

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

FINANCIAL REPORT

JUNE 30, 2020

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PALMER, CURRIER & HOFFERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

National Association of Health & Educational Facilities Finance Authorities

Report on the Financial Statements

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, 2020 and 2019, 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, 2020 and 2019, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, the Association adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The Association has elected to apply the modified retrospective method to adopt the new standard. Our opinion is not modified with respect to this matter.

Palmer, Currier and Hoffert LLP

Pierre, South Dakota
November 12, 2020

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

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 128,768	\$ 117,615
Accrued interest receivable	1,989	1,987
Prepaid expenses	<u>4,405</u>	<u>3,000</u>
Total current assets	<u>135,162</u>	<u>122,602</u>
OTHER ASSETS		
Certificates of deposit	<u>331,515</u>	<u>330,000</u>
	<u>\$ 466,677</u>	<u>\$ 452,602</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,246	\$ 13,436
Deferred revenue (Note 3)	<u>28,186</u>	<u>21,586</u>
Total current liabilities	<u>38,432</u>	<u>35,022</u>
NET ASSETS (NOTE 4)		
Without donor restrictions	<u>428,245</u>	<u>417,580</u>
	<u>\$ 466,677</u>	<u>\$ 452,602</u>

See Notes to Financial Statements.

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL
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**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue:		
Membership dues	\$ 104,000	\$ 107,000
Conference income	82,960	139,336
Interest	9,073	8,405
Total revenue	<u>196,033</u>	<u>254,741</u>
Expenses:		
Program services	175,610	271,684
Supporting activities	9,758	11,435
Total expenses	<u>185,368</u>	<u>283,119</u>
Change in net assets without donor restrictions	10,665	(28,378)
NET ASSETS AT BEGINNING OF YEAR	<u>417,580</u>	<u>445,958</u>
NET ASSETS AT END OF YEAR	<u>\$ 428,245</u>	<u>\$ 417,580</u>

See Notes to Financial Statements.

NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL
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STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			Supporting Activities
	Program Services		Total Program Services	
	Professional and Member Services	Conference Expense		
Professional fees	\$ 140,025	\$ -	\$ 140,025	\$ 9,159
Conference expense	-	32,907	32,907	-
Committee expense	2,678	-	2,678	-
Other	-	-	-	599
Total Expenses	<u>\$ 142,703</u>	<u>\$ 32,907</u>	<u>\$ 175,610</u>	<u>\$ 9,758</u>

See Notes to Financial Statements.

2020	2019				
Total Functional Expenses	Program Services		Total Program Services	Supporting Activities	Total Functional Expenses
	Professional and Member Services	Conference Expense		Management and General	
\$ 149,184	\$ 162,583	\$ -	\$ 162,583	\$ 9,372	\$ 171,955
32,907	-	109,101	109,101	-	109,101
2,678	-	-	-	-	-
599	-	-	-	2,063	2,063
\$ 185,368	\$ 162,583	\$ 109,101	\$ 271,684	\$ 11,435	\$ 283,119

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL
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**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,665	\$ (28,378)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	(2)	124
Increase in prepaid expenses	(1,405)	(3,000)
Increase (decrease) in accounts payable	(3,190)	597
Increase (decrease) in deferred revenue	<u>6,600</u>	<u>(4,875)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>12,668</u>	<u>(35,532)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of certificates of deposit	100,000	150,000
Purchases of certificates of deposit	<u>(101,515)</u>	<u>(155,000)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,515)</u>	<u>(5,000)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,153	(40,532)
CASH AND CASH EQUIVALENTS		
Beginning	<u>117,615</u>	<u>158,147</u>
Ending	<u>\$ 128,768</u>	<u>\$ 117,615</u>

See Notes to Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019, and for the years then ended, the Association held no net assets with donor restrictions.

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL
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NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019, 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, 2020 and 2019 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, 2020 and 2019. 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
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NOTES TO FINANCIAL STATEMENTS

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, 2017.

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, 2020 and 2019.

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

NOTES TO FINANCIAL STATEMENTS

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

Adoption of New Accounting Pronouncement:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised 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. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the standard on July 1, 2019 utilizing the modified retrospective method. Results for reporting periods beginning July 1, 2019 are presented under Topic 606, while prior-period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. In completing its assessment of its revenue streams within the scope of the guidance, the Association did not identify any revenue sources for which the timing of recognition will change under the new standard. The adoption of this standard on July 1, 2019 did not have a material impact on the Association's financial statements, its current accounting policies and practices or the timing or amount of revenue recognized; however, where appropriate, the Association evaluated necessary changes to business processes, systems, and internal controls in order to support the recognition, measurement and disclosure requirements of the new standard.

Adoption of the new revenue standard had no impact to cash provided from or used in operating, financing or investing on our statements of cash flows.

The Association elected to utilize the modified retrospective transition practical expedient, which allows the Association to evaluate the impact of contract modifications as of the adoption date rather than evaluating the impact of the modifications at the time they occurred prior to the adoption date.

Subsequent events:

The Association has evaluated subsequent events through November 12, 2020, the date on which the financial statements were available to be issued. With the exception of the matters disclosed below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

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 expected to impact the world economy, the extent to which this event will impact the Company'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.

**NATIONAL ASSOCIATION OF HEALTH & EDUCATIONAL
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NOTES TO FINANCIAL STATEMENTS

Note 2. 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 one year term which expired June 30, 2020. 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 3. Deferred Revenue

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. Deferred revenue of \$21,586 as of June 30, 2019 consists of \$1,461 of unearned membership dues, \$20,125 of unearned sponsorship fees and \$0 of unearned registration fees.

Note 4. 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.