

American Public Health Association

Financial Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

Executive Board
American Public Health Association

Report on the Financial Statements

We have audited the accompanying financial statements of American Public Health Association (the Association), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial position of the Association as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of American Public Health Association, as of and for the year ended June 30, 2019, were audited by other auditors whose report, dated October 8, 2019, expressed an unmodified opinion on those financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated December 4, 2020, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
December 4, 2020

American Public Health Association

**Statements of Financial Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 12,030,841	\$ 9,387,571
Investments	11,353,510	10,711,524
Trade receivables, net	422,541	145,796
Grant and contract receivables, net	207,632	618,112
Publications inventory, net	199,257	273,465
Prepaid expenses and deposits	489,759	531,918
Property and equipment, net	8,382,704	8,647,390
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Total assets	\$ 33,086,244	\$ 30,315,776
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,569,984	\$ 1,627,187
Deferred revenue	5,078,383	3,834,520
Bond payable, net	4,023,246	4,448,650
Paycheck Protection Program loan payable	1,251,102	-
	<hr/>	<hr/>
Total liabilities	11,922,715	9,910,357
	<hr/> <hr/>	<hr/> <hr/>
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions:		
Undesignated	19,359,391	18,601,588
Board designated	371,255	364,323
	<hr/>	<hr/>
	19,730,646	18,965,911
With donor restrictions:		
Restricted by purpose or time	727,731	782,499
Restricted in perpetuity	705,152	657,009
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	1,432,883	1,439,508
	<hr/> <hr/>	<hr/> <hr/>
Total net assets	21,163,529	20,405,419
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Total liabilities and net assets	\$ 33,086,244	\$ 30,315,776
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See notes to financial statements.

American Public Health Association

Statements of Activities Years Ended June 30, 2020 and 2019

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Convention	\$ 7,138,278	\$ 7,262,220
Grants and contracts	3,124,834	4,333,610
Membership dues	3,123,668	3,121,660
Subscription fees and royalties	1,743,987	1,890,482
Book sales	443,251	426,163
Rental income	359,459	353,406
Advertising	113,896	175,928
Other programs	201,055	109,357
Contributions	89,264	80,135
Interest and dividends – operating accounts	80,983	47,279
	<u>16,418,675</u>	<u>17,800,240</u>
Net assets released from restrictions	158,830	183,394
Total revenue and support without donor restrictions	<u>16,577,505</u>	<u>17,983,634</u>
Expenses:		
Program services:		
Convention	3,403,400	3,400,001
Scientific and professional affairs	2,753,136	3,528,439
Periodicals	2,271,423	2,310,938
Membership services	1,260,919	1,111,194
Books	1,015,073	976,774
Government relations and affiliate affairs	987,775	1,000,388
Award programs	40,344	37,186
Kellogg grant	-	161,838
Total program services	<u>11,732,070</u>	<u>12,526,758</u>
Supporting services:		
Management and general	3,843,722	3,704,937
Communications	493,141	465,344
Fundraising	167,610	231,242
Total supporting services	<u>4,504,473</u>	<u>4,401,523</u>
Total expenses	<u>16,236,543</u>	<u>16,928,281</u>
Change in net assets without donor restrictions before non-operating investment income	340,962	1,055,353
Investment income – non-operating	423,773	640,568
Change in net assets without donor restrictions	<u>764,735</u>	<u>1,695,921</u>
Activities with donor restrictions:		
Contributions restricted as to purpose or time	129,667	231,295
Contributions restricted in perpetuity	5,742	8,292
Investment income	16,796	27,150
Net assets released from restrictions	(158,830)	(183,394)
Change in net assets with donor restrictions	<u>(6,625)</u>	<u>83,343</u>
Change in net assets	758,110	1,779,264
Net assets:		
Beginning	<u>20,405,419</u>	<u>18,626,155</u>
Ending	<u>\$ 21,163,529</u>	<u>\$ 20,405,419</u>

See notes to financial statements.

American Public Health Association

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services							Supporting Services					Total
	Convention	Scientific and Professional Affairs	Periodicals	Membership Services	Books	Government Relations and Affiliate Affairs	Award Programs	Total Program Services	Management and General	Communications	Fundraising	Total Supporting Services	
Salaries and wages	\$ 640,534	\$ 1,123,709	\$ 493,632	\$ 401,718	\$ 392,998	\$ 409,984	\$ -	\$ 3,462,575	\$ 1,732,676	\$ 283,059	\$ 74,274	\$ 2,090,009	\$ 5,552,584
On-site convention costs	1,768,677	1,400	10,127	5,471	3,427	3,008	270	1,792,380	26,285	2,985	16,059	45,329	1,837,709
Employee benefits and payroll taxes	195,250	299,847	180,182	108,087	119,402	118,235	-	1,021,003	541,597	61,027	25,618	628,242	1,649,245
Consulting and temporary services	145,560	322,136	413,367	277,214	136,355	45,083	-	1,339,715	137,575	66,930	5,999	210,504	1,550,219
Other costs	268,197	71,119	108,242	86,422	92,451	157,724	21,596	805,751	287,078	23,946	26,606	337,630	1,143,381
Travel and related costs	44,116	180,077	34,967	195,874	22,846	132,820	18,202	628,902	154,815	4,076	2,589	161,480	790,382
Printing and production	81,950	9,949	489,132	22,956	19,577	4,731	-	628,295	17,387	4,023	238	21,648	649,943
Professional services	36,122	111,023	260,081	42,625	18,885	348	-	469,084	129,398	1,583	-	130,981	600,065
Depreciation and amortization	10,102	17,592	35,562	11,676	22,356	5,319	-	102,607	385,974	2,883	936	389,793	492,400
Subcontract costs	-	338,993	-	-	-	37,500	-	376,493	-	-	-	-	376,493
Postage, shipping and mailing	37,543	1,084	132,993	17,765	79,580	535	276	269,776	7,778	-	343	8,121	277,897
Property management, rent and utilities	103,311	160,047	93,318	69,608	64,866	52,501	-	543,651	151,697	38,360	12,448	202,505	746,156
Equipment rental and maintenance	5,735	9,830	6,931	4,227	4,222	3,778	-	34,723	84,428	2,316	751	87,495	122,218
Telephone	533	82,702	208	2,745	363	3,906	-	90,457	27,836	1,635	58	29,529	119,986
Contributions to other organizations	11,800	-	-	-	-	-	-	11,800	105,167	-	-	105,167	116,967
Insurance	34,376	11,452	11,346	4,684	27,698	4,804	-	94,360	19,319	-	1,251	20,570	114,930
Supplies and equipment	19,594	12,176	1,335	9,847	10,047	7,499	-	60,498	34,712	318	440	35,470	95,968
	<u>\$ 3,403,400</u>	<u>\$ 2,753,136</u>	<u>\$ 2,271,423</u>	<u>\$ 1,260,919</u>	<u>\$ 1,015,073</u>	<u>\$ 987,775</u>	<u>\$ 40,344</u>	<u>\$ 11,732,070</u>	<u>\$ 3,843,722</u>	<u>\$ 493,141</u>	<u>\$ 167,610</u>	<u>\$ 4,504,473</u>	<u>\$ 16,236,543</u>

See notes to financial statements.

American Public Health Association

Statement of Functional Expenses Year Ended June 30, 2019

	Program Services								Supporting Services					
	Scientific and Professional Affairs	Convention	Periodicals	Membership Services	Books	Government Relations and			Total Program Services	Management and			Total Supporting Services	Total
						Affiliate Affairs	Kellogg Grant	Award Programs		General	Communications	Fundraising		
Salaries and wages	\$ 995,052	\$ 593,186	\$ 454,109	\$ 413,121	\$ 380,285	\$ 394,371	\$ 48,572	\$ -	\$ 3,278,696	\$ 1,632,680	\$ 287,712	\$ 98,785	\$ 2,019,177	\$ 5,297,873
On-site convention costs	2,002	1,900,917	13,094	14,249	4,391	1,093	217	173	1,936,136	53,244	4,870	11,784	69,898	2,006,034
Employee benefits and payroll taxes	267,046	172,314	132,462	120,329	117,415	112,157	16,645	-	938,368	417,240	85,756	32,667	535,663	1,474,031
Subcontract costs	1,347,000	-	-	-	-	4,000	-	-	1,351,000	-	-	-	-	1,351,000
Consulting and temporary services	227,658	93,645	412,576	66,696	129,272	66,257	63,003	-	1,059,107	188,802	10,303	6,000	205,105	1,264,212
Other costs	134,926	304,497	136,793	63,774	55,096	167,782	1,591	19,123	883,582	292,468	25,683	37,837	355,988	1,239,570
Travel and related costs	291,710	68,914	64,310	239,669	24,877	120,594	26,347	17,564	853,985	167,342	4,607	12,457	184,406	1,038,391
Printing and production	10,222	77,562	504,501	26,829	25,417	5,301	695	-	650,527	(679)	3,983	694	3,998	654,525
Professional services	63,972	360	285,831	36,691	33,877	4,000	-	-	424,731	144,950	123	82	145,155	569,886
Depreciation and amortization	11,895	8,915	35,172	10,627	19,028	5,111	-	-	90,748	369,309	1,655	2,669	373,633	464,381
Postage, shipping and mailing	950	30,641	135,771	18,013	90,995	920	6	326	277,622	7,449	590	372	8,411	286,033
Property management, rent and utilities	122,768	86,895	105,701	75,134	60,366	93,527	-	-	544,391	172,371	35,283	21,459	229,113	773,504
Contributions to other organizations	-	10,500	-	-	-	-	-	-	10,500	109,560	-	-	109,560	120,060
Supplies and equipment	15,753	11,843	10,774	12,381	3,652	10,906	1,869	-	67,178	41,007	1,022	3,406	45,435	112,613
Insurance	10,502	32,773	11,196	4,647	27,339	4,931	-	-	91,388	16,524	-	1,259	17,783	109,171
Equipment rental and maintenance	6,475	4,583	5,575	3,963	3,185	4,933	-	-	28,714	70,291	1,861	1,132	73,284	101,998
Telephone	20,508	2,456	3,073	5,071	1,579	4,505	2,893	-	40,085	22,379	1,896	639	24,914	64,999
	<u>\$ 3,528,439</u>	<u>\$ 3,400,001</u>	<u>\$ 2,310,938</u>	<u>\$ 1,111,194</u>	<u>\$ 976,774</u>	<u>\$ 1,000,388</u>	<u>\$ 161,838</u>	<u>\$ 37,186</u>	<u>\$ 12,526,758</u>	<u>\$ 3,704,937</u>	<u>\$ 465,344</u>	<u>\$ 231,242</u>	<u>\$ 4,401,523</u>	<u>\$ 16,928,281</u>

See notes to financial statements.

American Public Health Association

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 758,110	\$ 1,779,264
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	492,400	464,381
Net gain on investments	(286,386)	(472,876)
Amortization of deferred financing costs	20,347	20,346
Changes in assets and liabilities:		
Decrease in:		
Accounts receivable	133,735	429,087
Publications inventory	74,208	47,006
Prepaid expenses and deposits	42,159	28,379
Increase (decrease) in:		
Accounts payable and accrued expenses	(57,203)	126,356
Deferred revenue	1,243,863	(507,637)
Net cash provided by operating activities	2,421,233	1,914,306
Cash flows from investing activities:		
Purchases of investments	(2,345,680)	(1,989,638)
Proceeds from sales of investments	1,990,080	1,791,270
Purchases of property and equipment	(227,714)	(148,040)
Net cash used in investing activities	(583,314)	(346,408)
Cash flows from financing activities:		
Principal payments on bond payable	(445,751)	(440,345)
Proceeds from Paycheck Protection Program loan	1,251,102	-
Net cash provided by (used in) financing activities	805,351	(440,345)
Net increase in cash and cash equivalents	2,643,270	1,127,553
Cash and cash equivalents:		
Beginning	9,387,571	8,260,018
Ending	\$ 12,030,841	\$ 9,387,571
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 106,935	\$ 114,100

See notes to financial statements.

American Public Health Association

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of activities: American Public Health Association (the Association) is a nonprofit membership organization established in 1872 and incorporated in 1918 under the laws of the Commonwealth of Massachusetts. The objective of the Association is to protect and promote personal and environmental health.

A summary of the Association's significant accounting policies follows:

Basis of accounting: The Association prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the ASC, Financial Statements of Not-for-Profit Organizations, 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 and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in their respects, such as by board designation. Board designated net assets represent funds that have been designated for the awards program by the Association's Board of Directors.

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor restrictions. Donor restrictions may be for a specified period of time or purpose or the donor may specify that the corpus of their original and subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents: For financial statement purposes, the Association considers all demand accounts, money market funds and investments with a maturity of three months or less at the time of purchase that are not held by investment custodians to be cash equivalents.

Credit risk: The Association maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Association.

Investments: Investments in marketable debt and equity securities are carried at fair value. Unrealized and realized gains and losses are reported in the financial statements as part of investment income.

Market risk: The Association invests funds in a professionally managed portfolio that contains various securities detailed in Note 2. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

American Public Health Association

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Accounts receivable: Receivables consist primarily of amounts due from the annual convention, publications and grant and contract activities. The Association's management periodically reviews the status of all accounts receivable balances for collectability, which they determine based on their knowledge of the customer, relationship with the customer and the age of the receivable. As a result of these reviews, allowances are recorded for customer balances deemed to be potentially uncollectible. Management recorded an allowance of \$58,467 and \$36,035 for the years ended June 30, 2020 and 2019, respectively.

Inventory: Inventory is entirely comprised of publications available for sale, and is valued at the lower of cost (first-in, first-out basis) or net realizable value. Management determines the allowance for obsolete inventory which totaled \$54,127 and \$61,391 at June 30, 2020 and 2019, respectively. The allowance for obsolete inventory is based on quantities on hand and prior year sales. Inventory is written off when deemed not salable.

Property and equipment: The Association capitalizes all property and equipment purchases of \$1,500 or more at cost. Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	40
Building improvements	10
Furniture and fixtures	7-10
Equipment and software	3-5

Tenant improvements are amortized over the lesser of the remaining lease term or the estimated useful lives of the improvements.

Deferred revenue: Deferred revenue consists of grant and contract receipts, member dues, convention fees and subscription fees received in advance of the periods in which they are to be earned.

Revenue recognition: Convention revenue is recognized as revenue once the event takes place. Membership dues revenue is recognized ratably over the membership period. Revenue from all other sources is recognized when earned.

Contributions and grants: Unconditional contributions received, including grants and contracts deemed to be non-exchange transactions, are recorded as support to net assets with or without donor restrictions, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a 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 statements of activities as net assets released from restrictions. Conditional contributions are those contributions that contain donor-imposed rights of refund or return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

American Public Health Association

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and other costs associated with grant programs, occupancy costs and board meetings costs, which are allocated on the basis of estimates of time and effort.

Income tax status: The Association is exempt from income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). However, the Association is subject to income taxes on its net unrelated business income activity (primarily advertising and rental income). The Association had no net unrelated business income tax expense during the years ended June 30, 2020 and 2019. In addition, the Association qualifies under Section 509(a)(2) of the IRC as an organization other than a private foundation.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America (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.

Adopted accounting pronouncement: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions. Effective July 1, 2019, the Association has implemented ASU 2018-08 on a modified prospective basis, however, there was no significant impact on presentation on the financial statements. Where the organization is the resource provider, the ASU is effective for the fiscal year ending June 30, 2021. The Association is in the process of evaluating the impact of the new guidance for resource providers.

Pending accounting pronouncement: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The amendment in this ASU create Topic 606, *Revenue from Contracts with Customers* and supersedes the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for the Association for the fiscal year ending June 30, 2021. The impact of adopting ASU 2014-09 on the Association's financial statements is not expected to have a material impact.

Reclassification: Certain expenses on the statement of functional expenses for the year ended June 30, 2019, have been reclassified, with no effect on net income, to be consistent with the classifications adopted for the year ended June 30, 2020. Additionally, certain net asset balances on the statement of financial position and the statement of activities for the year ended June 30, 2019, have been reclassified, with no effect on net income, to be consistent with the classifications adopted for the year ended June 30, 2020.

Subsequent events: Subsequent events have been evaluated through December 4, 2020, which is the date the financial statements were available to be issued.

American Public Health Association

Notes to Financial Statements

Note 2. Fair Value Measurements and Investments

In accordance with U.S. GAAP, the Association uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs were valued based on quoted prices for identical assets in active markets on a recurring basis.

Investments valued using Level 2 inputs are priced by the investment custodian using an outside data and pricing company that uses a market approach and spreads based on the credit risk of the issuer, maturity, current yield, trading frequency and other terms and conditions of each security. Management believes the estimates to be a reasonable approximation of the fair value of the investments.

The Association did not have any investments that were valued using Level 3 inputs at June 30, 2020 and 2019.

Investments recorded at cost include certificates of deposit and money market funds. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments, recorded at fair value, consist of the following at June 30, 2020 and 2019:

	2020			
	Total	Level 1	Level 2	Level 3
Corporate and government debt securities	\$ 3,966,395	\$ -	\$ 3,966,395	\$ -
Equities	3,201,445	3,201,445	-	-
Mutual funds – fixed income	1,167,305	1,167,305	-	-
Mutual funds – equity	1,028,489	1,028,489	-	-
Master limited partnership note	62,388	62,388	-	-
Real estate investment trust	16,862	16,862	-	-
	9,442,884	\$ 5,476,489	\$ 3,966,395	\$ -
Money market funds	306,693			
Certificates of deposit	1,603,933			
	<u>\$ 11,353,510</u>			

American Public Health Association

Notes to Financial Statements

Note 2. Fair Value Measurements and Investments (Continued)

	2019			
	Total	Level 1	Level 2	Level 3
Corporate and government debt securities	\$ 3,696,672	\$ -	\$ 3,696,672	\$ -
Equities	3,090,184	3,090,184	-	-
Mutual funds – fixed income	1,044,622	1,044,622	-	-
Mutual funds – equity	836,210	836,210	-	-
Master limited partnership note	116,093	116,093	-	-
Real estate investment trust	17,583	17,583	-	-
	8,801,364	\$ 5,104,692	\$ 3,696,672	\$ -
Money market funds	340,524			
Certificates of deposit	1,569,636			
	<u>\$ 10,711,524</u>			

Investment income consists of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 300,574	\$ 295,474
Net gain on investments	286,386	472,876
Less investment fees	(65,408)	(53,353)
	<u>\$ 521,552</u>	<u>\$ 714,997</u>

For the years ended June 30, 2020 and 2019, the entire gain on investments of \$286,386 and \$472,876, respectively, is recorded as non-operating investment income on the statements of activities. Non-operating investment income was reduced by \$65,408 and \$53,353 of investment fees for the years ended June 30, 2020 and 2019, respectively.

Note 3. Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Land	\$ 3,088,200	\$ 3,088,200
Building	9,623,444	9,623,444
Building improvements	503,680	401,692
Furniture and fixtures	1,147,749	1,147,749
Equipment	1,417,877	1,412,810
Software	3,219,706	3,099,303
	19,000,656	18,773,198
Less accumulated depreciation and amortization	(10,617,952)	(10,125,808)
	<u>\$ 8,382,704</u>	<u>\$ 8,647,390</u>

American Public Health Association

Notes to Financial Statements

Note 4. Liquidity and Availability

The following table reflects the Association's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-stipulated time or purpose restrictions or because the amounts are restricted in perpetuity.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$12,030,841	\$ 9,387,571
Investments	11,353,510	10,711,524
Accounts receivable, net	630,173	763,908
Subtotal financial assets	<u>24,014,524</u>	<u>20,863,003</u>
Less:		
Board designated net assets	371,255	364,323
Net assets with donor restrictions	1,432,883	1,439,508
	<u>\$25,818,662</u>	<u>\$22,666,834</u>

The Association adopted a Cash, Reserve and Investment Policy to provide guidelines for the management of the Association's financial assets. The Association's Reserve Fund (undesignated net assets without donor restrictions) provides financial support in the event of unexpected circumstances, cushions the Association during dips in the cyclical variation of its revenue sources, and can fund strategic initiatives before these initiatives become self-sustaining. It is the Association's policy to maintain 50% of annual budgeted expenses in the Reserve Fund. Amounts designated by the Board are invested and spent in a manner that supports the purpose of the designation. Funds held for donor-restricted purposes are maintained in a separate account and according to the guidelines of the policy.

Note 5. Bond Payable

On August 8, 2013, the Association refinanced its building. The District of Columbia issued a fixed rate tax-exempt bond in the amount of \$7,160,000. Under the provisions of the agreement, payments for the note are made monthly and will continue until August 1, 2028. The interest rate is 2.33% effective January 1, 2018. The prior interest rate of 1.92% was increased subject to the change in the Maximum Federal Corporate Tax Rate as passed as part of the Tax Cut and Jobs Act of 2017. The bonds have been purchased and are held by SunTrust Bank, with the building serving as security. The principal balance of the revenue bond was \$4,187,711 and \$4,633,462 at June 30, 2020 and 2019, respectively.

During the year ended June 30, 2018, the Association adopted FASB ASC 835-30, simplifying the presentation of debt issuance costs. Therefore, Association's debt issuance costs totaling \$164,465 and \$184,812 at June 30, 2020 and 2019, respectively, are presented as component of the balance due on the bond payable. The net bond payable totaled \$4,023,246 and \$4,448,650 at June 30, 2020 and 2019, respectively.

The loan stipulates several covenants. The Association believes it is in compliance with all loan covenants.

Interest expense on the bond payable for the years ended June 30, 2020 and 2019, was \$106,935 and \$114,100, respectively.

American Public Health Association

Notes to Financial Statements

Note 5. Bond Payable (Continued)

Approximate future minimum principal payments on the bond payable are as follows:

Years ending June 30:		
2021	\$	459,000
2022		470,000
2023		481,000
2024		492,000
2025		504,000
Thereafter		1,782,000
		<u>\$ 4,188,000</u>

Note 6. Loan Payable

In May 2, 2020, the Association received a \$1,251,102 loan through the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. Funds from the loan may only be used for payroll costs, interest on other debt obligations, leases and utilities. The Association intends to use the loan amount for qualifying expenses. The Association will be applying for loan forgiveness, which could be granted if the Association meets the necessary conditions. As of June 30, 2020, the Association has elected to record the loan under the ASC Topic 470. Under ASC 470, the Association will recognize income for any amount forgiven when formally approved. The loan matures in May 2022 and accrues interest at 1% for the term of the loan. If not forgiven, the Association will be required to make 18 equal payments of principal and interest in the approximate amount of \$84,596 commencing March 2, 2021. Under certain terms of the loan, the principal amount of the loan may be reduced and may be prepaid without penalty.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2020 and 2019:

	Beginning June 30, 2019	Additions/ Investment Income	Transfer	Releases	Balance, June 30, 2020
Restricted for purpose of time:					
Award programs	\$ 372,917	\$ 9,148	\$ (50,000)	\$ -	\$ 332,065
Scientific, professional and section affairs	372,645	110,907	-	(116,966)	366,586
Fundraising	33,727	9,612	-	(17,469)	25,870
Convention	3,210	-	-	-	3,210
	<u>782,499</u>	<u>129,667</u>	<u>(50,000)</u>	<u>(134,435)</u>	<u>727,731</u>
Restricted in perpetuity (endowment):					
Award programs	652,934	22,538	50,000	(24,395)	701,077
Scientific, professional and section affairs	4,075	-	-	-	4,075
	<u>657,009</u>	<u>22,538</u>	<u>50,000</u>	<u>(24,395)</u>	<u>705,152</u>
	<u>\$ 1,439,508</u>	<u>\$ 152,205</u>	<u>\$ -</u>	<u>\$ (158,830)</u>	<u>\$ 1,432,883</u>

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Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions (Continued):

	Beginning June 30, 2018	Additions/ Investment Income	Releases	Balance, June 30, 2019
Restricted for purpose of time:				
Award programs	\$ 332,006	\$ 44,301	\$ (3,390)	\$ 372,917
Scientific, professional and section affairs	338,062	163,675	(129,092)	372,645
Fundraising	33,550	24,058	(23,881)	33,727
Convention	3,235	-	(25)	3,210
	<u>706,853</u>	<u>232,034</u>	<u>(156,388)</u>	<u>782,499</u>
Restricted in perpetuity (endowment):				
Award programs	645,237	34,703	(27,006)	652,934
Scientific, professional and section affairs	4,075	-	-	4,075
	<u>649,312</u>	<u>34,703</u>	<u>(27,006)</u>	<u>657,009</u>
	<u>\$ 1,356,165</u>	<u>\$ 266,737</u>	<u>\$ (183,394)</u>	<u>\$ 1,439,508</u>

Note 8. Endowment

The Association's endowment consists primarily of funds established for award programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Association has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), enacted by the District of Columbia, 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 Association classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return objectives and risk parameters: The Association has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s). The endowment assets are invested in a conservative manner with the expectation to provide an average annual rate of return of approximately 3% over time. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized), interest and dividends.

Spending policy and how the investment objectives relate to spending policy: The Association has a policy of maintaining a full historical value of the net assets with donor restrictions held in perpetuity. The net assets with donor restrictions held in perpetuity are currently invested in certificates of deposit and mutual funds in an effort to generate returns to cover short-term spending targets.

American Public Health Association

Notes to Financial Statements

Note 8. Endowment (Continued)

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 the donors originally contributed as an endowment fund to the Foundation. There were no deficiencies of this nature at June 30, 2020 and 2019.

Changes in endowment net assets for the year ended June 30, 2020, were as follows:

	Board-Designated		Total
	Without Donor Restrictions	With Donor Restrictions	
Beginning endowment net assets	\$ 364,323	\$ 657,009	\$ 1,021,332
Net investment income	20,904	16,796	37,700
Contributions	-	5,742	5,742
Change in donor intent	-	50,000	50,000
Appropriations	(13,972)	(24,395)	(38,367)
Ending endowment net assets	<u>\$ 371,255</u>	<u>\$ 705,152</u>	<u>\$ 1,076,407</u>

Changes in endowment net assets for the year ended June 30, 2019, were as follows:

	Board-Designated		Total
	Without Donor Restrictions	With Donor Restrictions	
Beginning endowment net assets	\$ 355,291	\$ 649,312	\$ 1,004,603
Net investment income	17,799	26,411	44,210
Contributions	-	8,292	8,292
Appropriations	(8,767)	(27,006)	(35,773)
Ending endowment net assets	<u>\$ 364,323</u>	<u>\$ 657,009</u>	<u>\$ 1,021,332</u>

Note 9. Rental Income

The Association leased approximately 6,600 square feet of its headquarters building in Washington, D.C. under a noncancelable operating lease that expired on June 30, 2020. Total rental income from the lease was \$359,459 and \$353,406 for the years ended June 30, 2020 and 2019, respectively. The lease was not renewed.

Note 10. Retirement Plan

The Association has a tax deferred annuity plan under Internal Revenue Service Section 403(b) covering substantially all employees meeting certain age and service requirements. Employees are able to voluntarily enter into a salary reduction agreement wherein a portion of their salary is forwarded to the plan. The Association's contributions to the plan are based upon: (1) a percentage of the employee's compensation and (2) the amount of the employee's contribution. The Association's retirement plan expense for the years ended June 30, 2020 and 2019, was \$275,793 and \$267,612, respectively.

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Notes to Financial Statements

Note 11. Conditional Grants

As of June 30, 2020, the Association has \$2,595,379 of revenue to be earned on various conditional grants from various sources of funding including the U.S. Government and foundations. The amount is not recognized in the accompanying financial statements as such revenue is recognized over a multi-year period of each respective grant agreement, conditional upon management of the Association complying with grant requirements.

Note 12. Commitments and Contingencies

Employment contract: The Association has an employment agreement with a key employee. According to the agreement, if the employee is terminated by the Association without cause, the Association must continue to pay the employee at the then-current salary rate for a period of six months following the date of notice.

Hotel and convention center contracts: The Association has entered into several agreements with hotels providing for room accommodations for its meetings and conventions in subsequent years. In the event the Association cancels its agreement with the hotels, it may be held liable for amounts up to the total net room commitment depending upon the date of cancellation, less any insurance proceeds.

Federal grants and contracts: The Association participates in a federally assisted grant program and federal contract, both of which are subject to financial and compliance audits by the U.S. Department of Health and Human Services or its representatives. As such, there exists the possibility for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments if such an audit were to occur.

COVID-19 pandemic: 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 a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantine in certain areas and forced closures for certain types of public places and businesses. COVID-19 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. It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to the Association. The extent of the impact of COVID-19 on the Association's operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.