

AMERICAN PUBLIC HEALTH ASSOCIATION

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY
CPAs & Business Advisors

AMERICAN PUBLIC HEALTH ASSOCIATION

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

Executive Board
American Public Health Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of American Public Health Association, (the Association), which comprise the statement of financial position as of June 30, 2023, the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the American Public Health Association as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the American Public Health Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of American Public Health Association for the year ended June 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on November 29, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Public Health Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Public Health Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Public Health Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal

Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 17, 2023, on our consideration of American Public Health 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 American Public Health Association's 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
October 17, 2023

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 14,075,984	\$ 10,090,298
Investments	13,621,822	11,933,862
Receivables, net	3,941,501	8,320,138
Publications inventory, net	214,152	189,351
Prepaid expenses and deposits	983,712	902,074
	<u>32,837,171</u>	<u>31,435,723</u>
Property and equipment, net	<u>7,383,594</u>	<u>7,796,450</u>
Other assets		
Receivables, net	<u>1,000,000</u>	<u>958,622</u>
Total other assets	<u>1,000,000</u>	<u>958,622</u>
Total assets	<u>\$ 41,220,765</u>	<u>\$ 40,190,795</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable	\$ 1,332,632	\$ 994,156
Accrued payroll	959,701	1,042,627
Deferred revenue	4,035,247	3,071,705
Bonds payable, current portion	<u>490,094</u>	<u>478,803</u>
Total current liabilities	<u>6,817,674</u>	<u>5,587,291</u>
Long-term liabilities		
Bonds payable, net of current portion	<u>2,190,242</u>	<u>2,659,990</u>
Total long-term liabilities	<u>2,190,242</u>	<u>2,659,990</u>
Total liabilities	9,007,916	8,247,281
Net assets		
Without donor restrictions	21,409,839	19,963,500
With donor restrictions	<u>10,803,010</u>	<u>11,980,014</u>
Total net assets	<u>32,212,849</u>	<u>31,943,514</u>
Total liabilities and net assets	<u>\$ 41,220,765</u>	<u>\$ 40,190,795</u>

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Convention	\$ 8,106,608	\$ -	\$ 8,106,608
Federal awards	4,874,261	-	4,874,261
Membership dues	3,324,474	-	3,324,474
Subscription fees and royalties	2,070,324	-	2,070,324
Contracts for services	1,175,838	-	1,175,838
Advertising	304,066	-	304,066
Book sales	1,032,685	-	1,032,685
Contributions	132,369	4,132,771	4,265,140
Other income	145,818	-	145,818
Net assets released from restrictions	5,328,130	(5,328,130)	-
Total revenue and support	26,494,573	(1,195,359)	25,299,214
Expenses			
Program services	19,797,010	-	19,797,010
Supporting services	5,894,692	-	5,894,692
Total expenses	25,691,702	-	25,691,702
Change in net assets before other income (expense)	802,871	(1,195,359)	(392,488)
Other income			
Net investment return	643,468	18,355	661,823
Total other income	643,468	18,355	661,823
Change in net assets	1,446,339	(1,177,004)	269,335
Net assets - beginning	19,963,500	11,980,014	31,943,514
Net assets - ending	\$ 21,409,839	\$ 10,803,010	\$ 32,212,849

The accompanying notes are an integral part of these financial statements.

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Convention	\$ 5,126,046	\$ -	\$ 5,126,046
Federal awards	3,600,132	-	3,600,132
Membership dues	3,089,192	-	3,089,192
Subscription fees and royalties	2,233,653	-	2,233,653
Contracts for services	1,342,554	-	1,342,554
Advertising	340,800	-	340,800
Book sales	281,961	-	281,961
Contributions	217,168	3,963,114	4,180,282
Other income	152,787	-	152,787
Net assets released from restrictions	1,979,136	(1,979,136)	-
	<u>18,363,429</u>	<u>1,983,978</u>	<u>20,347,407</u>
Total revenue and support			
Expenses			
Program services	14,502,042	-	14,502,042
Supporting services	4,819,883	-	4,819,883
	<u>19,321,925</u>	<u>-</u>	<u>-</u>
Total expenses			
	<u>19,321,925</u>	<u>-</u>	<u>19,321,925</u>
Change in net assets before other income (expense)	<u>(958,496)</u>	<u>1,983,978</u>	<u>1,025,482</u>
Other income (expense)			
Gain on forgiveness of note payable and accrued interest	1,277,427	-	1,277,427
Net investment return	(1,069,873)	(36,131)	(1,106,004)
	<u>207,554</u>	<u>(36,131)</u>	<u>171,423</u>
Total other income (expense)			
	<u>207,554</u>	<u>(36,131)</u>	<u>171,423</u>
Change in net assets	<u>(750,942)</u>	<u>1,947,847</u>	<u>1,196,905</u>
Net assets - beginning	<u>20,714,442</u>	<u>10,032,167</u>	<u>30,746,609</u>
Net assets - ending	<u>\$ 19,963,500</u>	<u>\$ 11,980,014</u>	<u>\$ 31,943,514</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services							Supporting Services					
	Scientific and Professional Affairs	Convention	Periodicals	Membership Services	Books	Government Relations and Affiliate Affairs	Award Programs	Total Program Services	Management and General	Communications	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,565,612	\$ 571,771	\$ 475,029	\$ 506,411	\$ 318,159	\$ 455,213	\$ -	\$ 3,892,195	\$ 1,502,889	\$ 299,153	\$ 99,985	\$ 1,902,027	\$ 5,794,222
Employee benefits and payroll taxes	446,245	177,760	152,256	169,746	93,588	128,296	-	1,167,891	442,376	80,102	34,135	556,613	1,724,504
Consulting and temporary services	1,449,505	135,630	639,149	127,523	199,768	120,687	-	2,672,262	767,326	109,896	22,333	899,555	3,571,817
On-site convention	-	3,255,379	-	-	-	-	-	3,255,379	-	-	-	-	3,255,379
Subcontracts	2,776,807	-	-	-	-	195,326	-	2,972,133	-	-	-	-	2,972,133
Other	1,909,683	260,190	187,033	178,776	210,695	80,470	21,999	2,848,846	367,843	25,510	21,394	414,747	3,263,593
Property management and utilities	-	-	-	-	-	-	-	-	668,667	-	-	668,667	668,667
Printing and production	15,193	29,789	500,338	27,214	34,078	251	-	606,863	15,121	3,423	2,656	21,200	628,063
Travel and related	451,233	30,339	94,874	138,002	9,971	141,643	19,762	885,824	392,875	2,836	5,466	401,177	1,287,001
Professional services	136,397	5,913	402,186	35,960	20,758	6,659	-	607,873	224,941	-	10	224,951	832,824
Depreciation and amortization	16,003	8,512	7,462	7,191	3,714	5,612	-	48,494	393,365	1,386	4,043	398,794	447,288
Postage, shipping and mailing	4,512	1,469	183,404	25,176	56,331	1,733	1,371	273,996	7,837	-	264	8,101	282,097
Supplies and equipment	16,172	25,282	4,068	42,394	1,453	4,076	90	93,535	67,355	172	4,288	71,815	165,350
Contribution to other organizations	4,250	7,428	-	-	-	-	-	11,678	114,175	-	-	114,175	125,853
Insurance	15,162	49,023	10,897	5,968	42,934	3,618	-	127,602	18,254	-	1,098	19,352	146,954
Cost of goods sold	-	-	-	-	277,228	-	-	277,228	-	-	-	-	277,228
Equipment rental and maintenance	10,479	6,364	3,651	6,280	2,629	4,004	-	33,407	110,951	1,280	827	113,058	146,465
Telecommunications	10,697	2,381	1,955	2,592	1,377	2,802	-	21,804	77,819	2,260	381	80,460	102,264
	<u>\$ 8,827,950</u>	<u>\$ 4,567,230</u>	<u>\$ 2,662,302</u>	<u>\$ 1,273,233</u>	<u>\$ 1,272,683</u>	<u>\$ 1,150,390</u>	<u>\$ 43,222</u>	<u>\$ 19,797,010</u>	<u>\$ 5,171,794</u>	<u>\$ 526,018</u>	<u>\$ 196,880</u>	<u>\$ 5,894,692</u>	<u>\$ 25,691,702</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services							Supporting Services					
	Scientific and Professional Affairs	Convention	Periodicals	Membership Services	Books	Government Relations and Affiliate Affairs	Award Programs	Total Program Services	Management and General	Communications	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,441,518	\$ 641,769	\$ 529,580	\$ 487,652	\$ 285,213	\$ 432,850	\$ -	\$ 3,818,582	\$ 1,642,512	\$ 284,123	\$ 109,727	\$ 2,036,362	\$ 5,854,944
Employee benefits and payroll taxes	447,624	201,846	201,588	164,683	91,101	140,542	-	1,247,384	545,530	76,166	37,498	659,194	1,906,578
Consulting and temporary services	1,752,040	87,147	526,702	256,504	151,419	106,793	-	2,880,605	479,598	124,309	33,876	637,783	3,518,388
On-site convention	928	1,421,989	154	4,304	1,340	376	-	1,429,091	520	-	2,715	3,235	1,432,326
Subcontracts	1,254,045	96,000	-	-	-	49,000	-	1,399,045	-	-	-	-	1,399,045
Other	146,175	183,584	170,185	132,302	164,694	57,812	21,648	876,400	334,586	31,527	26,032	392,145	1,268,545
Property management and utilities	149,999	95,742	95,544	82,573	65,643	101,682	-	591,183	-	92,035	15,742	107,777	698,960
Printing and production	9,651	10,174	591,392	27,186	38,943	277	4	677,627	9,383	2,151	622	12,156	689,783
Travel and related	328,534	10,821	23,461	46,874	4,046	33,827	11,499	459,062	101,352	-	4,819	106,171	565,233
Professional services	9,886	10,188	332,326	36,590	26,826	3,066	-	418,882	133,498	6,704	731	140,933	559,815
Depreciation and amortization	4,986	2,652	4,011	1,596	2,069	858	-	16,172	479,681	-	1,435	481,116	497,288
Postage, shipping and mailing	438	1,273	160,900	18,793	32,249	1,073	208	214,934	7,916	2	390	8,308	223,242
Supplies and equipment	13,383	23,689	1,643	48,826	1,176	1,510	90	90,317	47,965	156	314	48,435	138,752
Contribution to other organizations	116,610	11,359	-	-	-	-	-	127,969	-	-	-	-	127,969
Insurance	15,247	33,914	10,969	6,004	36,626	3,644	-	106,404	18,371	-	1,106	19,477	125,881
Cost of goods sold	-	-	-	-	111,002	-	-	111,002	5,578	-	-	5,578	116,580
Equipment rental and maintenance	-	298	-	-	-	-	-	298	98,010	1,994	-	100,004	100,302
Telecommunications	24,746	214	868	2,040	1,226	7,991	-	37,085	59,679	1,465	65	61,209	98,294
	<u>\$ 5,715,810</u>	<u>\$ 2,832,659</u>	<u>\$ 2,649,323</u>	<u>\$ 1,315,927</u>	<u>\$ 1,013,573</u>	<u>\$ 941,301</u>	<u>\$ 33,449</u>	<u>\$ 14,502,042</u>	<u>\$ 3,964,179</u>	<u>\$ 620,632</u>	<u>\$ 235,072</u>	<u>\$ 4,819,883</u>	<u>\$ 19,321,925</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN PUBLIC HEALTH ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 269,335	\$ 1,196,905
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized loss (gain) on investments	(357,283)	1,261,311
Change in allowance for doubtful accounts	-	(37,449)
Amortization of publication development costs	25,368	44,556
Depreciation and amortization of property and equipment	447,288	497,288
Gain on forgiveness of note payable	-	(1,251,102)
Amortization of debt issuance costs	20,346	20,346
Changes in assets and liabilities		
(Increase) decrease in		
Receivables	4,337,259	(1,514,336)
Publications inventory	(50,169)	(64,985)
Prepaid expenses and deposits	(81,638)	(564,961)
Increase (decrease) in		
Accounts payable	338,476	291,579
Accrued expenses	(82,926)	(163,504)
Deferred revenue	963,542	(38,351)
Amount held on behalf of others	-	(1,000,000)
Net cash provided by (used in) operating activities	5,829,598	(1,322,703)
Cash flows from investing activities		
Proceeds from sales of investments	-	1,529,564
Purchases of investments	(1,330,677)	(1,720,311)
Cash paid for property and equipment	(34,432)	(100,043)
Net cash used in investing activities	(1,365,109)	(290,790)
Cash flows from financing activities		
Principal payments on bonds payable	(478,803)	(467,617)
Net cash used in financing activities	(478,803)	(467,617)
Net increase (decrease) in cash and cash equivalents	3,985,686	(2,081,110)
Cash and cash equivalents		
Beginning	10,090,298	12,171,408
Ending	\$ 14,075,984	\$ 10,090,298
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 72,815	\$ 82,325
Supplemental schedule of non-cash financing activities		
Extinguishment of debt via forgiveness (principal portion)	\$ -	\$ 1,251,102

The accompanying notes are an integral part of these financial statements.

AMERICAN PUBLIC HEALTH ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES

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.

The Association accomplishes its mission by providing the following program services:

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

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 years ended June 30, 2023 and 2022.

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

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.

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

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.

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 of the Association include the following:

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.

AMERICAN PUBLIC HEALTH ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Association's financial statement presentation includes the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. FASB ASC 958 requires the Association to report information regarding its financial position and activities according to two classes of net assets that are based on the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets are available for use in general operations and not subject to donor-imposed restrictions. The Executive Board may, at its discretion, designate funds for specific purposes. See Note 11.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources 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. See Note 11.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. 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. However, the Association may be subject to income tax on its unrelated business activities, net of allowable deductions.

AMERICAN PUBLIC HEALTH ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

The Association has operating loss carryforwards resulting from its unrelated business activities totaling approximately \$600,000 at June 30, 2023 and 2022, 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 Act (CARES Act), P.L. 116-136 was signed into law on March 27, 2020, NOLs related to the years ended June 30, 2019 to June 30, 2022, can be carried forward indefinitely to future years and will never expire. The portion of the NOL that will never expire totaled approximately \$250,000. However, the Association has not recorded a deferred tax asset related to the NOLs due to the uncertainty of realizing a benefit from them.

The Association adheres to the provisions of the Financial Accounting Standards Board Codification 740, *Income Taxes* (ASC 740). ASC 740 prescribes a comprehensive model for financial statement recognition, measurement, classification and disclosure of uncertain tax positions. The Association concluded that there are no uncertain tax positions that require recognition or disclosure in the combined financial statements. Management believes it is no longer subject to income tax examinations for years prior to fiscal year 2020.

Cash and Cash Equivalents

For financial statement purposes, the Association 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.

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.

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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 \$138,942 and \$82,862 for the years ended June 30, 2023 and 2022, respectively.

Publications Inventory, Net

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 \$288,843 and \$251,509 at June 30, 2023 and 2022, respectively. Accumulated amortization related to the publication development costs totaled \$254,015 and \$228,647 at June 30, 2023 and 2022, respectively.

Inventory is 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 identifies inventory items requiring a write-off totaling \$26,944 and zero during the years ended June 30, 2023 and 2022, respectively. The allowance for obsolete inventory totaled \$81,071 and \$54,127 at June 30, 2023 and 2022, respectively. The cost of goods sold has been recorded within the books functional expense category on the statements of functional expenses and totaled \$277,228 and \$116,580 for the years ended June 30, 2023 and 2022, respectively.

Property and Equipment

Acquisitions of property and equipment greater than \$2,000 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 - seven to 10 years, equipment and software-three to five 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, advertising, book sales and other income. These revenue line items are considered contracts with customers that have similar terms. Support includes federal awards 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

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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.

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.

Descriptions of the Association's revenue line items, which are considered contracts with customers, follow:

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.

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.

Subscription fees and royalties

The Association 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.

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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.

Advertising

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

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.

Descriptions of the Association's support line items follow:

Federal awards

The Association has federal awards from the U.S. Department of Health and Human Services. The Association has determined that the federal awards are conditional contributions.

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.

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. Contributions with donor restrictions that are both received and released in the same period are classified as without donor restrictions in the statements of activities.

Functional 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 are allocated based on timesheets that include actual hours worked on each functional category. Depreciation and

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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 items in the 2022 financial statements have been reclassified to conform to the presentation of the 2023 financial statements.

Subsequent Events

Subsequent events have been evaluated through October 17, 2023, which is the date the financial statements were available to be issued.

3. 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 board designated endowment fund (Note 11).

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 14,075,984	\$ 10,090,298
Investments	13,621,822	11,933,862
Receivables, net	3,941,501	8,320,138
Subtotal financial assets	<u>31,639,307</u>	<u>30,344,298</u>
Amounts not available for general expenditures within one year		
Board – designated net assets	(324,323)	(350,520)
Net assets with donor restrictions	(10,803,010)	(11,980,014)
	<u>\$ 20,511,974</u>	<u>\$ 18,013,764</u>

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4. 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 common stocks, mutual funds, exchange traded funds and other which were valued based on quoted prices for identical assets in active markets.

The fair values of corporate bonds 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.

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Money market funds and certificates of deposit held in the investment portfolio are recorded at cost. Investments consisted of the following as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Corporate bonds	\$ -	\$ 3,980,282	\$ -	\$ 3,980,282
Common stocks	3,825,641	-	-	3,825,641
Mutual funds	2,679,139	-	-	2,679,139
Exchange traded funds	41,792	-	-	41,792
Other	45,660	-	-	45,660
	<u>\$ 6,592,232</u>	<u>\$ 3,980,282</u>	<u>\$ -</u>	<u>10,572,514</u>
Investments at cost:				
Money market funds				327,240
Certificates of deposit				<u>2,722,068</u>
				<u><u>\$ 13,621,822</u></u>

Investments consisted of the following as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Fixed income bonds	\$ -	\$ 4,359,192	\$ -	\$ 4,359,192
Common stocks	3,407,148	-	-	3,407,148
Mutual funds	1,984,458	-	-	1,984,458
Exchange traded funds	44,974	-	-	44,974
Other	21,981	-	-	21,981
	<u>\$ 5,458,561</u>	<u>\$ 4,359,192</u>	<u>\$ -</u>	<u>9,817,753</u>
Investments at cost:				
Money market funds				479,260
Certificates of deposit				<u>1,636,849</u>
				<u><u>\$ 11,933,862</u></u>

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Net investment return consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Without donor restrictions:		
Interest and dividends	\$ 286,185	\$ 189,536
Investment management fees	(70,668)	(66,036)
Net realized and unrealized (loss) gain on investments	427,951	(1,193,373)
Subtotal without donor restrictions	643,468	(1,069,873)
With donor restrictions:		
Interest and dividends	11,132	31,807
Net realized and unrealized (loss) gain on investments	7,223	(67,938)
Subtotal with donor restrictions	18,355	(36,131)
	\$ 661,823	\$ (1,106,004)

5. RECEIVABLES

Receivables consisted of the following at June 30, 2023 and 2022:

	2023	2022
Federal grants	\$ 1,463,217	\$ 939,587
Contributions	3,008,309	7,878,742
Book sales, subscriptions and royalties	248,377	320,118
Accrued interest and other income	274,239	192,954
	4,994,142	9,331,401
Less allowance for doubtful accounts	(52,641)	(52,641)
	\$ 4,941,501	\$ 9,278,760

Most of the Association's contracts with customers have initial terms of one year or less. The gross receivables that were related to contracts with customers totaled \$283,618 at July 1, 2020.

Unconditional contributions receivable, included in receivables, are expected to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Receivable in less than one year	\$ 3,941,501	\$ 8,320,138
Receivable in one to five years	1,000,000	958,622
	\$ 4,941,501	\$ 9,278,760

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6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Land	\$ 3,088,200	\$ 3,088,200
Building	9,623,444	9,623,444
Building improvements	581,207	581,207
Furniture and fixtures	1,147,749	1,147,749
Equipment	1,675,612	1,644,400
Software	3,335,845	3,332,625
	19,452,057	19,417,625
Less accumulated depreciation and amortization	(12,068,463)	(11,621,175)
	\$ 7,383,594	\$ 7,796,450

7. CONDITIONAL CONTRIBUTIONS

The Association receives conditional contributions from various funding sources. Conditional contributions are recorded on the financial statements as refundable advances 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 5 for contributions receivable which are unconditional and have been recorded on the financial statements.

The Association's federal award is a conditional contribution. The five-year grant period of the federal award was through July 31, 2022. The federal agency approved two additional one-year extensions through July 31, 2024.

8. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2023 and 2022:

	2023	2022
Membership dues	\$ 1,732,045	\$ 1,547,754
Subscription fees and royalties	829,638	693,343
Convention	1,351,871	638,388
Contracts for services	81,755	131,922
Other income	39,938	60,298
	\$ 4,035,247	\$ 3,071,705

Most of the Association's contracts with customers have initial terms of one year or less. Deferred revenue related to contracts with customers totaled \$3,110,056 at July 1, 2021.

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9. 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 was scheduled to mature in May 2022, but the loan was forgiven in full, including interest of \$26,325, for a total of \$1,277,427, by the Small Business Administration (SBA) during June 2022. The Association elected to account for the PPP loan in accordance with FASB ASC Topic 470, *Debt*. Therefore, the Association recognized a gain on forgiveness of note payable on the statement of activities totaling \$1,277,427 during the year ended June 30, 2022.

10. BONDS PAYABLE

The Association, through the District of Columbia, has issued fixed rate tax-exempt bonds totaling \$7,160,000, which are held by a financial institution. The bonds are secured by the Association's building. 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 \$2,783,763 and \$3,262,566 at June 30, 2023 and 2022, respectively.

The Association's debt issuance costs, net of accumulated amortization, totaled \$103,427 and \$123,773 at June 30, 2023 and 2022, respectively. Debt issuance costs are presented as a component of the bonds payable in the statements of financial position. Therefore, the bonds payable, net of accumulated amortization, totaled \$2,680,336 and \$3,138,793 at June 30, 2023 and 2022, respectively.

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, 2023.

Interest expense on the bonds payable totaled \$71,120 and \$82,325 for the years ended June 30, 2023 and 2022, respectively.

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Maturities of bonds payable in each of the next five years and thereafter are as follows:

<u>Years Ending June 30,</u>	Amount
2024	\$ 490,094
2025	501,976
2026	513,982
2027	526,276
2028	538,837
Thereafter	<u>212,598</u>
	2,783,763
Less: Debt issuance costs	<u>(103,427)</u>
Bonds payable, net	<u>\$ 2,680,336</u>

11. 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 21,085,516	\$ 19,634,673
Board-designated	324,323	328,827
	<u>\$ 21,409,839</u>	<u>\$ 19,963,500</u>

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NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions - Net assets with donor restrictions consisted of the following as of and for the year ended June 30, 2023:

	Balance, June 30, 2022	Contributions and Net Investment Return	Releases	Balance, June 30, 2023
Scientific, professional and section affairs	\$ 8,939,280	\$ 3,908,267	\$(4,405,298)	\$ 8,442,249
Endowment funds	668,914	(3,311)	-	665,603
Award programs	377,891	84,042	(33,056)	428,877
Government relations and affiliate affairs	552,421	5	(294,843)	257,583
Publication	1,333,349	125,000	(561,656)	896,693
Other	102,524	7,774	(31,793)	78,505
Convention	5,635	29,630	(1,765)	33,500
	<u>\$11,980,014</u>	<u>\$ 4,151,407</u>	<u>\$(5,328,411)</u>	<u>\$10,803,010</u>

Net assets with donor restrictions consisted of the following as of and for the year ended June 30, 2022:

	Balance, June 30, 2021	Contributions and Net Investment Return	Releases	Balance, June 30, 2022
Scientific, professional and section affairs	\$ 8,760,936	\$ 1,899,064	\$(1,720,720)	\$ 8,939,280
Endowment funds	756,064	(87,150)	-	668,914
Award programs	335,272	70,029	(27,410)	377,891
Government relations and affiliate affairs	149,220	620,094	(216,893)	552,421
Publication	-	1,333,349	-	1,333,349
Other	27,465	89,172	(14,113)	102,524
Convention	3,210	2,425	-	5,635
	<u>\$ 10,032,167</u>	<u>\$ 3,926,983</u>	<u>\$(1,979,136)</u>	<u>\$11,980,014</u>

12. 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

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NOTES TO FINANCIAL STATEMENTS

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.

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 Association. However, there were no funds with deficiencies at June 30, 2023 and 2022.

Endowment funds consisted of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total	Total Endowment Funds
		Available for Appropriation	Held in Perpetuity		
Award programs	\$ 324,323	\$ 31,408	\$ 630,120	\$661,528	\$ 985,851
Other programs	-	-	4,075	4,075	4,075
	<u>\$ 324,323</u>	<u>\$ 31,408</u>	<u>\$ 634,195</u>	<u>\$ 665,603</u>	<u>\$ 989,926</u>

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Endowment funds consisted of the following at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Available for Appropriation	Held in Perpetuity	Total	
Award programs	\$ 328,827	\$ 13,311	\$ 651,528	\$ 664,839	\$ 993,666
Other programs	-	-	4,075	4,075	4,075
	<u>\$ 328,827</u>	<u>\$ 13,311</u>	<u>\$ 655,603</u>	<u>\$ 668,914</u>	<u>\$ 997,741</u>

Changes in the endowment funds consisted of the following as of and for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Available for Appropriation	Held in Perpetuity	Total	
Endowments, June 30, 2022	\$ 328,827	\$ 13,311	\$ 655,603	\$ 668,914	\$ 997,741
Contributions	-	27,188	10,000	37,188	37,188
Net investment return	14,135	4,220	-	4,220	18,355
Appropriations	(18,639)	(13,311)	(31,408)	(44,719)	(63,358)
Endowments, June 30, 2023	<u>\$ 324,323</u>	<u>\$ 31,408</u>	<u>\$ 634,195</u>	<u>\$ 665,603</u>	<u>\$ 989,926</u>

Changes in the endowment funds consisted of the following as of and for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions			Total Endowment Funds
		Available for Appropriation	Held in Perpetuity	Total	
Endowments, June 30, 2021	\$ 381,050	\$ 100,461	\$ 655,603	\$ 756,064	\$ 1,137,114
Contributions	-	-	-	-	-
Net investment return	(15,267)	(36,131)	-	(36,131)	(51,398)
Appropriations	(36,956)	(51,019)	-	(51,019)	(87,975)
Endowments, June 30, 2022	<u>\$ 328,827</u>	<u>\$ 13,311</u>	<u>\$ 655,603</u>	<u>\$ 668,914</u>	<u>\$ 997,741</u>

13. 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

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compensation and (2) the amount of the employee's contribution. The Association's retirement plan contributions totaled \$291,392 and \$282,191 for the years ended June 30, 2023 and 2022, respectively.

14. 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. The contracts expire by 2031.

Federal grants

The Association receives funding from federal awards which are 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.

SUPPLEMENTARY INFORMATION

AMERICAN PUBLIC HEALTH ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Federal Award Identification Number	Federal Expenditures
U.S. Department of Health and Human Services			
Pass-through from the Centers for Disease Control and Prevention			
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	NU38OT000294	\$ 4,825,961
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health (COVID-19)	93.421	18NU38OT000294C6	<u>38,500</u>
Total Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health			<u>4,864,461</u>
Pass-through from the National Institutes of Environmental Health Science			
Environmental Health	93.113	RES034965A	9,000
Environmental Health	93.113	R13ES033909	<u>800</u>
Total Environmental Health			<u>9,800</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,874,261</u></u>

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of American Public Health Association (the Association). The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Association, it is not intended to, and does not present, the financial position, changes in net assets, or cash flows of the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the SEFA may differ from amounts presented in the basic financial statements, which have been presented in accordance with accounting principles generally accepted in the United States of America.

The Association does not provide any awards to sub recipients. Therefore, the schedule of expenditures of federal awards has no separate column for amounts awarded to sub recipients.

3. DE MINIMUS INDIRECT COST RATE

The Association has elected not to use the 10% de minimus rate as allowed by the Uniform Guidance.

4. INDIRECT COST RATES

As provided by the U.S. Department of Health and Human Services (HHS), the Association allocated indirect costs using a rate equal to its approved provisional rate of 36.5% during the year ended June 30, 2023. During April 2021, HHS approved 36.5% as the final indirect cost rate related to the year ended June 30, 2020. The Association expects that HHS will approve the Association's indirect cost rate and provide a final rate for 2021, 2022, and 2023 during the year ending June 30, 2024. Any variance between the provisional indirect cost rate and the final rate approved by HHS on an annual basis may be adjusted by HHS in subsequent periods.

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INDEPENDENT MEMBER OF



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Executive Board
American Public Health Association

We have audited, in accordance with the 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, the financial statements of American Public Health Association, which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Public Health Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Public Health Association's internal control. Accordingly, we do not express an opinion on the effectiveness of American Public Health Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Public Health Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
October 17, 2023

MEMBERS

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INDEPENDENT MEMBER OF



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Executive Board
American Public Health Association

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited American Public Health Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of American Public Health Association's major federal programs for the year ended June 30, 2023. American Public Health Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, American Public Health Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of American Public Health Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of American Public Health Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to American Public Health Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion American Public Health Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about American Public Health Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding American Public Health Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of American Public Health Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of American Public Health Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill Pennsylvania
October 17, 2023

AMERICAN PUBLIC HEALTH ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes None reported

Type of auditor’s report issued on compliance for major federal programs?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

Yes No

Identification of major programs:

Assistance

Listing

93.421

Name of Federal Program or Cluster

Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation’s Health

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

AMERICAN PUBLIC HEALTH ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SECTION IV – PRIOR YEAR FINDINGS AND CORRECTIVE ACTION PLAN

None noted.



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