

American Public Health Association

Financial Report
June 30, 2021

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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 statements of financial position as of June 30, 2021 and 2020, 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.

Auditor's 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 25, 2022, 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.
February 25, 2022

American Public Health Association

**Statements of Financial Position
June 30, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 12,171,408	\$ 12,030,841
Investments	13,004,426	11,353,510
Receivables, net	7,726,975	630,173
Publications inventory, net	168,922	199,257
Prepaid expenses and deposits	337,113	489,759
Property and equipment, net	8,193,695	8,382,704
Total assets	\$ 41,602,539	\$ 33,086,244
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,908,708	\$ 1,569,984
Amount held on behalf of others	1,000,000	1,000,000
Deferred revenue	3,110,056	4,078,383
Note payable	1,251,102	1,251,102
Bonds payable, net	3,586,064	4,023,246
Total liabilities	10,855,930	11,922,715
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions	20,714,442	19,730,646
With donor restrictions	10,032,167	1,432,883
Total net assets	30,746,609	21,163,529
Total liabilities and net assets	\$ 41,602,539	\$ 33,086,244

See notes to financial statements.

American Public Health Association

Statements of Activities Years Ended June 30, 2021 and 2020

	2021	2020
Activities without donor restrictions:		
Revenue and support:		
Convention	\$ 4,951,670	\$ 7,138,278
Membership dues	3,020,493	3,123,668
Federal award	2,240,559	1,949,769
Subscription fees and royalties	1,741,385	1,743,987
Contracts for services	921,201	747,041
Book sales	423,671	648,635
Advertising	205,327	113,896
Other income	143,559	201,055
Contributions	127,796	517,288
Interest income	47,168	80,983
Rental income	-	359,459
Net assets released from restrictions	1,583,508	158,830
Total revenue and support	15,406,337	16,782,889
Expenses:		
Program services:		
Scientific and professional affairs	3,605,917	2,753,136
Periodicals	2,513,097	2,271,423
Convention	2,180,472	3,403,400
Membership services	1,076,373	1,260,919
Books	1,027,013	1,220,457
Government relations and affiliate affairs	891,252	987,775
Award programs	21,651	40,344
Total program services	11,315,775	11,937,454
Supporting services:		
Management and general	3,800,650	3,843,722
Communications	645,328	493,141
Fundraising	204,259	167,610
Total supporting services	4,650,237	4,504,473
Total expenses	15,966,012	16,441,927
Change in net assets without donor restrictions before other item	(559,675)	340,962
Net investment return	1,543,471	423,773
Change in net assets without donor restrictions	983,796	764,735
Activities with donor restrictions:		
Contributions	10,141,880	135,409
Interest income	40,912	16,796
Net assets released from restrictions	(1,583,508)	(158,830)
Change in net assets with donor restrictions	8,599,284	(6,625)
Change in net assets	9,583,080	758,110
Net assets:		
Beginning	21,163,529	20,405,419
Ending	\$ 30,746,609	\$ 21,163,529

See notes to financial statements.

American Public Health Association

Statement of Functional Expenses Year Ended June 30, 2021

	Program Services								Supporting Services					
	Scientific and Professional Affairs	Periodicals	Convention	Membership Services	Books	Government Relations and Affiliate		Total Program Services	Management and			Total Supporting Services	Total	
						Affairs	Award Programs		General	Communications	Fundraising			
Salaries	\$ 1,192,123	\$ 550,886	\$ 700,321	\$ 351,804	\$ 281,334	\$ 404,539	\$ -	\$ 3,481,007	\$ 1,661,243	\$ 350,324	\$ 103,400	\$ 2,114,967	\$ 5,595,974	
Consulting and temporary services	899,476	509,587	183,308	267,271	171,355	105,195	250	2,136,442	229,380	100,081	7,258	336,719	2,473,161	
Employee benefits and payroll taxes	359,804	213,308	193,422	122,977	94,166	131,095	-	1,114,772	560,135	109,778	40,659	710,572	1,825,344	
Other	104,805	159,579	186,954	70,484	122,452	101,680	21,195	767,149	382,753	26,156	18,198	427,107	1,194,256	
Property management and utilities	149,256	131,271	117,343	91,133	98,481	93,984	-	681,468	-	37,776	29,281	67,057	748,525	
Subcontracts	657,921	-	-	-	-	20,000	-	677,921	-	-	-	-	677,921	
On-site convention	-	-	646,738	-	-	-	-	646,738	-	-	2,500	2,500	649,238	
Printing and production	1,898	503,988	10,036	21,902	13,603	1,403	-	552,830	4,188	2,480	3	6,671	559,501	
Depreciation and amortization	5,148	11,953	2,693	1,508	10,189	1,583	-	33,074	473,112	-	-	473,112	506,186	
Professional services	16,858	268,137	7,667	54,329	24,497	5,015	-	376,503	90,543	6,250	-	96,793	473,296	
Postage, shipping and mailing	814	138,864	11,392	22,310	30,413	783	206	204,782	7,714	-	249	7,963	212,745	
Equipment rental and maintenance	11,439	5,521	7,012	5,477	3,403	2,123	-	34,975	169,146	3,457	681	173,284	208,259	
Telecommunications	98,398	520	1,566	12,946	573	2,183	-	116,186	55,557	3,095	250	58,902	175,088	
Travel and related	94,593	652	15,500	19,160	544	12,187	-	142,636	25,101	3,314	-	28,415	171,051	
Cost of goods sold	-	-	-	-	143,012	-	-	143,012	-	-	-	-	143,012	
Supplies and equipment	1,763	8,529	41,831	30,064	1,887	5,668	-	89,742	26,886	2,617	553	30,056	119,798	
Contributions to other organizations	-	-	19,000	-	-	-	-	19,000	98,351	-	-	98,351	117,351	
Insurance	11,621	10,302	35,689	5,008	31,104	3,814	-	97,538	16,541	-	1,227	17,768	115,306	
	\$ 3,605,917	\$ 2,513,097	\$ 2,180,472	\$ 1,076,373	\$ 1,027,013	\$ 891,252	\$ 21,651	\$ 11,315,775	\$ 3,800,650	\$ 645,328	\$ 204,259	\$ 4,650,237	\$ 15,966,012	

See notes to financial statements.

American Public Health Association

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services							Supporting Services					
	Scientific and Professional Affairs	Periodicals	Convention	Membership Services	Books	Government Relations and Affiliate Affairs	Award Programs	Total Program Services	Management and General	Communications	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,123,709	\$ 493,632	\$ 640,534	\$ 401,718	\$ 392,998	\$ 409,984	\$ -	\$ 3,462,575	\$ 1,732,676	\$ 283,059	\$ 74,274	\$ 2,090,009	\$ 5,552,584
Consulting and temporary services	322,136	413,367	145,560	277,214	136,355	45,083	-	1,339,715	137,575	66,930	5,999	210,504	1,550,219
Employee benefits and payroll taxes	299,847	180,182	195,250	108,087	119,402	118,235	-	1,021,003	541,597	61,027	25,618	628,242	1,649,245
Other	71,119	108,242	268,197	86,422	92,451	157,724	21,596	805,751	287,078	23,946	26,606	337,630	1,143,381
Property management and utilities	160,047	93,318	103,311	69,608	64,866	52,501	-	543,651	151,697	38,360	12,448	202,505	746,156
Subcontract	338,993	-	-	-	-	37,500	-	376,493	-	-	-	-	376,493
On-site convention	1,400	10,127	1,768,677	5,471	3,427	3,008	270	1,792,380	26,285	2,985	16,059	45,329	1,837,709
Printing and production	9,949	489,132	81,950	22,956	19,577	4,731	-	628,295	17,387	4,023	238	21,648	649,943
Depreciation and amortization	17,592	35,562	10,102	11,676	22,356	5,319	-	102,607	385,974	2,883	936	389,793	492,400
Professional services	111,023	260,081	36,122	42,625	18,885	348	-	469,084	129,398	1,583	-	130,981	600,065
Postage, shipping and mailing	1,084	132,993	37,543	17,765	79,580	535	276	269,776	7,778	-	343	8,121	277,897
Equipment rental and maintenance	9,830	6,931	5,735	4,227	4,222	3,778	-	34,723	84,428	2,316	751	87,495	122,218
Telecommunications	82,702	208	533	2,745	363	3,906	-	90,457	27,836	1,635	58	29,529	119,986
Travel and related	180,077	34,967	44,116	195,874	22,846	132,820	18,202	628,902	154,815	4,076	2,589	161,480	790,382
Cost of goods sold	-	-	-	-	205,384	-	-	205,384	-	-	-	-	205,384
Supplies and equipment	12,176	1,335	19,594	9,847	10,047	7,499	-	60,498	34,712	318	440	35,470	95,968
Contributions to other organizations	-	-	11,800	-	-	-	-	11,800	105,167	-	-	105,167	116,967
Insurance	11,452	11,346	34,376	4,684	27,698	4,804	-	94,360	19,319	-	1,251	20,570	114,930
	<u>\$ 2,753,136</u>	<u>\$ 2,271,423</u>	<u>\$ 3,403,400</u>	<u>\$ 1,260,919</u>	<u>\$ 1,220,457</u>	<u>\$ 987,775</u>	<u>\$ 40,344</u>	<u>\$ 11,937,454</u>	<u>\$ 3,843,722</u>	<u>\$ 493,141</u>	<u>\$ 167,610</u>	<u>\$ 4,504,473</u>	<u>\$ 16,441,927</u>

See notes to financial statements.

American Public Health Association

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 9,583,080	\$ 758,110
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for doubtful accounts	31,623	22,432
Net realized and unrealized gain on investments	(1,423,379)	(286,386)
Amortization of publication development costs	58,084	69,738
Publications inventory written off	23,671	62,686
Depreciation and amortization of property and equipment	506,186	492,400
Amortization of debt issuance costs	20,346	20,347
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(7,128,425)	111,303
Publications inventory	(51,420)	(58,216)
Prepaid expenses and deposits	152,646	42,159
Increase (decrease) in:		
Accounts payable and accrued expenses	338,724	(57,203)
Deferred revenue	(968,327)	1,243,863
Net cash provided by operating activities	1,142,809	2,421,233
Cash flows from investing activities:		
Proceeds from sales of investments	3,149,985	1,990,080
Purchases of investments	(3,377,522)	(2,345,680)
Purchases of property and equipment	(317,177)	(227,714)
Net cash used in investing activities	(544,714)	(583,314)
Cash flows from financing activities:		
Proceeds from issuance of note payable	-	1,251,102
Principal payments on bonds payable	(457,528)	(445,751)
Net cash (used in) provided by financing activities	(457,528)	805,351
Net increase in cash and cash equivalents	140,567	2,643,270
Cash and cash equivalents:		
Beginning	12,030,841	9,387,571
Ending	\$ 12,171,408	\$ 12,030,841
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 95,138	\$ 106,935

See notes to financial statements.

American Public Health Association

Notes to Financial Statements

Note 1. Nature of Activities 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 mission of the Association is to improve the health of the public and achieve equity in health status.

The Association champions the health of all people and all communities, and it strengthens the public health profession. The Association speaks out for public health issues and policies backed by science. The Association is the only organization that combines a 150-year perspective, a broad-based member community and the ability to influence federal policy to improve the public's health.

Program services include the following activities:

Scientific and professional affairs: The Association advanced public health sciences, policies and practices through information, communication and collaboration.

Periodicals: The Association published several educational periodicals in the area of public health which are available to members and the general public.

Convention: The annual exposition convened over 12,000 public health professionals representing over 80 disciplines in the public health and related fields who work to improve the public's health during the year ended June 30, 2020. The annual exposition was held virtually during the year ended June 30, 2021.

Membership services: The Association represents a broad array of health professionals and others who care about their own health and the health of their communities.

Government relations and affiliate affairs: The Association builds a collective voice for public health, working to ensure access to health care, protect funding for core public health services, and eliminate health disparities, among a myriad of other issues.

Books: The Association published a number of public health books to promote and spread knowledge of various public health matters.

Award programs: The Association provides various awards which are designed to recognize individuals who exemplify outstanding professionalism and dedication to public health and who have made extraordinary contributions to the field of public health.

Supporting services include the following activities:

Management and general: The activities of this supporting service include the administrative processes of the Association, such as managing operations and financial responsibilities.

Communications: The activities of this supporting service include the promotion and advertising of the Association's programs, as well as general community announcements and press relations.

Fundraising: The activities of this supporting service include new donor acquisition, major donor cultivation and other activities that encourage and secure financial support for the Association.

American Public Health Association

Notes to Financial Statements

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

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

Basis of presentation: The Association follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Association is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

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 other respects, such as by Board designation. The Association's net assets without donor restrictions are summarized in Note 10.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation, or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Association's net assets with donor restrictions are summarized in Note 10.

Use of estimates: The preparation of the financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income tax status: The Association is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC). However, the Association may be subject to income tax on its unrelated business activities, net of allowable deductions.

The Association has operating loss carryforwards resulting from its unrelated business activities totaling \$753,993 at June 30, 2021 and 2020, which may be applied against the taxable income of future years. The net operating loss (NOL) carryforwards generated through the year ended June 30, 2018, will expire at various dates through 2038. Since the Coronavirus Aid, Relief and Economic Security (CARES) Act, P.L. 116-136 was signed into law on March 27, 2020, NOLs related to the years ended June 30, 2019, 2020 and 2021 can be carried forward indefinitely to future years and will never expire. Therefore, the portion of the NOL that will expire totaled \$507,900 and the portion of the NOL that will never expire totaled \$246,093. However, the Association has not recorded a deferred tax asset related to the NOLs due to the uncertainty of realizing a benefit from them.

Cash and cash equivalents: For financial statement purposes, the Society considers demand deposits and money market funds not held in the investment portfolio to be cash and cash equivalents.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded in net investment return.

Financial 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. However, the Association has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

American Public Health Association

Notes to Financial Statements

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

The Association invests in funds in a professionally managed portfolio of fixed income and equity securities. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying statements may not be reflective of the portfolio's value during subsequent periods.

Receivables: Receivables are presented at the gross, or face, amount due to the Association less an allowance for doubtful accounts. Receivables include both exchange transaction revenue streams and contributions. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the donor or customer and the age of the receivable balance. As a result of these reviews, receivable balances for which collection is deemed doubtful are charged to bad debt expense and an allowance is recorded. Bad debt expense totaled \$36,999 and \$27,346 for the years ended June 30, 2021 and 2020, respectively.

Inventory: Inventory includes items for sale such as publications and books. Inventory also includes certain capitalized publication development costs related to the Association's on demand publications. Publication development costs totaled \$228,228 and \$216,631 at June 30, 2021 and 2020, respectively. Accumulated amortization related to the publication development costs totaled \$184,759 and \$126,675 at June 30, 2021 and 2020, respectively.

Inventory has been reported at the lower of cost or net realizable value and cost of goods sold is determined using the average cost method. Based on a review of the age and sales history of items held in stock, management did not identify any inventory items requiring a write-off during the year ended June 30, 2021 and 2020. However, the allowance for obsolete inventory totaled \$54,127 at June 30, 2021 and 2020. The cost of goods sold has been recorded within the books functional expense category on the statements of activities and totaled \$143,012 and \$205,384 for the years ended June 30, 2021 and 2020, respectively.

Property and equipment: Acquisitions of property and equipment greater than \$1,500 with a useful life of more than three years are recorded at cost and depreciated or amortized using the straight-line method over the following estimated useful lives: building – 40 years, building improvements – 10 years, furniture and fixtures – 7 to 10 years; equipment and software – 3 to 5 years. Land is not depreciated.

Valuation of long-lived assets: Long-lived property, such as real estate, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets from operations.

Revenue and support: Revenue includes the line items that have performance obligations such as convention, membership dues, subscription fees and royalties, contracts for services, book sales, advertising and other income. These revenue line items are considered contracts with customers that have similar terms. Support includes federal award and contributions.

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time, and most contracts have initial terms of one year or less. The Association performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Association is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the certain criteria are met, revenue is recognized at a point in time.

American Public Health Association

Notes to Financial Statements

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

The majority of the Association's revenue under contracts with customers is earned in the United States of America. The Association's contracts with customers do not include significant financing components or variable considerations. Prices are specific to a distinct performance obligation and contracts with customers do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue, or they can have a positive impact on cash flows in favorable economic conditions.

Convention: Convention revenue includes registration fees, exhibit fees and sponsorships. Convention revenue received in advance of the date of the event is recorded as deferred revenue until the period of time in which the event occurs. Convention revenue is recognized over the period of time in which the event occurs. As a result of the COVID-19 pandemic, the Association's 2021 annual meeting was changed from its standard in-person format to a virtual conference.

Membership dues: Membership dues provide economic as well as other benefits to members and are, therefore, accounted for as exchange transactions rather than as contributions. Revenue from membership dues is recognized on a straight-line basis over the related annual membership period because benefits are consumed ratably over the membership term by members. Dues received prior to the membership period are recorded as deferred revenue in the accompanying statements of financial position.

Federal award: The Association has a federal award from the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention. The Association has determined that the federal award is a conditional contribution. Conditional contributions received in advance of incurring allowable costs are recorded as a refundable advance in the statements of financial position until the barriers to entitlement have been overcome, at which point the contribution is recognized as unconditional and classified as net assets without restrictions. Allowable federal award costs incurred in excess of cash received are recorded as contributions receivable.

Subscription fees and royalties: The Society offers subscriptions for American Journal Public Health, The Nation's Health and eBook subscriptions. Revenue from subscriptions is recognized on a straight-line basis over the related annual subscription period. Subscription fees received prior to the subscription period are recorded as deferred revenue in the accompanying statements of financial position. Royalties relate to the Association's electronic products and royalty revenue is recognized in the same period as the related sales.

Contracts for services: The Association has various contracts for services with third parties. The performance obligation is distinct for each contract and revenue is recognized when the performance obligation for each contract is complete.

Book sales: Book sales revenue is recognized either when the book is shipped to the customer or when the online access is provided to the customer.

Advertising: Advertising is recognized when the ad placement is published in a print run or when the ad is posted online.

American Public Health Association

Notes to Financial Statements

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

Contributions: Unconditional contributions are recognized when received. Contributions are classified within activities without donor restrictions or within activities with donor restrictions depending upon the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when either the purpose restriction is satisfied, or the time restriction expires.

Allocation of expenses: The costs of providing the various program and supporting activities of the Association have been summarized on a functional basis in the accompanying statements of functional expenses. Costs related to a specific functional activity are charged directly to that activity. However, other indirect costs are allocated among the program and supporting services benefited based on management's best estimates. In particular, salaries and employee benefits and payroll taxes along are allocated based on timesheets that include actual hours worked on each functional category. Depreciation and amortization and equipment rental and maintenance are allocated based on the number of computers in each functional category. Property management and utilities is allocated based on square footage occupied. Insurance is allocated based on estimated percentages applied to each functional category.

Reclassifications: Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Recent accounting pronouncements adopted: FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires that the Association recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP. The new standard also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Association adopted the new standard, effective for the year ended June 30, 2021, using the modified retrospective method analyzing all contracts not yet completed as of July 1, 2020. The revenue line items affected by this standard include convention, membership dues, subscription fees and royalties, contracts for services, book sales, advertising and other income. Based on management's review of its contracts with customers, the timing and amount of revenue recognized previously is materially consistent with how revenue is recognized under this new standard. Therefore, the adoption of this standard had no material impact on the Association's financial statements, but the standard does require additional disclosures.

FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution). ASU 2018-08 also provided guidance for distinguishing between conditional and unconditional contributions. The Association adopted the contributions received portion of the new standard effective for the year ended June 30, 2020. The Association adopted the contributions made portion of the new standard effective for the year ended June 30, 2021, using the modified retrospective method. Based on management's review of its contributions made (grant expense), the timing of the amount of contributions recognized previously is consistent with how contributions are recognized under this new standard. Therefore, the adoption of this standard had no impact on the Association's financial statements, but the standard does require additional disclosures.

American Public Health Association

Notes to Financial Statements

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

Upcoming accounting pronouncements: FASB ASU 2016-02, *Leases (Topic 842)*, supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for the Association's year ending June 30, 2023. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. ASU 2020-07 is effective for the Association's year ending June 30, 2022. The Association does not expect the new standard to have a significant impact on the financial statements.

Subsequent events: Subsequent events have been evaluated through February 25, 2022, which is the date the financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

The Association follows the accounting standards topic regarding fair value measurements, which establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. 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 inputs 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 presented at fair value using Level 1 inputs include various types of mutual funds, which were valued based on quoted prices for identical assets in active markets.

The fair values of corporate bonds and U.S. government obligations were determined using Level 2 inputs, which were valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each security. Management believes the fair values of investments to be a reasonable approximation of their exit price.

Money market funds and certificates of deposit held in the investment portfolio are recorded at cost.

American Public Health Association

Notes to Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

Investments consisted of the following as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
U.S. government obligations	\$ -	\$ 2,617,279	\$ -	\$ 2,617,279
Corporate bonds	-	1,930,611	-	1,930,611
Common stocks	3,864,059	-	-	3,864,059
Mutual funds—fixed income	1,187,970	-	-	1,187,970
Mutual funds—equity	1,407,684	-	-	1,407,684
Exchange traded funds	36,015	-	-	36,015
Real estate investment trust	16,749	-	-	16,749
	<u>\$ 6,512,477</u>	<u>\$ 4,547,890</u>	<u>\$ -</u>	<u>11,060,367</u>
Investments at cost				
Money market funds				305,858
Certificates of deposit				1,638,201
				<u>\$ 13,004,426</u>

Investments consisted of the following as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
U.S. government obligations	\$ -	\$ 2,291,926	\$ -	\$ 2,291,926
Corporate bonds	-	1,674,469	-	1,674,469
Common stocks	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	62,388	-	-	62,388
Real estate investment trust	16,862	-	-	16,862
	<u>\$ 5,476,489</u>	<u>\$ 3,966,395</u>	<u>\$ -</u>	<u>9,442,884</u>
Investments at cost				
Money market funds				306,693
Certificates of deposit				1,603,933
				<u>\$ 11,353,510</u>

Net investment return consisted of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Without donor restrictions:		
Interest and dividends	\$ 233,703	\$ 283,778
Investment management fees	(66,443)	(65,408)
Net realized and unrealized gain on investments	1,423,379	286,386
Subtotal without donor restrictions	<u>1,590,639</u>	<u>504,756</u>
With donor restrictions:		
Interest income	40,912	16,796
Subtotal with donor restrictions	<u>40,912</u>	<u>16,796</u>
	<u>\$ 1,631,551</u>	<u>\$ 521,552</u>

American Public Health Association

Notes to Financial Statements

Note 3. Receivables

Receivables consisted of the following at June 30, 2021 and 2020:

	2021	2020
Contributions	\$ 7,334,197	\$ 207,632
Book sales, subscriptions and royalties	283,618	391,071
Accrued interest and other income	199,250	89,937
	<u>7,817,065</u>	<u>688,640</u>
Less allowance for doubtful accounts	(90,090)	(58,467)
	<u>\$ 7,726,975</u>	<u>\$ 630,173</u>

Unconditional contributions receivable, included in receivables, are expected to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Receivable in less than one year	\$ 3,500,416	\$ 207,632
Receivable in one to five years	3,833,781	-
	<u>\$ 7,334,197</u>	<u>\$ 207,632</u>

Note 4. Liquidity and Availability of Resources

The Association adopted a Cash, Reserve and Investment Policy to provide guidelines for the management of its financial assets. The Reserve Fund, which consists of the Association's 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. The Association's policy is to maintain 50% of annual budgeted expenses in the Reserve Fund.

Board-designated net assets are invested and spent in a manner that supports the purpose of the designation. The board-designation could be removed if approved by the Executive Board. The Association does not currently have an available line of credit with a bank.

Financial assets available for general expenditure within one year consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 12,171,408	\$ 12,030,841
Investments	13,004,426	11,353,510
Receivables, net	7,726,975	630,173
Subtotal financial assets	<u>32,902,809</u>	<u>24,014,524</u>
Amounts not available for general expenditures within one year:		
Amount held on behalf of others	(1,000,000)	(1,000,000)
Board-designated net assets	(381,050)	(371,255)
Net assets with donor restrictions	(10,032,167)	(1,432,883)
	<u>\$ 21,489,592</u>	<u>\$ 21,210,386</u>

American Public Health Association

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 3,088,200	\$ 3,088,200
Building	9,623,444	9,623,444
Building improvements	581,207	503,680
Furniture and fixtures	1,147,749	1,147,749
Equipment	1,553,804	1,417,877
Software	3,323,175	3,219,706
	19,317,579	19,000,656
Less accumulated depreciation and amortization	(11,123,884)	(10,617,952)
	<u>\$ 8,193,695</u>	<u>\$ 8,382,704</u>

Note 6. Conditional Contributions

The Association receives conditional contributions from various funding sources. Conditional contributions are not recorded on the financial statements until the Association satisfies the barriers stipulated by the donors in the underlying agreements. When the barriers have been satisfied, the contributions become unconditional, and they are recorded on the financial statements. See Note 3 for contributions receivable, which are unconditional and have been recorded on the financial statements.

The Association's federal award is a conditional contribution. The current grant period of the federal award is through July 31, 2021, with additional one year option periods through July 31, 2023. However, the additional option years have not yet been awarded. The conditional contribution related to the federal award totaled \$2,941,263 and \$5,181,822 at June 30, 2021 and 2020, respectively.

The Association also has conditional contributions from private funding sources. Conditional contributions from private funding sources totaled \$876,400 and \$81,620 at June 30, 2021 and 2020, respectively.

In addition, the Association has received a grant from a donor of \$1,000,000 during each of the years ended June 30 2021 and 2020. In accordance with instructions from the donor, the grant is to be passed through to others in the form of subgrants. Since the Association does not have variance power to make the final determination of who to pay, the Association has recorded the grant as amount held on behalf of others, which totaled \$1,000,000 at June 30, 2021 and 2020. The Association did not record a contribution and expense for this grant, but the Association's Form 990 provides details of the subgrants made to others.

American Public Health Association

Notes to Financial Statements

Note 7. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2021 and 2020:

	2021	2020
Membership dues	\$ 1,508,972	\$ 1,455,227
Subscription fees and royalties	754,531	705,413
Contracts for services	430,597	1,271,999
Convention	387,954	614,120
Other income	28,002	31,624
	<u>\$ 3,110,056</u>	<u>\$ 4,078,383</u>

Note 8. Note Payable

In May 2020, the Association obtained a loan totaling \$1,251,102, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. The loan matures in May 2022 (during the year ending June 30, 2022) and bears interest at a rate of 1% per annum. Proceeds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations, incurred between May 17, 2020 and October 31, 2020 (the alternate covered period).

The loan and related accrued interest are forgivable after 24 weeks if the Association used the loan proceeds for eligible purposes. The note payable may be prepaid by the Association at any time prior to maturity with no prepayment penalties. The Association used the entire proceeds of the loan for qualifying expenses as described in the CARES Act and the Association has elected to record the note payable in accordance with ASC Topic 470: Debt.

In January 2021, the Association applied for loan forgiveness, which could be granted if the Association met the necessary conditions within the CARES Act. When the Association receives official notification of forgiveness from the Small Business Administration (SBA), the Association will write off the forgiven portion of the loan and record a gain on debt forgiveness in the period that the official notification of forgiveness is received.

Note 9. Bonds Payable

On August 8, 2013, the Association refinanced its building. The District of Columbia issued fixed rate tax-exempt bonds totaling \$7,160,000. A bank immediately purchased the bonds and has held the debt instruments since the origination of the bonds payable. The bonds are secured by the Association's building.

Effective on January 1, 2018, the bonds payable bear interest at a rate of 2.33%. The terms of the bonds payable require monthly payments of interest and principal until August 1, 2028, which is the maturity date of the bonds payable. The balance due on the bonds payable totaled \$3,730,183 and \$4,187,711 at June 30, 2021 and 2020, respectively.

The Association's debt issuance costs, net of accumulated amortization, totaled \$144,119 and \$164,465 at June 30, 2021 and 2020, respectively. Debt issuance costs are presented as component of the bonds payable in the statements of financial position. Therefore, the bonds payable, net totaled \$3,586,064 and \$4,023,246 at June 30, 2021 and 2020, respectively.

American Public Health Association

Notes to Financial Statements

Note 9. Bonds Payable (Continued)

The bonds payable require compliance with certain financial covenants, such as debt service and cash flow to debt service. The Association monitors compliance with the financial covenants and believes it is in compliance with the financial covenants at June 30, 2021 and 2020.

Interest expense on the bonds payable totaled \$95,138 and \$106,935 for the years ended June 30, 2021 and 2020, respectively.

Future minimum principal payments on the bonds payable, net of debt issuance costs, are as follows at June 30, 2021:

	Principal Payments	Debt Issuance Costs	Bonds Payable Net
Years ending June 30:			
2022	\$ 468,856	\$ (20,346)	\$ 448,510
2023	479,914	(20,346)	459,568
2024	491,234	(20,346)	470,888
2025	502,820	(20,346)	482,474
2026	514,680	(20,346)	494,334
Thereafter	1,272,679	(42,389)	1,230,290
	<u>\$ 3,730,183</u>	<u>\$ (144,119)</u>	<u>\$ 3,586,064</u>

Note 10. 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 other respects, such as by board designation. Undesignated net assets are used for the general operations of the Association. Board-designated net assets include those net assets whose use by the Association has been designated by a resolution of the Executive Board to function as an endowment fund.

Net assets without donor restrictions consisted of the following at June 30, 2021 and 2020:

	2021	2020
Undesignated	\$ 20,333,392	\$ 19,359,391
Board-designated	381,050	371,255
	<u>\$ 20,714,442</u>	<u>\$ 19,730,646</u>

American Public Health Association

Notes to Financial Statements

Note 10. Net Assets (Continued)

Net assets with donor restrictions: Net assets with donor restrictions consisted of the following as of and for the year ended June 30, 2021:

	Beginning June 30, 2020	Contributions and Interest Income	Donor Transfer	Releases	Balance, June 30, 2021
Scientific, professional and section affairs	\$ 366,586	\$ 9,153,333	\$ -	\$ (758,983)	\$ 8,760,936
Endowment funds	705,152	50,912	-	-	756,064
Award programs	332,065	17,173	-	(13,966)	335,272
Government relations and affiliate affairs	-	209,076	-	(59,856)	149,220
Other	25,870	6,603	-	(5,008)	27,465
Convention	3,210	745,695	-	(745,695)	3,210
	<u>\$ 1,432,883</u>	<u>\$ 10,182,792</u>	<u>\$ -</u>	<u>\$ (1,583,508)</u>	<u>\$ 10,032,167</u>

Net assets with donor restrictions consisted of the following as of and for the year ended June 30, 2020:

	Beginning June 30, 2019	Contributions and Interest Income	Donor Transfer	Releases	Balance, June 30, 2020
Scientific, professional and section affairs	\$ 372,645	\$ 110,907	\$ -	\$ (116,966)	\$ 366,586
Endowment funds	657,009	22,538	50,000	(24,395)	705,152
Award programs	372,917	9,148	(50,000)	-	332,065
Other	33,727	9,612	-	(17,469)	25,870
Convention	3,210	-	-	-	3,210
	<u>\$ 1,439,508</u>	<u>\$ 152,205</u>	<u>\$ -</u>	<u>\$ (158,830)</u>	<u>\$ 1,432,883</u>

Note 11. Endowment Funds

The Association's endowment funds consist of several funds established for award programs and scientific, professional and section affairs. As required by U.S. GAAP, 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 in certificates of deposit and mutual funds 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.

American Public Health Association

Notes to Financial Statements

Note 11. Endowment Funds (Continued)

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Association relies on conservative portfolio that includes a total return strategy in which net investment returns are achieved primarily through interest income.

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 order to generate returns to cover short-term spending targets.

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. However, there were no funds with deficiencies at June 30, 2021 and 2020.

Endowment funds consisted of the following at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Available for Appropriation	Held in Perpetuity	Total	
Award programs	\$ 381,050	\$ 50,715	\$ 701,145	\$ 751,860	\$ 1,132,910
Scientific, professional and section affairs	-	129	4,075	4,204	4,204
	<u>\$ 381,050</u>	<u>\$ 50,844</u>	<u>\$ 705,220</u>	<u>\$ 756,064</u>	<u>\$ 1,137,114</u>

Endowment funds consisted of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Available for Appropriation	Held in Perpetuity	Total	
Award programs	\$ 371,255	\$ 9,932	\$ 691,145	\$ 701,077	\$ 1,072,332
Scientific, professional and section affairs	-	-	4,075	4,075	4,075
	<u>\$ 371,255</u>	<u>\$ 9,932</u>	<u>\$ 695,220</u>	<u>\$ 705,152</u>	<u>\$ 1,076,407</u>

Changes in the endowment funds consisted of the following as of and for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Available for Appropriation	Held in Perpetuity	Total	
Endowments, July 1, 2020	\$ 371,255	\$ 9,932	\$ 695,220	\$ 705,152	\$ 1,076,407
Contributions	-	-	10,000	10,000	10,000
Interest income	17,514	40,912	-	40,912	58,426
Appropriations	(7,719)	-	-	-	(7,719)
Endowments, June 30, 2021	<u>\$ 381,050</u>	<u>\$ 50,844</u>	<u>\$ 705,220</u>	<u>\$ 756,064</u>	<u>\$ 1,137,114</u>

American Public Health Association

Notes to Financial Statements

Note 11. Endowment Funds (Continued)

Changes in the endowment funds consisted of the following as of and for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Available for Appropriation	Held in Perpetuity	Total	
Endowments, July 1, 2019	\$ 364,323	\$ 17,531	\$ 639,478	\$ 657,009	\$ 1,021,332
Contributions	-	-	55,742	55,742	55,742
Interest income	20,904	16,796	-	16,796	37,700
Appropriations	(13,972)	(24,395)	-	(24,395)	(38,367)
Endowments, June 30, 2020	<u>\$ 371,255</u>	<u>\$ 9,932</u>	<u>\$ 695,220</u>	<u>\$ 705,152</u>	<u>\$ 1,076,407</u>

Note 12. 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 deposited into 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 contributions totaled \$283,191 and \$275,793 for the years ended June 30, 2021 and 2020, respectively.

Note 13. Commitments and Contingencies

Employment agreement: 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 would be obligated to pay severance in accordance with the terms of the agreement.

Hotel and convention center agreements: The Association has entered into several agreements with hotels and convention centers providing for room accommodations for conventions to be held in future years. In the event the Association cancels its agreements, it may be held liable for attrition penalties up to the total net room commitment, depending upon the date of cancellation.

Federal grant: The Association receives funding from a federal award which is subject to financial and compliance examinations by the federal agency or its representatives. Therefore, a contingent liability may exist for potential questioned costs that would result from such examinations. However, management does not anticipate significant adjustments as a result of such examinations.

COVID-19 pandemic: On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) 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 COVID-19 include restrictions on travel, quarantines 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, including the geographical area in which the Association operates. It is unknown how long these conditions will last and what the complete financial affect will be to the Association, and it is reasonably possible that the Association is vulnerable to the risk of a near-term severe impact.