

Audited Financial Statements

AMERICAN PUBLIC HEALTH ASSOCIATION

June 30, 2019

American Public Health Association

Contents

<i>Independent Auditor's Report</i>	1 - 2
<i>Financial Statements</i>	
Statements of financial position	3
Statements of activities	4
Statement of functional expense	5
Statements of cash flows	6
Notes to the financial statements	7 - 16



Independent Auditor’s Report

To the 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, 2019 and 2018, the related statements of activities and cash flows for the years then ended, the statement of functional expense for the year ended June 30, 2019, 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 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, 2019 and 2018, 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.

.....
2021 L STREET, NW

.....
SUITE 400

.....
WASHINGTON, DC

20036

.....
TELEPHONE

202/293-2200

.....
FACSIMILE

202/293-2208

.....

Adoption of New Accounting Standard

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. As required by the FASB, the Association adopted the provisions of ASU 2016-14 during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, a disclosure of functional expense was added as well as the disclosure regarding liquidity and the availability of resources. There was no change in the Association's previously reported change in net assets as a result of the adoption of the Standard. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 8, 2019 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 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.



Washington, DC
October 8, 2019

American Public Health Association

Statements of Financial Position

June 30,	2019	2018
Assets		
Cash and cash equivalents	\$ 10,677,483	\$ 9,549,930
Investments	9,421,612	8,750,368
Accounts receivable:		
Trade receivables	181,831	227,888
Grant and contract receivables	618,112	1,001,142
Less: allowance for doubtful accounts	(36,035)	(36,035)
	763,908	1,192,995
Publications inventory, net	273,465	320,471
Prepaid expenses and deposits	531,918	560,297
Property and equipment, net	8,647,390	8,963,731
Total assets	\$ 30,315,776	\$ 29,337,792
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,627,187	\$ 1,500,831
Deferred revenue:		
Membership dues	1,605,172	1,547,374
Convention	1,326,207	1,359,712
Grants and contracts	221,593	658,731
Subscription fees	472,150	500,218
Publications	33,795	158,660
Other	175,603	117,462
	3,834,520	4,342,157
Bond payable, net	4,448,650	4,868,649
Total liabilities	9,910,357	10,711,637
Net assets		
Without donor restrictions:		
Undesignated	18,601,588	16,914,699
Board-designated	364,323	355,291
	18,965,911	17,269,990
With donor restrictions:		
Restricted as to purpose or time	791,404	716,353
Restricted in perpetuity	648,104	639,812
Total net assets	20,405,419	18,626,155
Total liabilities and net assets	\$ 30,315,776	\$ 29,337,792

See notes to the financial statements.

American Public Health Association

Statements of Activities

Year Ended June 30,	2019	2018
Activities without donor restrictions		
Revenue and support		
Convention	\$ 7,262,220	\$ 6,447,422
Grants and contracts	4,333,610	4,980,854
Membership dues	3,121,660	2,962,251
Subscription fees and royalties	1,890,482	1,905,600
Book sales	426,163	483,848
Rental income	353,406	349,919
Advertising	175,928	257,540
Other programs	109,357	141,331
Contributions	80,135	70,909
Interest and dividends - operating accounts	47,279	16,655
	17,800,240	17,616,329
Net assets released from restrictions	183,394	168,384
	17,983,634	17,784,713
Expense		
Program services		
Scientific and professional affairs	3,405,671	4,832,131
Convention	3,313,106	2,779,546
Periodicals	2,205,237	2,386,983
Membership services	1,036,060	1,109,572
Books	916,408	904,812
Government relations and affiliate affairs	906,861	1,008,688
Kellogg grant	161,838	114,082
Award programs	37,186	45,854
	11,982,367	13,181,668
Supporting services		
Management and general	4,306,070	2,775,616
Communications	430,061	429,897
Fund raising	209,783	199,310
	4,945,914	3,404,823
Total expense	16,928,281	16,586,491
Change in net assets without donor restrictions before non-operating investment income	1,055,353	1,198,222
Investment income - non-operating	640,568	369,442
Change in net assets without donor restrictions	1,695,921	1,567,664
Activities with donor restrictions		
Contributions restricted as to purpose or time	231,295	160,685
Contributions restricted in perpetuity	8,292	6,775
Investment income	27,150	4,484
Net assets released from restrictions	(183,394)	(168,384)
Change in net assets with donor restrictions	83,343	3,560
Change in net assets	1,779,264	1,571,224
Net assets, beginning of year	18,626,155	17,054,931
Net assets, end of year	\$ 20,405,419	\$ 18,626,155

See notes to the financial statements.

American Public Health Association

Statement of Functional Expense

Year Ended June 30, 2019 with Comparative Totals for 2018

	Program Services								Supporting Services					2019 Total	2018 Total
	Scientific and Professional Affairs	Convention	Periodicals	Government Relations and Affiliate Affairs	Membership Services	Books	Kellogg Grant	Award Programs	Total Program Services	Management and General	Communications	Fund Raising	Total Supporting Services		
Salaries and wages	\$ 995,052	\$ 593,186	\$ 454,109	\$ 394,371	\$ 413,121	\$ 380,285	\$ 48,572	\$ -	\$ 3,278,696	\$ 1,632,680	\$ 287,712	\$ 98,785	\$ 2,019,177	\$ 5,297,873	\$ 5,509,412
On-site convention costs	2,002	1,900,917	13,094	1,093	14,249	4,391	217	173	1,936,136	53,244	4,870	11,784	69,898	2,006,034	1,544,598
Employee benefits and payroll taxes	267,046	172,314	132,462	112,157	120,329	117,415	16,645	-	938,368	417,240	85,756	32,667	535,663	1,474,031	1,455,830
Subcontract costs	1,347,000	-	-	4,000	-	-	-	-	1,351,000	-	-	-	-	1,351,000	982,567
Consulting and temporary services	227,658	93,645	412,576	66,257	66,696	129,272	63,003	-	1,059,107	188,802	10,303	6,000	205,105	1,264,212	1,552,139
Other costs	134,926	304,497	136,793	167,782	63,774	55,096	1,591	19,123	883,582	292,468	25,683	37,837	355,988	1,239,570	1,144,188
Travel and related costs	291,710	68,914	64,310	120,594	239,669	24,877	26,347	17,564	853,985	167,342	4,607	12,457	184,406	1,038,391	952,884
Printing and production	10,222	77,562	504,501	5,301	26,829	25,417	695	-	650,527	(679)	3,983	694	3,998	654,525	665,748
Professional services	63,972	360	285,831	4,000	36,691	33,877	-	-	424,731	144,950	123	82	145,155	569,886	614,094
Depreciation and amortization	11,895	8,915	35,172	5,111	10,627	19,028	-	-	90,748	369,309	1,655	2,669	373,633	464,381	461,870
Property taxes	-	-	-	-	-	-	-	-	-	412,719	-	-	412,719	412,719	412,403
Postage, shipping and mailing	950	30,641	135,771	920	18,013	90,995	6	326	277,622	7,449	590	372	8,411	286,033	299,231
Property management, rent and utilities	-	-	-	-	-	-	-	-	-	226,338	-	-	226,338	226,338	234,228
Building interest and finance cost	-	-	-	-	-	-	-	-	-	134,447	-	-	134,447	134,447	136,370
Contributions to other organizations	-	10,500	-	-	-	-	-	-	10,500	109,560	-	-	109,560	120,060	108,722
Supplies and equipment	15,753	11,843	10,774	10,906	12,381	3,652	1,869	-	67,178	41,007	1,022	3,406	45,435	112,613	191,796
Insurance	10,502	32,773	11,196	4,931	4,647	27,339	-	-	91,388	16,524	-	1,259	17,783	109,171	105,649
Equipment rental and maintenance	6,475	4,583	5,575	4,933	3,963	3,185	-	-	28,714	70,291	1,861	1,132	73,284	101,998	133,960
Telephone	20,508	2,456	3,073	4,505	5,071	1,579	2,893	-	40,085	22,379	1,896	639	24,914	64,999	80,802
	\$ 3,405,671	\$ 3,313,106	\$ 2,205,237	\$ 906,861	\$ 1,036,060	\$ 916,408	\$ 161,838	\$ 37,186	\$ 11,982,367	\$ 4,306,070	\$ 430,061	\$ 209,783	\$ 4,945,914	\$ 16,928,281	\$ 16,586,491

See notes to the financial statements.

American Public Health Association

Statements of Cash Flows

<i>Year Ended June 30,</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,779,264	\$ 1,571,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	464,381	517,399
Net gain on investments	(472,876)	(183,502)
Amortization of deferred financing costs	20,346	20,346
Changes in assets and liabilities:		
Accounts receivable	429,087	(204,363)
Publications inventory	47,006	(18,539)
Prepaid expenses and deposits	28,379	205,930
Accounts payable and accrued expenses	126,356	129,595
Deferred revenue	(507,637)	(256,942)
Total adjustments	135,042	209,924
Net cash provided by operating activities	1,914,306	1,781,148
Cash flows from investing activities		
Purchases of investments	(1,989,638)	(1,931,481)
Proceeds from sales of investments	1,791,270	1,751,361
Purchases of property and equipment	(148,040)	(219,445)
Net cash used in investing activities	(346,408)	(399,565)
Cash flows from financing activities		
Principal payments on bond payable	(440,345)	(447,343)
Net increase in cash and cash equivalents	1,127,553	934,240
Cash and cash equivalents, beginning of year	9,549,930	8,671,219
Cash and cash equivalents, end of year	\$ 10,677,483	\$ 9,605,459
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 114,100	\$ 116,024

See notes to the financial statements.

American Public Health Association

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: American Public Health Association (the Association) is a non-profit 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.

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, 2019 and 2018. In addition, the Association qualifies under Section 509(a)(2) of the IRC as an organization other than a private foundation.

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

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: 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.

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.

Inventory: Inventory is entirely comprised of publications available for sale, and is valued at the lower of cost (first-in, first-out basis) or market value. Management determines the allowance for obsolete inventory which totaled \$61,391 and \$59,010 at June 30, 2019 and 2018, respectively. The allowance for obsolete inventory is based on quantities on hand and prior year sales. Inventory is written off when deemed not salable.

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.

American Public Health Association

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net assets: For the financial statement purposes, net assets are classified as follows:

Without donor restrictions:

Undesignated – represents funds available for the Association’s general operations.

Board designated – represents funds that have been designated for the awards program by the Association’s Board of Directors.

With donor restrictions:

Restricted as to purpose or time: – represents the portion of net assets that have been restricted by donors for either specified purposes or timing of use (see Note H).

Restricted in perpetuity – represents the portion of net assets that have been restricted by donors who require the principal of the gift to be maintained in perpetuity with only the earnings to be used for a specified purpose (see Notes G & H).

Revenue recognition: Contributions, including grants, are recorded when unconditionally, committed as without donor restrictions, restricted by purpose or time, or restricted in perpetuity depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions then reclassified to net assets without donor restrictions when the restriction expires. 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.

Functional allocation of expense: 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.

Change in accounting standard: The Association adopted FASB Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities: *Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. ASU 2016-14 refreshes current accounting standards by simplifying the presentation of net assets on the face of the financial statements and enhancing disclosures related to liquidity and functional expenses. Accounting and reporting changes related to ASU No. 2016-14 have been retrospectively applied to all prior periods presented as if the policy had always been in effect.

Subsequent events: Subsequent events have been evaluated through October 8, 2019, which is the date the financial statements were available to be issued.

American Public Health Association

Notes to the Financial Statements

B. CREDIT AND MARKET RISK

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.

Market value risk: The Association also invests funds in a professionally managed portfolio that contains various securities detailed in Note C. 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.

C. INVESTMENTS

In accordance with accounting principles generally accepted in the United States of America, 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 Organization did not have any investments that were valued using Level 3 inputs at June 30, 2019 and 2018.

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.

American Public Health Association

Notes to the Financial Statements

C. INVESTMENTS - CONTINUED

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

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	279,724			
	\$ 9,421,612			

2018	Total	Level 1	Level 2	Level 3
Corporate and government debt securities	\$ 3,508,379	\$ -	\$ 3,508,379	\$ -
Equities	2,869,632	2,869,632		
Mutual funds - fixed income	920,085	920,085		
Mutual funds - equity	733,717	733,717		
Master limited partnership note	116,610	116,610		
Real estate investment trust	37,196	37,196		
	8,185,619	\$ 4,677,240	\$ 3,508,379	\$ -
Money market funds	234,295			
Certificates of deposit	330,454			
	\$ 8,750,368			

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

	2019	2018
Interest and dividends:		
Operating, without donor restrictions	\$ 47,279	\$ 16,655
Non-operating, without donor restrictions	221,045	180,455
With donor restrictions	27,150	4,484
Net gain on investments	472,876	244,516
Less: investment fees	(53,353)	(55,529)
	\$ 714,997	\$ 390,581

For the years ended June 30, 2019 and 2018, the entire gain on investments of \$472,876 and \$239,031, respectively, is recorded as non-operating investment income on the statements of activities. Non-operating investment income was reduced by \$53,353 and \$55,529 of investment fees for the years ended June 30, 2019 and 2018, respectively.

American Public Health Association

Notes to the Financial Statements

D. PROPERTY AND EQUIPMENT

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

Building	40 years
Building improvements	10 years
Furniture and fixtures	7-10 years
Equipment and software	3-5 years

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

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

	2019	2018
Land	\$ 3,088,200	\$ 3,088,200
Building	9,623,444	9,623,444
Building improvements	401,692	401,692
Furniture and fixtures	1,147,749	1,147,749
Equipment	1,412,810	1,391,012
Software	3,099,303	3,004,766
	<u>18,773,198</u>	<u>18,656,863</u>
Less: accumulated depreciation and amortization	<u>(10,125,808)</u>	<u>(9,693,132)</u>
	<u>\$ 8,647,390</u>	<u>\$ 8,963,731</u>

American Public Health Association

Notes to the Financial Statements

E. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Association's financial assets as of June 30, 2019 and 2018, 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.

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 10,677,483	\$ 9,549,930
Investments	9,421,612	8,750,368
Accounts receivable, net	<u>763,908</u>	<u>1,192,995</u>
Subtotal financial assets	20,863,003	19,493,293
Less:		
Board-designated net assets	(364,323)	(355,291)
Net assets with donor restrictions	<u>(1,439,508)</u>	<u>(1,356,165)</u>
	<u>\$ 19,059,172</u>	<u>\$ 17,781,837</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.

F. 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 \$4,633,462 and \$5,073,807 at June 30, 2019 and 2018, respectively.

During the year ended June 30, 2018, the Association adopted FASB ASC 835-30, simplifying the presentation of debt issuance cost. Therefore, Association's debt issuance costs totaling \$184,812 and \$205,158 at June 30, 2019 and 2018, respectively, are presented as component of the balance due on the bond payable. The net bond payable totaled \$4,448,650 and \$4,868,649 at June 30, 2019 and 2018, respectively.

American Public Health Association

Notes to the Financial Statements

F. BOND PAYABLE - CONTINUED

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, 2019 and 2018 was \$114,100 and \$116,024, respectively.

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

For the Year Ending June 30,	Amount
2020	\$ 448,000
2021	459,000
2022	470,000
2023	481,000
2024	492,000
Thereafter	<u>2,283,000</u>
	<u>\$ 4,633,000</u>

G. 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 percent over time. Actual returns in any given year may vary from this amount.

American Public Health Association

Notes to the Financial Statements

G. ENDOWMENT - CONTINUED

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 both 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.

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, 2019 and 2018.

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

	Board-designated without donor restrictions	With donor restrictions	With donor restrictions held in perpetuity	Total
Beginning endowment net assets	\$ 355,291	\$ 9,500	\$ 639,812	\$ 1,004,603
Interest income	17,799	14,653		32,452
Net gain on investments		11,758		
Contributions	-		8,292	8,292
Expenditures	(8,767)	(27,006)		(35,773)
Ending endowment net assets	\$ 364,323	\$ 8,905	\$ 648,104	\$ 1,009,574

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	Board-designated without donor restrictions	With donor restrictions	restrictions held in perpetuity	Total
Beginning endowment net assets	\$ 373,093	\$ 11,565	\$ 633,037	\$ 1,017,695
Interest income	804	8,378		9,182
Net loss on investment	-	(5,485)		(5,485)
Contributions	-		6,775	6,775
Expenditures	(18,606)	(4,958)		(23,564)
Ending endowment net assets	\$ 355,291	\$ 9,500	\$ 639,812	\$ 1,004,603

American Public Health Association

Notes to the Financial Statements

H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions by purpose or time consist of the following at June 30,:

	2019	2018
Award programs	\$ 381,826	\$ 341,506
Scientific, professional and section affairs	372,640	338,062
Fund raising	33,728	33,550
Convention	3,210	3,235
	<u>\$ 791,404</u>	<u>\$ 716,353</u>

The purpose-restricted portion of the endowment fund is included with Awards programs.

Net assets with donor restrictions that were released from donor restrictions for the years ended June 30, 2019 and 2018 by incurring expenses satisfying the restrictions specified by donors are as follows:

	2019	2018
Scientific, professional and section affairs	\$ 129,092	\$ 116,486
Award programs	30,396	27,248
Fund raising	23,881	24,650
Convention	25	-
	<u>\$ 183,394</u>	<u>\$ 168,384</u>

Net assets with donor restrictions held in perpetuity consist of the following at June 30,:

	2019	2018
Award programs	\$ 644,029	\$ 635,737
Scientific, professional and section affairs	4,075	4,075
	<u>\$ 648,104</u>	<u>\$ 639,812</u>

I. RENTAL INCOME

The Association leases approximately 6,600 square feet of its headquarters building in Washington, DC under a noncancelable operating lease expiring June 30, 2020. Total rental income from the lease was \$353,406 and \$349,919 for the years ended June 30, 2019 and 2018, respectively. Approximate future receipts under the lease for the year ending June 30, 2020 are anticipated to be \$357,700.

American Public Health Association

Notes to the Financial Statements

J. RETIREMENT PLAN

The Association has a tax deferred annuity plan under IRS 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, 2019 and 2018 was \$267,612 and \$277,765, respectively.

K. 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 through 2026. In the event the Association cancels its agreement with the hotels, it can 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.