

**NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION**

**Financial Statements  
and  
Independent Auditors' Report  
September 30, 2017 and 2016**

**EKS&H**

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
National Environmental Health Association  
Denver, Colorado

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of National Environmental Health Association (the "Association"), which are comprised of the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities 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.

### **AUDITORS' 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 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 auditors' 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 auditors consider 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, 2017 and 2016, 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.

## **OTHER MATTERS**

Our audits were 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*, 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 audits 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 information 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 our report dated December 21, 2017, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

*EKS&H LLLP*

EKS&H LLLP

December 21, 2017  
Denver, Colorado

**NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION**

**Statements of Financial Position**

	September 30,	
	2017	2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 928,454	\$ 667,219
Investments	421,907	385,810
Restricted cash and investments	135,500	135,289
Accounts receivable, net of allowance for doubtful accounts of \$4,000	269,089	1,002,062
Unbilled receivables	374,724	-
Inventory	65,050	45,985
Prepaid expenses and other	65,735	68,089
Total current assets	2,260,459	2,304,454
Property and equipment, net	18,903	38,653
Total assets	\$ 2,279,362	\$ 2,343,107
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 101,437	\$ 162,988
Accrued vacation	96,289	80,104
Other accrued expenses	3,284	20,847
Deferred revenue	287,013	288,171
Deferred rent - current portion	12,798	10,784
Total current liabilities	500,821	562,894
Deferred rent	70,841	83,639
Total liabilities	571,662	646,533
Commitments and contingencies		
Net assets		
Unrestricted		
Board-designated	323,817	315,225
Undesignated	1,295,730	1,299,514
Total unrestricted	1,619,547	1,614,739
Temporarily restricted	88,153	81,835
Total net assets	1,707,700	1,696,574
Total liabilities and net assets	\$ 2,279,362	\$ 2,343,107

See notes to financial statements.

**NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION**

**Statements of Activities**

	For the Years Ended					
	September 30, 2017			September 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues and gains</b>						
Research and development	\$ 1,868,359	\$ -	\$ 1,868,359	\$ 1,514,445	\$ -	\$ 1,514,445
Annual Educational Conference	654,199	-	654,199	878,217	-	878,217
Credentialing and education	699,839	-	699,839	774,868	-	774,868
Membership dues	372,184	-	372,184	394,391	-	394,391
Journal of Environmental Health	183,554	-	183,554	229,628	-	229,628
Special projects	1,545,870	-	1,545,870	3,183,029	-	3,183,029
Contributions	17,526	5,172	22,698	11,005	-	11,005
Publications and module contracts	28,789	-	28,789	56,435	-	56,435
Miscellaneous income	36,468	-	36,468	24,515	-	24,515
Investment income	38,922	1,146	40,068	30,756	1,130	31,886
Total revenues and gains	<u>5,445,710</u>	<u>6,318</u>	<u>5,452,028</u>	<u>7,097,289</u>	<u>1,130</u>	<u>7,098,419</u>
<b>Expenses</b>						
Research and development	1,428,954	-	1,428,954	1,511,344	-	1,511,344
Annual Educational Conference	590,082	-	590,082	612,206	-	612,206
Journal of Environmental Health	300,256	-	300,256	270,100	-	270,100
Credentialing and education	567,809	-	567,809	503,741	-	503,741
Membership	106,520	-	106,520	59,670	-	59,670
Publications and module contracts	8,636	-	8,636	21,520	-	21,520
Special projects	1,668,260	-	1,668,260	3,253,836	-	3,253,836
Administration and general	770,385	-	770,385	290,765	-	290,765
Total expenses	<u>5,440,902</u>	<u>-</u>	<u>5,440,902</u>	<u>6,523,182</u>	<u>-</u>	<u>6,523,182</u>
Change in net assets	4,808	6,318	11,126	574,107	1,130	575,237
Net assets at beginning of year	<u>1,614,739</u>	<u>81,835</u>	<u>1,696,574</u>	<u>1,040,632</u>	<u>80,705</u>	<u>1,121,337</u>
Net assets at end of year	<u>\$ 1,619,547</u>	<u>\$ 88,153</u>	<u>\$ 1,707,700</u>	<u>\$ 1,614,739</u>	<u>\$ 81,835</u>	<u>\$ 1,696,574</u>

See notes to financial statements.

**NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION**

**Statements of Cash Flows**

	For the Years Ended	
	September 30,	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 11,126	\$ 575,237
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	19,750	101,171
Amortization of deferred rent	(10,784)	(27,054)
Provision for bad debt	4,788	45
Realized and unrealized gains on investments	(33,457)	(25,755)
Changes in assets and liabilities		
Accounts receivable	728,185	(102,178)
Unbilled receivables	(374,724)	142,935
Inventory	(19,065)	21,553
Prepaid expenses and other	2,354	(26,668)
Accounts payable	(61,551)	(317,670)
Accrued vacation	16,185	23,217
Other accrued expenses	(17,563)	(47,694)
Deferred revenue	(1,158)	(56,861)
	<u>252,960</u>	<u>(314,959)</u>
Net cash provided by operating activities	<u>264,086</u>	<u>260,278</u>
Cash flows from investing activities		
Purchase of investments, net	(2,640)	(2,553)
Net cash used in investing activities	<u>(2,640)</u>	<u>(2,553)</u>
Net increase in cash and cash equivalents	261,446	257,725
Cash and cash equivalents at beginning of year	<u>802,508</u>	<u>544,783</u>
Cash and cash equivalents at end of year	<u>\$ 1,063,954</u>	<u>\$ 802,508</u>
Cash and cash equivalents are reported in the statements of financial position as follows:		
Cash and cash equivalents	\$ 928,454	\$ 667,219
Restricted cash and investments	<u>135,500</u>	<u>135,289</u>
	<u>\$ 1,063,954</u>	<u>\$ 802,508</u>

See notes to financial statements.

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies**

#### Organization

National Environmental Health Association (the "Association"), a non-profit organization, was incorporated in 1937. The Association is a membership organization whose mission is to advance the environmental health and protection profession 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, various environmental workshops, and the sales of environmental publications.

#### Basis of Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those currently available at the discretion of the Board of Directors (the "Board") for use in the Association's operations and those resources invested in property and equipment.

Temporarily restricted net assets are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted net assets are assets that must be maintained permanently by the Association as required by the donors, but the Association is permitted to use or expend part or all of any income derived from those assets. There were no permanently restricted net assets as of September 30, 2017 and 2016.

#### Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, unless held within the investment portfolio or otherwise restricted. As of the statement of financial position date and periodically throughout the year, the Association has maintained balances in various operating accounts in excess of federally insured limits.

#### 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 statements of activities.

#### Restricted Cash and Investments

Restricted cash and investments represent temporarily restricted contributions for the scholarship fund, the Endowment Fund, and the Global Environmental Health Fund.

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of 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.

Unbilled receivables represent services provided but not yet billed. The Association evaluates unbilled amounts for collectibility based on knowledge of specific account estimates of work-in-progress that may not be billed.

#### Concentrations

As of September 30, 2017 and 2016, 75% and 93%, respectively, of the Association's accounts receivable were due from two government agencies.

During the years ended September 30, 2017 and 2016, the Association received contract revenue from the Center for Disease Control, which made up approximately 31% and 20%, respectively, of total revenue. The Association received grant revenue from the Food and Drug Administration during the years ended September 30, 2017 and 2016, which made up approximately 16% and 35%, respectively, of total revenue.

#### Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or net realizable value and consists of books and other educational materials held for sale.

#### Property and Equipment

Property and equipment purchased with a cost greater than \$5,000 are recorded at cost. Donated fixed assets are capitalized at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets or the related lease terms for leasehold improvements, which range from three to ten years.

#### Long-Lived Assets

The Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Association looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. At September 30, 2017 and 2016, the Association determined that no impairment existed related to its carrying value of long-lived assets.

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Deferred Rent

The Association recognizes rent expense on a straight-line basis over the term of the leases. Deferred rent reflects the accumulated difference between rent payments and expense recognized.

In 2006, the Association received a tenant improvement allowance of \$341,040 from the landlord to be used for space planning, architectural fees, and construction for the premises. The total allowance is recognized as a reduction of rent expense over the term of the lease, which first expired in July 2016. For the years ended September 30, 2017 and 2016, \$0 and \$25,578, respectively, was recorded as a reduction of rent expense. The unamortized portion of the allowance was included in deferred rent on the statements of financial position.

#### Revenue Recognition/Deferred Revenue

Revenue from the sales of products and services is recognized in the period the related products are delivered or services are provided. Grant revenue is recorded in the period the respective expenses are incurred. Differences in the timing of billings and revenue recognition are reflected in unbilled accounts receivable and deferred revenue. Provisions for the entire amount of estimated losses on uncompleted contracts are recorded in the period such losses are determined. Amounts received in advance are deferred until the earnings process is complete, at which time they are recognized as revenue.

#### Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Association. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions.

#### Functional Expenses

Functional expenses incurred directly for a program service are charged to such activity. Salary, fringe benefits, and certain overhead costs are allocated to all services based on a pro rata basis of total direct salary expenses incurred.

#### Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Association is not a private foundation within the meaning of Section 509(a) of the Code. As such, the Association is required to pay taxes on unrelated business income only. For the years ended September 30, 2017 and 2016, the Association had no tax liability from unrelated business taxable income.

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Income Taxes (continued)

The Association applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of September 30, 2017 and 2016. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as administration and general expense. No interest or penalties have been assessed as of September 30, 2017 and 2016.

#### Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue when it transfers 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. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years that begin after December 15, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amended the FASB Accounting Standards Codification ("ASC") and created Topic 842, *Leases*. The new topic supersedes ASC Topic 840, *Leases*, and increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosures of key information about leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2019. ASU No. 2016-02 mandates a modified retrospective transition method.

In August 2016, the FASB issued ASU No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment reduces the classes of net assets to net assets with donor restrictions and net assets without donor restrictions; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Recently Issued Accounting Pronouncements (continued)

The Association is currently evaluating the new standards and their impact on the Association's financial statements.

#### Use of Estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

The Association has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued, and determined that there were no subsequent events requiring recognition or disclosure.

### **Note 2 - Investments**

Investments and restricted cash and investments are comprised of the following:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Equities	\$ 264,674	\$ 223,201
Cash and cash equivalents	217,079	223,154
Certificates of deposits	<u>75,654</u>	<u>74,744</u>
Total	<u>\$ 557,407</u>	<u>\$ 521,099</u>

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

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Investments	\$ 421,907	\$ 385,810
Restricted cash and investments	<u>135,500</u>	<u>135,289</u>
Total	<u>\$ 557,407</u>	<u>\$ 521,099</u>

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 2 - Investments (continued)**

Investment return consists of the following:

	For the Years Ended September 30,	
	2017	2016
Dividends and interest	\$ 6,611	\$ 6,131
Net realized and unrealized gain on investments	33,457	25,755
Total investment return	\$ 40,068	\$ 31,886

### **Note 3 - Fair Value Reporting**

The Association values its financial assets and liabilities based on the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2: Quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability; or
- Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Equities:* Valued at closing price reported on the active market on which the individual securities are traded.

There were no changes to the Association's valuation techniques during the year.

The following table summarizes the Association's fair value of assets measured on a recurring basis by the above fair value hierarchy levels as of September 30, 2017:

Description	Level 1	Level 2	Level 3	Total
Equities	\$ 264,674	\$ -	\$ -	\$ 264,674

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 3 - Fair Value Reporting (continued)**

The following table summarizes the Association's fair value of assets measured on a recurring basis by the above fair value hierarchy levels as of September 30, 2016:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ <u>223,201</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>223,201</u>

### **Note 4 - Property and Equipment**

The Association's property and equipment are comprised of the following:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Computers and software	\$ 410,186	\$ 410,186
Leasehold improvements	387,524	387,524
Furniture and equipment	<u>65,753</u>	<u>65,753</u>
	863,463	863,463
Less accumulated depreciation and amortization	<u>(844,560)</u>	<u>(824,810)</u>
	<u>\$ 18,903</u>	<u>\$ 38,653</u>

### **Note 5 - Net Assets**

Board-designated net assets consist of the following:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Emergency reserve funds	\$ 195,878	\$ 195,878
Computer reserve funds	64,589	64,589
Endowment fund	<u>63,350</u>	<u>54,758</u>
	<u>\$ 323,817</u>	<u>\$ 315,225</u>

Temporarily restricted net assets consist of the following:

	<u>September 30,</u>	
	<u>2017</u>	<u>2016</u>
Scholarship fund	\$ 82,831	\$ 79,235
Global Environmental Health Fund	2,600	2,600
Student fund	<u>2,722</u>	<u>-</u>
	<u>\$ 88,153</u>	<u>\$ 81,835</u>

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 6 - Investment in Endowments**

Board-designated endowments are unrestricted funds designated by the Board to function as endowments.

The Association established a Board-designated quasi endowment fund. Monies contributed to the fund, plus interest earned, totaled \$63,350 and \$54,758 as of September 30, 2017 and 2016, respectively. Contributions to this fund are unrestricted. Principal and income earned on the investments is 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 7 - Retirement Plans**

The Association has a retirement plan (the "Retirement Plan") under Code Section 403(b). During 2016, the Retirement Plan was modified and employees are eligible to participate in the Retirement Plan on their first day of employment. Employees are eligible for non-elective 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 Association makes contributions to the Retirement Plan at its discretion and contributed \$104,852 and \$87,874 for the years ended September 30, 2017 and 2016, respectively.

### **Note 8 - Commitments and Contingencies**

#### Operating Lease

The Association leases its facilities under a non-cancelable operating lease. The current lease expires in July 2021. Rent expense for the years ended September 30, 2017 and 2016 was \$236,836 and \$206,405, respectively.

Future minimum lease payments under the lease are as follows:

#### Year Ending September 30,

2018	\$	237,610
2019		247,680
2020		248,688
2021		<u>211,440</u>
	\$	<u>945,418</u>

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Financial Statements

### **Note 8 - Commitments and Contingencies (continued)**

#### Government Grants

The Association receives certain grant revenues 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.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' 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***

To the Board of Directors  
National Environmental Health Association  
Denver, Colorado

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 National Environmental Health Association (the "Association"), which are comprised of the statements of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an 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.

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. A significant deficiency is a deficiency, or 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.

To the Board of Directors  
National Environmental Health Association

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is intended 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 Association'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.

*EKS+H LLLP*

EKS&H LLLP

December 21, 2017  
Denver, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
National Environmental Health Association  
Denver, Colorado

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited National Environmental Health Association's (the "Association") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended September 30, 2017. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

To the Board of Directors  
National Environmental Health Association

Opinion on Each Major Federal Award

In our opinion, the 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 September 30, 2017.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's 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, non-compliance 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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material non-compliance 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**PURPOSE OF THIS REPORT**

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.

*EKS&H LLLP*

EKS&H LLLP

December 21, 2017  
Denver, Colorado

NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued - Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? [ ] Yes [x] No
Significant deficiencies identified? [ ] Yes [x] None reported
Non-compliance material to financial statements noted? [ ] Yes [x] No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? [ ] Yes [x] No
Significant deficiencies identified? [ ] Yes [x] None reported

Type of auditors' report issued on compliance for major programs - Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Guidance? [ ] Yes [x] No

Identification of major programs:

Table with 2 columns: Name of Program, CFDA#. Row 1: NEHA Food Safety Capacity Building through Integrated Food Safety System Training, 93.103

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as a low-risk auditee? [ ] Yes [x] No

Section II - Financial Statement Findings

None.

(Continued on the following page)

**NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2017**

(Continued from the previous page)

**Section III - Federal Award Findings and Questioned Costs**

None.

**Section IV - Prior Year Findings and Questioned Costs - Major Federal Award Programs Audit**

**No. 2016-001: Insufficient Processes and Oversight within the Accounting Function**

Finding: In fiscal year 2016, internal controls over the financial reporting process were not operating effectively such that they would prevent, or detect and correct, material misstatements to the financial statements in a timely manner.

Status: In August 2016, the Association hired a Finance Director to review and reconcile its accounting records on a go-forward basis. No issues were noted during the current fiscal year's audit.

**NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION**

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
<b>Direct Program</b>			
NEHA and UL's Integrated Food Safety System's National Food/Feed Training Program	93.103*	1U54FD004325-04W1/ 1U54FD004325-05	\$ 19,622
NEHA Food Safety Capacity Building through Integrated Food Safety System Training	93.103*	1U18FD005648-01	872,701
NEHA's 81st Annual Educational Conference	93.103*	1R13FD006139-01	<u>25,000</u>
Total - U.S. Department of Health and Human Services Direct Programs			917,323
<b>U.S. Environmental Protection Agency</b>			
NEHA Mentorship Program for developing School IPM Capabilities	66.716	83617701	<u>31,744</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 949,067</u></u>

\* Major program

# NATIONAL ENVIRONMENTAL HEALTH ASSOCIATION

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2017

(1) **Basis of Presentation**

The supplemental schedule of expenditures of federal awards (the "Schedule") has been prepared on an accrual basis. The information in the Schedule is presented in accordance with the requirements of the Uniform Guidance.

(2) **Indirect Rate**

The Association did not elect to use the de minimis 10% indirect cost rate.