

**NATIONAL ASSOCIATION OF  
HEALTH & EDUCATIONAL FACILITIES  
FINANCE AUTHORITIES**

**FINANCIAL REPORT**

**JUNE 30, 2021**

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**PALMER, CURRIER & HOFFERT, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

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To the Board of Directors of  
National Association of Health & Educational Facilities Finance Authorities

We have audited the accompanying financial statements of National Association of Health & Educational Facilities Finance Authorities (the Association), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association of Health & Educational Facilities Finance Authorities as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Palmer, Currier and Hoffert LLP*

Pierre, South Dakota  
November 23, 2021

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
FACILITIES FINANCE AUTHORITIES**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 214,941	\$ 128,768
Accrued interest receivable	2,188	1,989
Prepaid expenses	<u>9,359</u>	<u>4,405</u>
<b>Total current assets</b>	<u>226,488</u>	<u>135,162</u>
<b>OTHER ASSETS</b>		
Certificates of deposit	<u>255,000</u>	<u>331,515</u>
	<u>\$ 481,488</u>	<u>\$ 466,677</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 16,201	\$ 10,246
Deferred revenue (Note 4)	<u>38,011</u>	<u>28,186</u>
<b>Total current liabilities</b>	<u>54,212</u>	<u>38,432</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 2)</b>		
<b>NET ASSETS (NOTE 5)</b>		
Without donor restrictions	<u>427,276</u>	<u>428,245</u>
	<u>\$ 481,488</u>	<u>\$ 466,677</u>

See Notes to Financial Statements.

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
FACILITIES FINANCE AUTHORITIES**

**STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue:		
Membership dues	\$ 107,000	\$ 104,000
Conference income	81,550	82,960
Interest	4,045	9,073
Miscellaneous income	1,810	-
<b>Total revenue</b>	<u>194,405</u>	<u>196,033</u>
Expenses:		
Program services	185,379	175,610
Supporting activities	9,995	9,758
<b>Total expenses</b>	<u>195,374</u>	<u>185,368</u>
<b>Change in net assets without donor restrictions</b>	(969)	10,665
NET ASSETS AT BEGINNING OF YEAR	<u>428,245</u>	417,580
NET ASSETS AT END OF YEAR	<u>\$ 427,276</u>	<u>\$ 428,245</u>

See Notes to Financial Statements.

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
FACILITIES FINANCE AUTHORITIES**

**STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			Supporting Activities	
	Program Services		Total Program Services		Management and General
	Professional and Member Services	Conference Expense			
Professional fees	\$ 158,972	\$ -	\$ 158,972	\$ 9,425	
Conference expense	-	25,569	25,569	-	
Committee expense	838	-	838	-	
Other	-	-	-	570	
<b>Total Expenses</b>	<b>\$ 159,810</b>	<b>\$ 25,569</b>	<b>\$ 185,379</b>	<b>\$ 9,995</b>	

See Notes to Financial Statements.

<b>2021</b>	<b>2020</b>				
<b>Total Functional Expenses</b>	<b>Program Services</b>		<b>Supporting Activities</b>		
	<b>Professional and Member Services</b>	<b>Conference Expense</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total Functional Expenses</b>
<b>\$ 168,397</b>	\$ 140,025	\$ -	\$ 140,025	\$ 9,159	\$ 149,184
<b>25,569</b>	-	32,907	32,907	-	32,907
<b>838</b>	2,678	-	2,678	-	2,678
<b>570</b>	-	-	-	599	599
<b><u>\$ 195,374</u></b>	<b><u>\$ 142,703</u></b>	<b><u>\$ 32,907</u></b>	<b><u>\$ 175,610</u></b>	<b><u>\$ 9,758</u></b>	<b><u>\$ 185,368</u></b>



**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
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**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (969)	\$ 10,665
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Accrued interest receivable	(199)	(2)
Prepaid expenses	(4,954)	(1,405)
Accounts payable	5,955	(3,190)
Deferred revenue	<u>9,825</u>	<u>6,600</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,658</u>	<u>12,668</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of certificates of deposit	276,515	100,000
Purchases of certificates of deposit	<u>(200,000)</u>	<u>(101,515)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>76,515</u>	<u>(1,515)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	86,173	11,153
CASH AND CASH EQUIVALENTS		
Beginning	<u>128,768</u>	<u>117,615</u>
Ending	<u>\$ 214,941</u>	<u>\$ 128,768</u>

See Notes to Financial Statements

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
FACILITIES FINANCE AUTHORITIES**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Activities and Significant Accounting Policies**

*Nature of activities:*

National Association of Health & Educational Facilities Finance Authorities (the Association), a not-for-profit Delaware corporation, was incorporated on November 6, 1987 as the National Council of Health Facilities Finance Authorities, Inc. On January 1, 2008, the National Association of Higher Educational Facilities Authorities, a Nebraska not-for-profit corporation, was merged into the Association. As part of this merger, the name of the Association was changed from National Council of Health Facilities Finance Authorities, Inc. to National Association of Health & Educational Facilities Finance Authorities.

The general purpose of the Association is to promote the common interests of organizations which have the authority to provide capital financing for the development of health or education facilities including, but not limited to, hospitals, other health care facilities, colleges, universities, and other education facilities, and to enhance the effectiveness of such organizations and their programs. The administration of the Association rotates with the election of officers; therefore, the Association has no employees or facilities.

Any agency, department, authority, corporation or other entity which is an agency or other instrumentality of a state or local government and has as a substantial purpose the provision of capital financing for the development of nonprofit health or education (and may include cultural) facilities located within that state, shall be eligible to be a "Member" of the corporation. Any public or not for profit private entity which has a primary purpose for its existence the provision of not for profit health care or educational services or support for such services (and may include cultural services) shall be eligible to be an "Affiliate Member" of the Corporation. Affiliate Members will not have a vote and will not count for the purposes of a quorum. All application for membership will be subject to review and action by the Membership Committee.

*Significant accounting policies:*

*Basis of presentation:*

The financial statements of the Association are prepared under the accrual method of accounting. The Association classifies its net assets, its revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified into the following two classes:

- 1) Net assets without donor restrictions represent funds that are available for support of operations of the Association, and that are not subject to donor stipulation.
- 2) Net assets with donor restrictions consist of contributions that have been restricted by the donor for a specific purpose.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled) are reported as reclassifications between the applicable classes of net assets.

As of June 30, 2021 and 2020, and for the years then ended, the Association held no net assets with donor restrictions.

NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
FACILITIES FINANCE AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

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

*Use of estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

*Cash and cash equivalents:*

For purposes of reporting cash flows, the Association considers investments with original maturities of three months or less to be cash equivalents. Investments in certificates of deposit, purchased with maturities of more than three months, are reported as investing activities.

The Association maintains its cash and cash equivalents primarily in four accounts. Two accounts are with commercial banks which are insured by the Federal Deposit Insurance Corporation up to \$250,000. Periodically, cash may exceed the federally insured amount in the commercial bank. At June 30, 2021 and 2020, the Association had no material uninsured cash balances in excess of the FDIC limit. The other account is with an investment company which is insured by the Securities Investor Protection Corporation up to \$250,000 for cash claims. The amounts on deposit at June 30, 2021 and 2020 with the investment company did not exceed the protection limits of the Securities Investor Protection Corporation. The Association has not experienced any losses in these accounts and does not expect any losses in the future.

*Certificates of Deposit:*

Investments in certificates of deposits are carried at cost. The fair value of certificates of deposit are not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on their fair value. No such events or circumstances have occurred during the years ended June 30, 2021 and 2020. The Association is exempt from estimating and disclosing fair values of financial instruments that are not carried at fair value, such as certificates of deposit, under applicable accounting standards.

*Donated services:*

The Board of Directors donate their time to the Association during their term. This time can not be quantified but is not considered material.

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
FACILITIES FINANCE AUTHORITIES**

**NOTES TO FINANCIAL STATEMENTS**

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

*Unrelated Business Income Tax Matters:*

The Internal Revenue Service ("IRS") and certain state taxing authorities are currently revisiting what, if any, products and services provided by the Association are subject to unrelated business income tax ("UBIT"). There is currently very little guidance in the IRS Code on what activities should be subject to UBIT. The IRS has indicated that they are studying the issue and may issue additional guidance. As a result, at this time there is uncertainty regarding whether the Association should pay income tax on certain types of net income from activities that may be considered by taxing authorities as unrelated to the purpose for which the Association was granted non-taxable status. The Association has not filed any tax returns in the past for potential taxable activities. The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net income from activities deemed to be unrelated to the Association's non-taxable status is not expected to have a material effect on the Association's financial position or results of operations.

The Association is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before the year ended June 30, 2018.

*Revenue recognition:*

Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services (i.e., the transaction price). The Association recognizes conference income in the period in which the conferences are held. Member dues are recognized as revenue during the period for which the membership applies. Special assessment income is recognized in the period in which the payment is received. Interest income from investments is recognized when earned. The deferred revenue is from prepaid membership dues and sponsorships and will be recognized as revenue in the following year.

*Functional allocation of expenses:*

The Association allocates its expenses on a functional basis by program and supporting services. Expenses that can be identified with a specific program and support service are allocated to that program according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by management.

*Fundraising Expense:*

The Association does not have any fundraising costs that they incurred during the fiscal years ended June 30, 2021 and 2020.

*Subsequent events:*

The Association has evaluated subsequent events through November 23, 2021, the date on which the financial statements were available to be issued.

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL  
FACILITIES FINANCE AUTHORITIES**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Coronavirus (COVID-19) Considerations**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

While the event is impacting the world economy, the extent to which this event will impact the Association's financial position will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impacts, among others.

**Note 3. Related Party Transactions**

The South Dakota Health & Educational Facilities Authority (SDHEFA) is a member of the National Association of Health & Educational Facilities Finance Authorities. The Executive Director of the SDHEFA has been elected as the Association's Treasurer for a two year term which expires June 30, 2022. The SDHEFA Executive Director and one of the SDHEFA employees performs the accounting services for the Association. These services are not charged to the Association and no amounts are reflected in these financial statements for these donated services.

**Note 4. Deferred Revenue**

Deferred revenue of \$38,011 as of June 30, 2021 consists of \$1,461 of unearned membership dues, \$23,125 of unearned sponsorship fees and \$13,425 of unearned registration fees. Deferred revenue of \$28,186 as of June 30, 2020 consists of \$1,461 of unearned membership dues, \$16,625 of unearned sponsorship fees and \$10,100 of unearned registration fees.

**Note 5. Net Assets**

The net assets without donor restrictions in the accompanying statement of financial position are available for the general operating activities of the Association.



# PALMER, CURRIER & HOFFERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

November 23, 2021

Audit Committee

National Association of Health & Educational Facilities Finance Authorities  
Pierre, South Dakota

We have audited the financial statements of National Association of Health & Educational Facilities Finance Authorities for the year ended June 30, 2021, and we will issue our report thereon dated November 23, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 22, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by National Association of Health & Educational Facilities Finance Authorities are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ending June 30, 2021. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates discovered affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We identified no such misstatements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 23, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee and management of National Association of Health & Educational Facilities Finance Authorities and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Palmer, Currier and Hoffert LLP*



# PALMER, CURRIER & HOFFERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Management and the Board of Directors  
National Association of Health & Educational Facilities Finance Authorities  
Pierre, South Dakota

In planning and performing our audit of the financial statements of National Association of Health & Educational Facilities Finance Authorities (the Association) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the Association's internal control to be a significant deficiency:

A limited number of personnel have the primary responsibility for performing most of the accounting and financial duties for the Association. As a result, some of the aspects of internal accounting control which rely upon adequate segregation of duties are missing at the Association. Supervision and periodic review procedures should be performed to the extent practicable to help mitigate the lack of proper segregation of duties.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Association and is not intended to be, and should not be, used by anyone other than these specified parties.

*Palmer, Currier and Hoffert LLP*

November 23, 2021