
National Environmental Health Association

Financial Report
September 30, 2021

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-17

Independent Auditor's Report

To the Board of Directors
National Environmental Health Association

Report on the Financial Statements

We have audited the accompanying financial statements of National Environmental Health Association (the "Association"), which comprise the statement of financial position as of September 30, 2021 and 2020 and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 National Environmental Health Association as of September 30, 2021 and 2020 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Association adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as of October 1, 2020. Our opinion is not modified with respect to this matter.

To the Board of Directors
National Environmental Health Association

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2022 on our consideration of National Environmental Health Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 National Environmental Health Association's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 7, 2022

National Environmental Health Association

Statement of Financial Position

September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,167,835	\$ 1,204,356
Investments	493,421	593,696
Accounts receivable - Net of allowance for doubtful accounts of \$4,000	643,495	444,924
Inventory	72,373	58,270
Prepaid expenses and other current assets	76,511	33,205
Total current assets	2,453,635	2,334,451
Investments	2,169,809	1,532,570
Property and Equipment - Net	3,605	-
Total assets	\$ 4,627,049	\$ 3,867,021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 175,972	\$ 105,695
Deferred revenue	449,220	313,069
Accrued vacation	188,345	141,264
Accrued liabilities and other:		
Accrued compensation	82,911	50,830
Other accrued liabilities	131,569	85,576
Deferred rent - Current portion	-	24,097
Total current liabilities	1,028,017	720,531
Noncurrent Liabilities - Deferred revenue	89,738	-
Total liabilities	1,117,755	720,531
Net Assets		
Without donor restrictions:		
Undesignated	3,220,054	2,930,542
Board designated	144,177	104,155
Total without donor restrictions	3,364,231	3,034,697
With donor restrictions	145,063	111,793
Total net assets	3,509,294	3,146,490
Total liabilities and net assets	\$ 4,627,049	\$ 3,867,021

National Environmental Health Association

Statement of Activities

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Gains						
Program and partnership development	\$ 2,652,859	\$ -	\$ 2,652,859	\$ 1,892,395	\$ -	\$ 1,892,395
Annual Educational Conference	432,149	-	432,149	50,200	-	50,200
Credentialing and education	814,635	-	814,635	745,390	-	745,390
Membership dues	525,766	-	525,766	530,173	-	530,173
Journal of Environmental Health	126,957	-	126,957	144,096	-	144,096
Contributions	24,364	13,553	37,917	19,844	8,193	28,037
Hurricane supplemental	1,028,229	-	1,028,229	2,147,201	-	2,147,201
Retail Flexible Funding Model	839,688	-	839,688	-	-	-
Publications	30,783	-	30,783	29,590	-	29,590
PPP grant funds	370,662	-	370,662	616,763	-	616,763
Entrepreneurial Zone	1,710,686	-	1,710,686	1,372,830	-	1,372,830
Investment income - Net	21,668	23,217	44,885	96,073	11,726	107,799
Miscellaneous income	28,730	-	28,730	12,480	-	12,480
Net assets released from restrictions	3,500	(3,500)	-	7,000	(7,000)	-
Total revenue and gains	8,610,676	33,270	8,643,946	7,664,035	12,919	7,676,954
Expenses						
Program services:						
Grants, contracts, and subawards	4,580,805	-	4,580,805	4,799,601	-	4,799,601
Special projects	1,683,030	-	1,683,030	1,573,057	-	1,573,057
Total program services	6,263,835	-	6,263,835	6,372,658	-	6,372,658
Support services:						
Management and general	1,748,729	-	1,748,729	812,104	-	812,104
Fundraising	8,670	-	8,670	2,947	-	2,947
Total expenses	8,021,234	-	8,021,234	7,187,709	-	7,187,709
Increase in Net Assets	\$ 589,442	\$ 33,270	\$ 622,712	\$ 476,326	\$ 12,919	\$ 489,245

See notes to financial statements.

National Environmental Health Association

Statement of Changes in Net Assets

Years Ended September 30, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - October 1, 2019	\$ 2,558,371	\$ 98,874	\$ 2,657,245
Increase in net assets	476,326	12,919	489,245
Balance - September 30, 2020	3,034,697	111,793	3,146,490
Cumulative effect of change in accounting principle	(259,908)	-	(259,908)
Increase in net assets	589,442	33,270	622,712
Balance - September 30, 2021	\$ 3,364,231	\$ 145,063	\$ 3,509,294

National Environmental Health Association

Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services			Support Services		
	Grants, Contracts, and Subawards	Special Projects	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,843,549	\$ 744,323	\$ 2,587,872	\$ 738,286	\$ 8,299	\$ 3,334,457
Benefits	555,141	278,594	833,735	167,973	-	1,001,708
Advertising and marketing	-	13,455	13,455	18,044	262	31,761
Computer equipment and supplies	89,879	476	90,355	90,536	-	180,891
Conference and meetings	-	-	-	19,077	-	19,077
Contracted services	1,904,351	410,398	2,314,749	51,078	-	2,365,827
Cost of goods sold	-	41,037	41,037	-	-	41,037
Depreciation	-	-	-	2,575	-	2,575
Equipment rental and maintenance	-	-	-	23,781	-	23,781
Fees	-	-	-	207,742	-	207,742
Insurance	-	-	-	28,628	-	28,628
Miscellaneous	6,934	5,916	12,850	2,930	-	15,780
Occupancy	-	-	-	306,191	-	306,191
Office supplies	161,267	7,225	168,492	28,512	109	197,113
Postage, mailing, and shipping	9,277	3,862	13,139	2,651	-	15,790
Printing and publications	-	90,515	90,515	-	-	90,515
Professional services	-	236	236	41,542	-	41,778
Royalties	-	85,592	85,592	-	-	85,592
Taxes	-	-	-	2,937	-	2,937
Travel	10,407	1,401	11,808	8,696	-	20,504
Scholarship	-	-	-	7,550	-	7,550
Total functional expenses	\$ 4,580,805	\$ 1,683,030	\$ 6,263,835	\$ 1,748,729	\$ 8,670	\$ 8,021,234

See notes to financial statements.

National Environmental Health Association

Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services			Support Services		
	Grants, Contracts, and Subawards	Special Projects	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,728,280	\$ 734,658	\$ 2,462,938	\$ 358,307	\$ 452	\$ 2,821,697
Benefits	534,908	296,279	831,187	95,921	-	927,108
Advertising and marketing	-	5,743	5,743	17,365	-	23,108
Computer equipment and supplies	52,939	-	52,939	51,144	-	104,083
Conference and meetings	37,297	-	37,297	12,961	-	50,258
Contracted services	1,918,740	260,492	2,179,232	2,705	-	2,181,937
Cost of goods sold	-	41,086	41,086	-	-	41,086
Equipment rental and maintenance	11,742	-	11,742	11,344	-	23,086
Fees	44,824	30	44,854	43,304	-	88,158
Fundraising	-	-	-	-	2,495	2,495
Insurance	12,889	-	12,889	12,452	-	25,341
Miscellaneous	12,390	1,218	13,608	4,297	-	17,905
Occupancy	150,282	-	150,282	145,186	-	295,468
Office supplies	174,758	16,098	190,856	8,996	-	199,852
Postage, mailing, and shipping	10,452	12,051	22,503	1,520	-	24,023
Printing and publications	-	101,520	101,520	-	-	101,520
Professional services	24,178	316	24,494	23,358	-	47,852
Royalties	-	82,075	82,075	-	-	82,075
Taxes	442	-	442	427	-	869
Travel	85,480	21,491	106,971	15,267	-	122,238
Scholarship	-	-	-	7,550	-	7,550
Total functional expenses	\$ 4,799,601	\$ 1,573,057	\$ 6,372,658	\$ 812,104	\$ 2,947	\$ 7,187,709

See notes to financial statements.

National Environmental Health Association

Statement of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 622,712	\$ 489,245
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	2,575	-
Amortization of deferred rent	(24,097)	(23,876)
Realized and unrealized losses (gains) on investments	8,876	(69,503)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(198,571)	140,002
Inventory	(14,103)	8,665
Prepaid expenses and other assets	(43,306)	2,150
Accounts payable	70,277	(92,634)
Deferred revenue	(34,019)	(13,798)
Accrued vacation	47,081	37,952
Accrued compensation	32,081	(115,693)
Other accrued expenses	45,993	(51,488)
Net cash and cash equivalents provided by operating activities	515,499	311,022
Cash Flows from Investing Activities		
Purchase of property and equipment	(6,180)	-
Purchases of investments	(1,011,752)	(499,128)
Proceeds from sales of investments	465,912	159,980
Net cash and cash equivalents used in investing activities	(552,020)	(339,148)
Net Decrease in Cash and Cash Equivalents	(36,521)	(28,126)
Cash and Cash Equivalents - Beginning of year	1,204,356	1,232,482
Cash and Cash Equivalents - End of year	\$ 1,167,835	\$ 1,204,356

September 30, 2021 and 2020

Note 1 - Nature of Business

National Environmental Health Association (the "Association"), a nonprofit organization, was incorporated in 1937. The Association is a membership organization whose mission is to advance the environmental health professional for the purpose of providing a healthful environment for all. Its members, who are primarily environmental health professionals, are provided educational services through the Association's Annual Educational Conference (AEC), various environmental workshops, and the sales of environmental publications. The Association reports its governmental contracts and certain Entrepreneurial Zone (EZ) program activities as grants, contracts, and subawards in the statements of activities and functional expenses. The AEC, periodicals, credentialing and continuing education, membership, and remaining EZ activities are reported as special projects.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Association have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Classification of Net Assets

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Association.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board for various purposes (see Note 7). These designations are based on board actions, which can be altered or revoked at a future time by the board.

Cash and Cash Equivalents

For the purpose of the accompanying financial statements, the Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The carrying amount reported in the statement of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these investments.

Investments

The Association reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values, with unrealized gains and losses included on the statement of activities.

September 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable represent amounts due resulting from the sales of products and performance of services provided to other organizations and individuals. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Association on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance.

Credit Risk, Major Customers, and Suppliers

As of September 30, 2021 and 2020, 73 percent and 78 percent, respectively, of the Association's accounts receivable were due from three government agencies.

The Association received grant revenue from three government agencies during the years ended September 30, 2021 and 2020, which made up approximately 58 percent and 61 percent, respectively, of total revenue.

Inventory

Inventory is stated at the lower of cost or net realizable value and consists of books and other educational materials held for sale.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Recently Adopted Accounting Pronouncement

As of October 1, 2020, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Association adopted ASC 606 effective October 1, 2020 using the modified retrospective adoption method. Modified retrospective adoption required entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of net assets at the date of initial application. Prior periods have not been adjusted. As of October 1, 2020, net assets without donor restrictions were decreased and deferred revenue was increased by \$259,908 to recognize the cumulative effect of applying ASU No. 2014-09.

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Association expects to receive in exchange for those products or services. The Association's significant sources of revenue from contracts with customers include membership dues, credentialing, and annual conference revenue.

September 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Membership Dues

Dues revenue from members includes access to various member benefits, including access to continuing education opportunities and materials, discounts on certain products, job postings, publications, publication advertising, and attendance to the annual conference. Access to these benefits is voluntary and can occur during the membership period and are treated as part of the membership itself, rather than multiple performance obligations. Membership dues also include subscriptions to newsletters and journal publications and discounted credential renewals.

For revenue derived from membership contracts with multiple performance obligations, member dues are allocated based on the relative stand-alone selling price of each performance obligation. For membership revenue recognized over time, dues are deferred and recognized ratably over the membership period. The Association determined that this method provides a faithful depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and the Association stands ready to make its goods or services available to the customer on a constant basis over the contract period. Membership revenue related to providing journal subscriptions is recognized over time as the publications are provided. Membership revenue related to discounted credential renewals is recognized at the point in time the member renews their credentials.

Credentialing Revenue

Credentialing revenue includes fees charged to customers for initial credential applications and examinations and for credential renewals after the initial credential period. Initial credential application revenue is recognized when the application process is complete and the applicant receives access to apply for examination. Examination fee revenue is recognized when the examination results are released. For credential renewals, the Association has a stand-ready performance obligation to provide access to CPE resources and courses. The Association satisfies its performance obligation over the two-year credential period, as the customers obtain the benefits from such services as they are provided. For credential renewals recognized over time, the Association uses the straight-line method to measure progress, as the Association is providing a stand-ready performance obligation.

Annual Conference Revenue

Annual conference revenue includes amounts earned for registration fees for admission, exhibit booth space sales, and corporate sponsorships. Performance obligations are satisfied at a point in time, which is when the events take place and members/exhibitors attend the conference. Payment is due prior to the event, with limited cancellation options. Revenue is recognized in the period in which the conference takes place.

Contract Liabilities

Cash payments received in advance of the membership's term commencement, event date, or the Association satisfying its performance obligation are recorded as deferred revenue on the statement of financial position. The changes in contract liabilities are caused by normal timing differences between the satisfaction of performance obligations and customer payments.

The opening balances of accounts receivable and contract liabilities as of October 1, 2020 were \$444,924 and \$313,069, respectively.

September 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

The Association receives cooperative contracts and grant awards. The Association's government grants are recognized as income in the period in which the Association has substantially overcome all measurable performance-related barriers necessary to be entitled to keep the grant funds. Revenue from these cooperative contracts and grants is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. The Association also receives grant awards from certain federal government agencies where nonreciprocal transfer exists and the related contracts and grants are recognized in revenue when awarded.

Prior to October 1, 2020, revenue was recognized when it was realized or realizable and earned. The Association considered revenue realized or realizable when it had persuasive evidence of an agreement, the product had been delivered, services had been provided to the customer, the sale price was fixed or determinable, and collectibility was reasonably assured. Grant revenue was recorded in the period the respective expenses were incurred.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. As of September 30, 2021, conditional grant awards totaling approximately \$15,800,000 are remaining to be recognized on those government grants in the future as their conditions are met.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities. Expenses are recorded based on the direct benefit to a program or supporting activity. Certain costs have been allocated between the various program and support services based on estimates, as determined by management. Salaries and benefits are reported by function based on time and effort. Occupancy costs are allocated based on square footage utilized by function. Technology costs are allocated based on headcount. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Association is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The Association is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Association's financial statements as a result of the Association's operating leases, as disclosed in Note 11, that will be reported on the statement of financial position at adoption. Upon adoption, the Association will recognize a lease liability and corresponding right-of-use asset based on the present value of the minimum lease payments. The new guidance will be effective for the Association's year ending September 30, 2023. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

September 30, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries implemented measures to combat the outbreak that impacted global business operations. The Association has not experienced any decreases in grant funding and has experienced increases in the demand for its services. Management has limited discretionary spending as a means of decreasing expenses in anticipation of future programmatic needs. In response to the impact of COVID-19, the Association applied for and received a Paycheck Protection Program loan in the amount of \$370,662 (see Note 9). Due to the uncertainty surrounding the situation, the impact on the Association's future revenue, expenses, cash flows, and financial condition cannot be estimated at this time.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including February 7, 2022, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Association has \$2,304,751 and \$2,242,976 of financial assets available within one year of September 30, 2021 and 2020 to meet cash needs for general expenditure consisting of cash of \$1,167,835 and \$1,204,356, receivables of \$643,495 and \$444,924, and investments of \$493,421 and \$593,696, respectively. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Association invests cash in excess of daily requirements in various investments, including mutual funds, corporate bonds, and treasury instruments.

Note 4 - Investments

The details of the Association's investments and restricted cash and investments at September 30 are as follows:

	2021	2020
Mutual funds - Equities	\$ 199,359	\$ 161,260
Mutual funds - Bonds	62,746	49,284
Exchange-traded funds	69,616	69,880
Municipal bonds	100,070	-
U.S. Treasuries	329,350	498,725
Corporate bonds	1,902,089	1,347,117
Total	<u>\$ 2,663,230</u>	<u>\$ 2,126,266</u>

Investments are presented on the statement of financial position as follows:

	2021	2020
Investments - Current	\$ 493,421	\$ 593,696
Investments - Long term	2,169,809	1,532,570
Total	<u>\$ 2,663,230</u>	<u>\$ 2,126,266</u>

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Association's assets measured at fair value on a recurring basis at September 30, 2021 and 2020 and the valuation techniques used by the Association to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis
at September 30, 2021

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds - Equities	\$ 199,359	\$ -	\$ -	\$ 199,359
Mutual funds - Bonds	62,746	-	-	62,746
Exchange-traded funds	69,616	-	-	69,616
Municipal bonds	-	100,070	-	100,070
U.S. Treasurys	-	329,350	-	329,350
Corporate bonds	-	1,902,089	-	1,902,089
Total investments	\$ 331,721	\$ 2,331,509	\$ -	\$ 2,663,230

Assets Measured at Fair Value on a Recurring Basis
at September 30, 2020

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds - Equities	\$ 161,260	\$ -	\$ -	\$ 161,260
Mutual funds - Bonds	49,284	-	-	49,284
Exchange-traded funds	69,880	-	-	69,880
U.S. Treasurys	-	498,725	-	498,725
Corporate bonds	-	1,347,117	-	1,347,117
Total investments	\$ 280,424	\$ 1,845,842	\$ -	\$ 2,126,266

September 30, 2021 and 2020

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 30,716	\$ 30,716
Computer equipment and software	256,500	250,320
Leasehold improvements	<u>387,524</u>	<u>387,524</u>
Total cost	674,740	668,560
Accumulated depreciation	<u>671,135</u>	<u>668,560</u>
Net property and equipment	<u>\$ 3,605</u>	<u>\$ -</u>

Depreciation expense totaled \$2,575 and \$0 for the years ended September 30, 2021 and 2020, respectively.

Note 7 - Net Assets

Net assets without donor restrictions consist of the following as of September 30:

	<u>2021</u>	<u>2020</u>
Board-designated net assets - Endowment fund	\$ 144,177	\$ 104,155

Net assets with donor restrictions as of September 30 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditures for a specified purpose:		
Scholarship fund	\$ 144,963	\$ 111,693
Student fund	<u>100</u>	<u>100</u>
Total	<u>\$ 145,063</u>	<u>\$ 111,793</u>

Note 8 - Investment in Endowments

Board-designated endowments are funds without donor restrictions designated by the board to function as endowments.

The Association established a board-designated quasi-endowment fund. Moneys contributed to the fund, plus interest earned, totaled \$144,177 and \$104,155 as of September 30, 2021 and 2020, respectively. Contributions to this fund are without donor restrictions. Principal and income earned on the investments are to be used upon approval by the board. As the endowment is not significant to the Association's financial statements as a whole, management has elected not to include certain disclosures normally required by generally accepted accounting principles.

Note 9 - Paycheck Protection Program

During the year ended September 30, 2021, the Association received \$370,662 through the Paycheck Protection Program II under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (PPP II loan). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Association may use the funds on qualifying expenses over a covered period up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of five years, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period. Under accounting principles generally accepted in the United States of America (U.S. GAAP), government grants, including certain forgivable government loans, are recognized as income in the period in which the Association has substantially overcome all measurable performance-related barriers necessary to be entitled to keep the grant funds. As of September 30, 2021, the Association has assessed that all requirements for forgiveness were achieved and, therefore, has recorded contribution revenue on the statement of activities of equal to the amount of the loan, consistent with generally accepted accounting principles.

The Association has not submitted a request for forgiveness as of the date the financial statements were available to be issued but expects to request forgiveness of the PPP II loan in 2022. While the Association believes that forgiveness of the loan is probable, there can be no assurance that any portion of the PPP II loan will be forgiven.

During the year ended September 30, 2020, the Association received \$616,763 through the Paycheck Protection Program. During the year ended September 30, 2020, the Association overcame all measurable barriers for forgiveness of the loan and recognized the funds received as a contribution on the statement of activities. The Association applied for and received notification from the SBA of forgiveness of the entire loan on June 23, 2021.

Note 10 - Retirement Plans

The Association has a retirement plan (the "Retirement Plan") under Internal Revenue Code Section 403(b). Employees are eligible to participate in the Retirement Plan on their first day of employment. Employees are eligible for nonelective contributions or matching contributions after 60 consecutive days of service. The Retirement Plan allows employees to defer a discretionary amount of their salaries, not to exceed a defined limit, to the Retirement Plan. The Retirement Plan provides for the Association to make a discretionary matching contribution. Contributions to the Retirement Plan totaled \$169,075 and \$153,034 for the years ended September 30, 2021 and 2020, respectively.

Note 11 - Operating Leases

The Association leases its facilities under a noncancelable operating lease. The current lease expired in December 2021. Total rent expense under these leases was \$251,372 and \$245,141 for 2021 and 2020, respectively.

Future minimum annual commitments under these operating leases are as follows:

Year Ending September 30	Amount
2022	\$ 63,432

Note 12 - Government Grants

The Association received certain grant revenue from various governmental agencies. The disbursement of funds received under these grants generally requires compliance with terms and conditions specified in the grants and is subject to audit by the granting agencies. The amount of charges to these grants that may be disallowed, if any, by such audits cannot presently be determined, and no provision for any liability that may result has been made in the accompanying financial statements. However, management believes that all necessary adjustments to the financial statements have been recorded to be in compliance with its grant requirements.