,754,348
Government Securities	<u>588,393</u>	<u>588,393</u>	<u>583,126</u>	<u>583,126</u>
Total long-term Investments	<u>\$ 4,992,736</u>	<u>\$ 4,992,736</u>	<u>\$ 4,544,409</u>	<u>\$ 4,544,409</u>

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS (Con't)

The Association recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2018 and 2017.

Short-term investments and long-term investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Office furniture, fixtures, and equipment	\$ 587,267	\$ 563,868
Office building & improvements	603,183	603,183
Land – office building (non-depreciable)	6,210	6,210
Land – other (non-depreciable)	<u>11,774</u>	<u>11,774</u>
	1,208,434	1,185,035
Accumulated depreciation	<u>(883,490)</u>	<u>(861,830)</u>
	<u>\$ 324,944</u>	<u>\$ 323,205</u>

NOTE G – RETIREMENT PLANS

Contributions are made to various tax sheltered annuities (TSA's) established in the names of the individuals.

Retirement expense recognized by the Association for fiscal years 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Tax sheltered annuities	\$ <u>116,718</u>	\$ <u>107,770</u>
Total Retirement Expense	<u>\$ 116,718</u>	<u>\$ 107,770</u>

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE H – CONTINGENCIES

As of September 28, 2018 (the date of this report), The Georgia High School Association was not involved in any threatened or pending litigation with the exception of the following:

On November 17, 2016, Charles Dawson Ellis filed suit against the Georgia High School Association and others in Civil Action File No. 16109198 in the Superior Court of Cobb County, Georgia. The suit alleges that the Plaintiff participated in a wrestling tournament sanctioned by the GHSA and during the tournament contracted a skin disease as a result of the failure of the Defendants to properly supervise the event and otherwise prevent injury to participants. The GHSA filed its defenses on numerous grounds including, among other defenses, that the tournament was not sanctioned by the GHSA and that the suit had not been filed within the applicable statute of limitations.

The GHSA subsequently filed a motion to dismiss the complaint as to the GHSA and thereafter the Plaintiff dismissed his action without prejudice on August 14, 2017. The action was subsequently refilled by the Plaintiff. The GHSA will defend the same vigorously and no loss is anticipated which would exceed the liability insurance coverage of the GHSA.

Counsel is not aware of any unasserted claims or assessments against the GHSA other than those associated with student eligibility to participate in extracurricular activities and member disciplinary appeals which seek no monetary damages, other than a request for attorneys fees. Currently pending litigation regarding those matters include:

Dawson Ellington, Rashad Torrence and Jalen Hardy v. GHSA, civil action file No. 18-1-6027-5a Superior court of Cobb County, Georgia.

and

GHSA v. Charlton County School District currently on appeal in the Georgia Court of Appeals, Case No. A18A1930.

NOTE I – STATEMENT OF CASH FLOWS

The Association has non-cash investing transactions consisting of reinvested interest, dividends and capital gains in the amount of \$448,327 in fiscal year 2018 and \$610,655 in fiscal year 2017.

GEORGIA HIGH SCHOOL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE J – UNCERTAIN TAX POSITIONS

The Association has determined that there are no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Association's Form 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ending in 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

NOTE K – SUBSEQUENT EVENTS

The Association has evaluated subsequent events for potential recognition or disclosure through September 28, 2018 the date which the financial statements were available to be issued.