AMERICAN SCHOOL HEALTH ASSOCIATION

Financial Statements

For the Year Ended December 31, 2017

AMERICAN HEALTH SCHOOL ASSOCIATION

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Independent Auditor's Report

Board of Directors
American School Health Association
Bloomington, IN

We have audited the accompanying financial statements of American School Health Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statement.

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 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 American School Health Association as of December 31, 2017 and the changes in its net assets and its cash flow for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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 audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. As discussed in Note E to the financial statements, the Association has suffered recurring significant reductions in grant and other revenues that raise substantial doubt about its ability continue as a going concern. Management's plans regarding these matters are also described in Note E. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Wasserman & Shuff LLC

Wasserman & Shuff, LLC

9/4/18

American School Health Association
Statement of Financial Position
As of December 31, 2017

		2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$	11,739
Accounts receivable		30,264
Prepaid expenses		2,061
Total Current Assets		44,064
Other Assets:		
Restricted investments		217,081
Total Other Assets		217,081
Total Assets	$	261,145
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	334
Deferred memberships		40,084
Total Current Liabilities		40,418
Net Assets:		
Unrestricted		3,646
Temporarily restricted		104,081
Permanently restricted		113,000
Total Net Assets	$	220,727
Total Liabilities and Net Assets	$	261,145

American School Health Association
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and Support:				
Contributions	$ 66,074	$ -	$ -	$ 66,074
Corporate sponsorships	47,500	-	-	47,500
Corporate partnerships	1,750	-	-	1,750
Memberships	30,503	-	-	30,503
Conference registration fees	145,365	-	-	145,365
Conference exhibitor fees	23,790	-	-	23,790
Publications	121,042	-	-	121,042
Other income	21,365	-	-	21,365
Investment income	-	28,757	-	28,757
Total Revenue and Support	457,389	28,757	-	486,146
Net Assets Released from Restriction	-	-		-
Expenses:				
Conference	$ 187,242			$ 187,242
Memberships	23,043			23,043
Education and publications	43,553			43,553
Management and general	211,676			211,676
Total Expenses	465,514	-	-	465,514
Excess of Revenues Over (Under) Expenses and Losses	(8,125)	28,757	-	20,632
Net Assets, Beginning of Year	11,771	75,324	113,000	200,095
Net Assets, End of Year	$ 3,646	$ 104,081	$ 113,000	$ 220,727

See Independent Auditors' Report and Accompanying Notes.

American School Health Association
Statement of Cash Flows
For the Year Ended December 31, 2017

	2017
Cash flows from operating activities:	
Change in net assets	$ 20,632
Adjustments to reconcile change in net assets to cash provided by (used for) operating activities:	
Amortization expense	4,514
Dividends and capital gain distributions reinvested	(6,506)
Realized gains on sales of investments	(5,511)
Unrealized gains on investments	(16,740)
Change in accounts receivable	16,446
Change in prepaid expenses	10
Change in accounts payable	(91,503)
Change in deferred revenue	10,648
Net cash provided by (used for) operating activities	(68,010)
Cash flows from investing activities:	
Proceeds from investments sold	42,482
Net cash provided by (used for) investing activities	42,482
Net increase (decrease) in cash and cash equivalents	(25,528)
Cash and cash equivalents, beginning of year	37,267
Cash and cash equivalents, end of year	$ 11,739

American School Health Association
Notes to the Financial Statements
For the Year Ended December 31, 2017

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

American School Health Association (ASHA) is a 501(c)(3) nonprofit organization incorporated in 1971 under the laws of the state of Ohio. The Association is a national membership organization for health and education professionals who work in or with schools on health issues. The ASHA mission is “to transform all schools into places where every student learns and thrives.” ASHA envisions healthy students who learn and achieve in safe and healthy environments nurtured by caring adults functioning within coordinated school and community support systems. To provide leadership and realize this mission, ASHA had identified the following goals for the Association:

- **Advocate**: Sustain and expand strategic alliances with individuals and organizations that support ASHA’s mission and vision.
- **Communicate**: Sustain and expand strategic and timely communication with ASHA’s members, partner organizations, and the public.
- **Educate**: Provide high-quality learning opportunities for health and education professionals, parents, and other stakeholders.
- **Lead**: Serve as a recognized leader in the field of school health, promoting schools where every student learns and thrives.
- **Prosper**: Acquire and manage stable, broad-based, and diverse human and fiscal resources to support ASHA’s mission and vision.

Actives that the Association pursues to accomplish these goals include a scientific journal, an annual conference, networking opportunities for members, advocacy activities, and continuing education opportunities. The Association funds these activities through grants, membership fees, subscription sales, and conference fees.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with United States of America generally accepted accounting principles. As such, revenues are recognized when earned, and expenses and related liabilities are recorded in the period incurred.

Financial Statement Presentation

Net assets are comprised of the following categories:

Unrestricted: Unrestricted net assets are available to fund general operations.

Temporarily restricted: Temporarily restricted net assets represent contributions and other inflows of assets, whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations.

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Permanently restricted: Net assets subject to donor-imposed restrictions that they be maintained permanently by the Association are considered permanently restricted. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes.

Recognition of Donor Restrictions
The Association records contributions in accordance with the requirements of the FASB Accounting Standards Codification – Revenue Recognition for Not-for-Profit Entities. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets

Revenue Recognition
The Association receives revenues primarily from publications, conference registrations and conference sponsors, and memberships.

The Association recognizes membership revenue as an exchange transaction because the value of the benefits received in exchange for the membership fee exceeds the value of the fee itself. Revenue derived from the membership in exchange transactions is recognized as income on the straight-line basis over the period of membership. Revenue from the sale of publications is recognized when sold. Amounts received before services are performed are recorded as deferred contract revenue and will be recognized as revenue as the contract is performed.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, cash held in banks, and investments with initial maturities of three months or less. Cash and cash equivalents held in the McGovern investment account are not included in cash but are reported as part of Restricted Investments – McGovern Fund on the statements of financial position.

Accounts Receivable
The Association considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made.

Fair Value of Financial Instruments
The Association's financial instruments consist of cash, prepaid expenses, short-term receivables and payables, and deferred revenues. The carrying value for all such instruments, considering the terms, approximates fair value at December 31, 2017.

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Investments

The Association records its investments in accordance with the requirements of the Investments in Debt and Equity Securities for Not-for-Profit entities standard of the FASB Accounting Standards Codification. This standard requires that investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Fair values are based upon quoted process in active markets for identical assets/liabilities (Level 1). Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Investment Policy

The Association's investment policy intends for the Association to invest in assets at three different levels:

The short term reserve fund is intended to meet expenses from unanticipated activities. The objective of the fund is primarily liquidity, with optimization of investment return.

The long term reserve fund is intended to provide financial stability and cash flow to support the Association's mission, with the objectives of long-term appreciation of assets and consistency of the total investment return.

The Board of Directors has interpreted the State Management of Institutional Funds Act (SMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ASHA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SMIFA. In accordance with SMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund (2) The purposes of the Association and the donor-restricted endowment fund (3) General economic conditions (4) The possible effect of inflation and deflation (5) The expected total return from income and the appreciation of investments (6) Other resources of the Association (7) The investment policies of the Association.

Exempt Status

The Association is exempt from federal income taxes under Internal Revenue Code 501(c)(3) as a public charity and not a private foundation. The Association is also exempt from state income tax.

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income.

The Association's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and state purposes are generally the previous three and four years of tax returns filed, respectively. Any interest or penalties assessed to the Association are recorded as operating expenses; however, there were no interest or penalties recorded for the year ended December 31, 2017.

Concentration of Credit Risk
Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash. Non-interest bearing accounts are insured by the Federal Deposit Insurance Corporation. The Association maintains its cash balances at one financial institution. As of December 31, 2017, the Association's uninsured cash balances were $0.

Property and Equipment
Property and equipment are recorded at cost or, if donated, at the approximate fair market value. Major additions and improvements are capitalized as equipment if greater than $500, while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets are expensed. Depreciation is computer using a combination of accelerated methods and the straight-line method over estimated useful lives of the related assets which is 3-10 years for office equipment and furniture. Web site development costs have been capitalized and are being amortized over three years using the straight-line method.

Donated Goods and Services
The Association receives a substantial amount of services donated by its members in carrying out the business of the Association. No amounts have been reflected in the financial statements for those services since they do not meet the criteria under generally accepted accounting principles for recognition.

Functional Allocation of Expenses
The cost of providing the various program services and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 are reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimated.

A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Advertisement
The Association expenses advertising costs when they are incurred. There were no advertising expenses for the year ended December 31, 2017.

Date of Management Evaluation
Management has evaluated subsequent events through September 4, 2018, the date on which the financial statements were available to be issued. The Association has no responsibility to update these financial statements for events and circumstances occurring after this date.

B. INVESTMENTS

The Fair Value Measurements and Disclosures topic of FASB Accounting Standards Codification establishes fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measured fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or 2 inputs are not available. As of December 31, 2017, the Association's instruments are all valued using Level 1 inputs.

Investments consist of various mutual funds and are presented in the aggregate at their fair market value using Level 1 inputs as of December 31, 2017 as follows:

Original Cost	Fair Value	Unrealized Gain
$ 174,989	$225,964	$ 50,975

The following schedule summarizes the investment return for the year ended December 31, 2017:

Dividends, interest and capital gain distributions	$ 6,506
Realized gains on investments	5,511
Unrealized gain on investments	16,740
	$ 28,757

Short-term investments considered cash equivalents of $8,834 are included in cash on the statement of financial position.

C. RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funding received from two sources. First are contributions and grants that are to be used entirely for special programs as identified by donor restrictions. Secondly, investment income from donor restricted endowment funds are recorded as temporarily restricted until used for the designated purpose.

Permanently restricted net assets consist of the principal balance of the McGovern Foundation Adornment Fund. The fund requires that the principal is to remain preserved. The Fund's earnings are recorded as temporarily restricted and are available to pay speaker fees for the McGovern Lecture at the annual conference.

Restricted net assets consisted of the following as of December 31, 2017:

	Temporarily Restricted	Permanently Restricted	Total
McGovern Foundation Endowment Fund	$ 104,081	$ 113,000	$ 217,081

The endowment fund consists of both temporarily and permanently restricted donations. Earnings on the fund may be used for the specific purpose of paying speaker fees for the Association's annual conference. Any earnings not used for paying speaker fees are considered unrestricted funds.

Following is a schedule of activity within the endowment fund in 2017:

December 31, 2016	$230,806
Interest and dividends, net of fees	4,356
Amounts appropriated for expenditures	(42,482)
Realized gains	5,511
Capital gains	2,150
Unrealized gains	16,740
December 31, 2017	$217,081

D. STAFFING CONTRACT AND MANAGEMENT AGREEMENT

The Association entered into an agreement effective August 15, 2013, with the Coulter Companies, now MCI/USA, for management services and resource development. The agreement called for MCI/USA to provide core and non-core staffing, headquarters office space, and management services. The initial fee for these services was $30,000 per month, payable monthly in advance. In order to restore the Association's cash flow, an agreement to reduce management fees to $20,000 per month was effective April 1, 2015 through March, 31, 2016. The management fee was scheduled to increase to $30,900 on April 1, 2016. Because the $900 management fee escalation was not in the budget, MCI/USA agreed to accept $30,000 monthly for April 2016 through December 2016. The $8,100 ($900 x 9 months) unbudgeted shortfall was to be paid in 2017. However, subsequent to December 31, 2016, the management fee had again been reduced to alleviate cash flow issues. Total management fee expense for the year ended December 31, 2017 was $288,032.

E. GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes the Association will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Association has incurred repeated losses in prior years, which has depleted the balance in unrestricted net assets to $3,646 as of December 31, 2017. The losses have also led to a significant decline in cash available to pay the Association's ongoing obligations.

Management believes these conditions raise substantial doubt about the Association's ability to continue as a going concern within the next twelve months from the date these financial statements are available to be issued. The ability to continue as a going concern is dependent upon increased contributions, registration fees, and additional grant funding.

Management intends to continue efforts to secure additional grant funding in 2018, but this has not yet occurred as of the date the financial statements are available to be issued. The Association has continued to be aggressive in reaching out to exhibitors for their annual conference. Also, the new management fee addressed in Note F has substantially reduced the Association's monthly expenses.

F. SUBSEQUENT EVENTS

Effective January 8, 2018, the Association entered into a new management agreement with the Indiana Prevention Resource Center at Indiana University for membership development and maintenance, Association operations, professional development and advocacy, as well as sponsorships and funding streams. Monthly fees for these services are contracted at $19,375. The contract period extends through December 31, 2018.

SUPPLEMENTARY INFORMATION

American School Health Association
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Conference	Membership	Publications	Education and General	Management and Total
Amortization expense	$ -	$ -	$ -	$ 4,514	$ 4,514
Bank charges	-	-	-	808	808
Computer and software expense	7,000	-	-	-	7,000
Contract services	4,235	-	-	221	4,456
Continuing education expense	-	-	229	-	229
Equipment rental	21,636	-	-	-	21,636
Exhibition expense	3,711	-	-	-	3,711
Insurance	670	-	-	1,261	1,931
Leadership development	-	-	-	834	834
Legal and professional fees	-	-	-	13,465	13,465
Management fees	69,128	23,043	23,043	172,818	288,032
Meals and entertainment	71,774	-	-	-	71,774
Merchant fees	-	-	-	6,786	6,786
Postage	-	-	-	192	192
Printing and copying	1,385	-	-	4	1,389
Publications	-	-	19,992	-	19,992
Speaker expense	732	-	-	-	732
Storage rental	-	-	-	2,190	2,190
Supplies	3,791	-	-	1,840	5,631
Survey expense	-	-	-	48	48
Telephone	-	-	-	5,615	5,615
Travel	3,200	-	-	22	3,222
Webinar expense	-	-	289	-	289
Website and internet expense	-	-	-	978	978
Miscellaneous	(20)	-	-	80	60
Total expenses	$ 187,242	$ 23,043	$ 43,553	$ 211,676	$ 465,514

See Independent Auditors' Report and Accompanying Notes.