NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.

CDC Foundation
Together our impact is greater

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2018 and 2017

Warren Averett
CPAs AND ADVISORS

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
TABLE OF CONTENTS
JUNE 30, 2018 AND 2017

Warren Averett
CPAs AND ADVISORS

6 Concourse Parkway, Suite 600
Atlanta, GA 30328-5351
770.396.1100
warrenaverett.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
National Foundation for the Centers for
Disease Control and Prevention, Inc.

We have audited the accompanying financial statements of the National Foundation for the Centers for Disease Control and Prevention, Inc., (the Foundation) (a Georgia not-for-profit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, 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. 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 the National Foundation for the Centers for Disease Control and Prevention, Inc. as of June 30, 2018 and 2017, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 21 and 22 are presented for purposes of additional analysis and are 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 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.

Warren Averett, LLC

Atlanta, Georgia
February 4, 2019

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	$ 6,436,571	$ 13,808,029
Contributions receivable, net	24,785,390	41,222,931
Accounts receivable	1,764,539	725,475
Cash and cash equivalents reserved or restricted	9,772,350	42,210,783
Investments	69,931,674	19,171,568
Prepaid and other assets	942,790	2,177,697
Property, plant and equipment, net	2,384,346	2,132,814
TOTAL ASSETS	$ 116,017,660	$ 121,449,297

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 1,368,434	$ 1,310,814
Agency funds held in trust	92,789	80,894
Contracts payable	10,478,069	9,510,948
Grants payable	2,471,842	3,492,599
Refundable advances	1,585,976	3,474,976
Unamortized leasehold allowance	1,810,889	1,987,561
Deferred rent	1,492,617	710,779
TOTAL LIABILITIES	19,300,616	20,568,571
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Unrestricted	11,042,669	9,251,553
Temporarily restricted	81,448,198	87,492,567
Permanently restricted	4,226,177	4,136,606
TOTAL NET ASSETS	96,717,044	100,880,726
TOTAL LIABILITIES AND NET ASSETS	$ 116,017,660	$ 121,449,297

See notes to the financial statements

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Contributions, gains (losses), other support and transfers					
Grants and contributions	$ 334,363	$ 46,440,969	$ 71,631	$ 46,846,963	$ 35,455,365
Contributed goods and services	198,274	570,968	-	769,242	37,895,644
Direct Federal grants	-	4,798,742	-	4,798,742	3,501,513
Indirect cost recovery	2,183,223	3,638,891	-	5,822,114	4,653,283
Total grants and contributions	2,715,860	55,449,570	71,631	58,237,061	81,505,805
Interest and dividend income	778,509	78,276	-	856,785	456,063
Administrative fees	833,900	-	-	833,900	818,801
Other revenue	13,644	1,902,586	-	1,916,230	-
Refund - donor-restricted gifts	-	(219,371)	-	(219,371)	(293,828)
Net realized and unrealized (loss) gain on investments	(121,245)	120,828	-	(417)	205,527
Reclassifications of net assets	-	(17,940)	17,940	-	-
Net assets released from restriction for time and purpose	63,358,318	(63,358,318)	-	-	-
Total contributions, gains (losses), other support and transfers	67,578,986	(6,044,369)	89,571	61,624,188	82,692,368
Program costs and other expenses					
Program costs					
Project grants - contributed goods and services	570,968	-	-	570,968	37,347,611
Project grants - other	23,725,299	-	-	23,725,299	14,572,302
Other contributed goods and services	-	-	-	-	23,758
Other program costs	36,029,231	-	-	36,029,231	33,659,211
Total program costs	60,325,498	-	-	60,325,498	85,602,882
Management and general expenses	3,552,357	-	-	3,552,357	3,715,103
Fundraising expenses	1,910,015	-	-	1,910,015	2,427,811
Total program costs and other expenses	65,787,870	-	-	65,787,870	91,745,796
CHANGE IN NET ASSETS	1,791,116	(6,044,369)	89,571	(4,163,682)	(9,053,428)
NET ASSETS AT BEGINNING OF YEAR	9,251,553	87,492,567	4,136,606	100,880,726	109,934,154
NET ASSETS AT END OF YEAR	$ 11,042,669	$ 81,448,198	$ 4,226,177	$ 96,717,044	$ 100,880,726

See notes to the financial statements

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Contributions, gains (losses), other support and transfers				
Grants and contributions	$ 209,470	$ 35,225,188	$ 20,707	$ 35,455,365
Contributed goods and services	524,275	37,371,369	-	37,895,644
Direct Federal grants	-	3,501,513	-	3,501,513
Indirect cost recovery	1,094,652	3,558,631	-	4,653,283
Total grants and contributions	1,828,397	79,656,701	20,707	81,505,805
Interest and dividend income	375,399	80,664	-	456,063
Administrative fees	818,801	-	-	818,801
Refund- donor-restricted gifts	(57,164)	(236,664)	-	(293,828)
Net realized and unrealized gain (loss) on investments	(198,218)	403,745	-	205,527
Reclassifications of net assets	-	(9,024)	9,024	-
Net assets released from restriction for time and purpose	88,098,935	(88,098,935)	-	-
Total contributions, gains (losses), other support and transfers	90,866,150	(8,203,513)	29,731	82,692,368
Program costs and other expenses				
Program costs				
Project grants - contributed goods and services	37,347,611	-	-	37,347,611
Project grants - other	14,572,302	-	-	14,572,302
Other contributed goods and services	23,758	-	-	23,758
Other program costs	33,659,211	-	-	33,659,211
Total program costs	85,602,882	-	-	85,602,882
Management and general expenses	3,715,103	-	-	3,715,103
Fundraising expenses	2,427,811	-	-	2,427,811
Total program costs and other expenses	91,745,796	-	-	91,745,796
CHANGE IN NET ASSETS	(879,646)	(8,203,513)	29,731	(9,053,428)
NET ASSETS AT BEGINNING OF YEAR	10,131,199	95,696,080	4,106,875	109,934,154
NET ASSETS AT END OF YEAR	$ 9,251,553	$ 87,492,567	$ 4,136,606	$ 100,880,726

See notes to the financial statements

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (4,163,682)	$ (9,053,428)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	295,133	173,226
Realized and unrealized loss (gain) on investments	417	(205,527)
Loss on disposal of fixed assets	-	92,249
Contributions restricted for long-term investment	(71,631)	(20,707)
Change in assets and liabilities:		
Contributions receivable	16,437,541	(2,190,221)
Cash reserved or restricted	32,438,433	9,170,261
Accounts receivable	(1,039,064)	72,820
Prepaid and other assets	1,234,907	1,953,979
Accounts payable and accrued expenses	57,620	158,529
Agency funds held in trust	11,895	(45,038)
Contracts payable	967,121	(712,600)
Unamortized leasehold allowance	(176,672)	1,987,561
Grants payable	(1,020,757)	1,955,740
Refundable advances	(1,889,000)	-
Deferred rent	781,838	536,439
Net cash provided by operating activities	43,864,099	3,873,283
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(85,735,791)	(14,693,479)
Sales of investments	34,975,268	12,680,405
Purchase of property and equipment	(546,665)	(2,237,874)
Net cash used in investing activities	(51,307,188)	(4,250,948)
CASH FLOWS FROM FINANCING ACTIVITY		
Contributions restricted for long-term investment	71,631	20,707
Net cash provided by financing activity	71,631	20,707
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,371,458)	(356,958)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,808,029	14,164,987
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,436,571	$ 13,808,029

See notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS

The National Foundation for the Centers for Disease Control and Prevention, Inc. (the Foundation) is a foundation that was formed by Federal law, incorporated as a Georgia non-profit organization in 1993, and began operations in 1995. The Foundation, while a separately incorporated organization, synergistically works with the Centers for Disease Control and Prevention (CDC) to forge effective partnerships by connecting people, resources and ideas to fight threats to health and safety. The Foundation's vision is to improve the health and well-being of all people by substantially enhancing the impact of the CDC.

The Foundation is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. The Federal legislation authorizing the Foundation specifies that the Foundation shall not be an agency or instrumentality of the Federal government, and officers, employees and members of the Board of Directors (the Board) of the Foundation shall not be officers or employees of the Federal government.

During the year ended June 30, 2017, the Foundation was heavily involved in the effort to address the Zika outbreak, and received approximately $37,350,000 in contributed goods which were utilized to help address this Zika crisis. During the year ended June 30, 2018, the Foundation was involved in a variety of projects, including Ebola relief efforts, malaria elimination efforts, expanding the immunization system in Nigeria, the Data for Health initiative, and diverse other efforts.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Accrual Basis of Accounting
The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation
The Foundation classifies its net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED

Revenues are recognized when Foundation assets are enhanced or its liabilities are settled (or a combination of both) due to receipt of contributions, rendering services, or other activities central to its mission. Expenses, including program costs, are recognized when Foundation assets are used, or liabilities are incurred, to render services, provide funding for other service providers, or perform other ongoing activities central to its mission. Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restriction. If a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as temporarily restricted revenue with a corresponding release from restriction. Contributions subject to donor-imposed restrictions that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional pledges, if received, are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash, if received, are recorded at estimated fair value at the date of the gift as determined by independent appraisal or other valuation methods as deemed appropriate by management. Unconditional promises to give that are expected to be collected in future years are recorded at fair value which is measured at the present value of the future cash flows with discounts computed using risk-adjusted rates commensurate with the associated risks. Discounts on contributions receivable are amortized and recorded as additional contribution revenue in accordance with any donor-imposed restriction. An allowance for uncollectible contributions receivable is provided based upon management's judgment and consideration of various factors including prior collection history, type of contribution and nature of fundraising activity.

Contributed Goods and Services

Contributed goods and services are recorded at fair value in the accompanying statements of activities as both contribution revenue and expenses. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Generally, such services include specific programmatic expertise.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest bearing checking accounts, savings accounts, Treasury bills, and certificates of deposit with maturities of three months or less. Unrestricted amounts are available for operating activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED

Cash and Cash Equivalents Reserved or Restricted
Cash and cash equivalents reserved or restricted, while currently available, are restricted by grantors for disbursements related to specific grants or contracts.

Investments
Investment securities are stated at fair value, generally determined based on quoted market prices or estimated fair value, and are recorded within the various net asset classifications based upon the existence or absence of donor restrictions. If an investment is held directly by the Foundation and an active market with quoted prices exists, the fair value reported is the market price of an identical security. Valuation of shares in mutual funds is based on share values reported by the funds as of the last business day of the fiscal year.

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the statements of activities and is a component of investment return.

Property, Plant and Equipment
Property, plant and equipment greater than $5,000 are capitalized at cost at the date of acquisition or at estimated fair value at date of donation if acquired as gifts, less accumulated depreciation. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful life of three to seven years. Land is not subject to depreciation. Capitalized leasehold improvements are depreciated over the shorter of the life of the asset or the life of the corresponding lease.

Accounts Receivable
Accounts receivable consist primarily of amounts due to the Foundation under contracts with third party organizations. Accounts receivable not received within 60 days of invoicing are considered past due. Based upon historical trends and specific account analysis, the Foundation believes all accounts receivable are fully collectible.

Refund on Donor-Restricted Contributions
During the years ended June 30, 2018 and 2017, the Foundation recognized refunds of $219,371 and $293,828, respectively, related to gifts received from donors in prior years for specific projects. When donors originally contributed to support these projects, the total cost of each project was estimated and the donors agreed to fully fund these amounts. In the years ended June 30, 2018 and 2017, the projects were completed and, due to cost savings recognized by the Foundation in fulfilling the donor's intent, the total gift amount originally provided by the donor was not needed. In accordance with donor requests, the excess funds received were returned to the donor or the outstanding receivable was cancelled and a corresponding loss was recognized.

Agency Funds Held in Trust
The Foundation holds funds in a custodial capacity for various organizations. The funds are primarily used for conferences and management training courses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED

Contracts Payable
Contracts payable represent payments received in advance on contracts that the Foundation holds on behalf of the CDC and others. Funds are disbursed as projects reach certain checkpoints or reach completion.

Fair Value of Financial Instruments
The carrying amount of cash and cash equivalents, accounts receivable, and short-term investments approximates fair value because of the short maturity of these financial instruments.

Fair value for other financial instruments is disclosed in other footnotes.

Allocation of Functional Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the cost centers benefited.

Compensated Absences
Foundation policies allow employees who work 20 or more hours per week to receive from 48 to 192 hours of vacation annually, based upon years of service. An accrual for unused vacation days has been included with accounts payable and accrued expenses on the statements of financial position.

Risk Management
The Foundation is exposed to risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; material disasters; and liability. The Foundation carries commercial and directors and officers insurance covering each of these identified risks.

Deferred Rent and Unamortized Leasehold Allowance
Deferred rent represents the cumulative difference between the rent expense recognized on the straight-line basis and the actual rent paid. Unamortized leasehold allowance represents the unamortized balance of the leasehold allowance provided by the lessor under the rental agreement as described in Note 13.

Management Estimates
Management of the Foundation has made certain estimates and assumptions in the preparation of the financial statements, including the reporting of allowances for doubtful accounts, estimated lives of fixed assets, accrued expenses and deferred compensation to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates and assumptions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED

Public Relations, Advertising and Marketing Costs
The Foundation's policy is to expense all public relations, advertising and marketing costs as they are incurred.

Recent Accounting Pronouncements
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expense by functional and natural classification in one location; (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (4) requires additional policy disclosures regarding Board designated funds. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Foundation will implement the provisions of ASU 2016-14 during the fiscal year ending June 30, 2019. The Foundation is evaluating the impact of the new standard on its current policies and reporting methodologies.

2. CONCENTRATIONS OF CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 per financial institution. Uninsured cash balances aggregated approximately $17,100,000 and $57,000,000 at June 30, 2018 and 2017, respectively. Management of the Foundation has evaluated the risk associated with uninsured cash balances, and manages this risk.

Contributions receivable from two donors represent approximately 48% and 79% of total contributions receivable at June 30, 2018 and 2017, respectively. Revenue from the same two donors represents approximately 33% and 22% of total revenue for the years ended June 30, 2018 and 2017, respectively.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Unconditional promises to give	$ 26,771,609	$ 44,185,006
Less allowance for uncollectible pledges	(350,000)	(500,000)
	26,421,609	43,685,006
Less present value discount	(1,636,219)	(2,462,075)
Contributions receivable, net	$ 24,785,390	$ 41,222,931

3. CONTRIBUTIONS RECEIVABLE – CONTINUED

Contributions receivable are due as follows:

	2018	2017
Amounts due in:		
Less than one year	$ 19,505,609	$ 33,505,107
One year to five years	7,266,000	10,679,899
Unconditional promises to give	$ 26,771,609	$ 44,185,006

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risk involved (rates range from 3.90% to 5.00%). Amortization of discounts is recorded as additional contribution revenue based on the nature of the contributions, in accordance with donor-imposed restrictions on the contributions.

4. INVESTMENTS

The following is a summary of investments at June 30, 2018 and 2017:

	2018	2017
Investment cash and equivalents	$ 4,660,002	$ -
U.S. Treasury/agency securities	52,826,062	14,358,923
Corporate bonds	7,305,889	-
Domestic equity mutual funds	2,566,996	2,265,377
International equity mutual funds	1,199,662	1,146,323
Fixed income mutual funds	1,373,063	1,400,945
Total investments	$ 69,931,674	$ 19,171,568

Investment return is classified in the statements of activities as follows for the years ended June 30, 2018 and 2017:

	2018		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 778,509	$ 78,276	$ 856,785
Net realized and unrealized (losses) gains	(121,245)	120,828	(417)
Total investment return	$ 657,264	$ 199,104	$ 856,368

4. INVESTMENTS – CONTINUED

	2017		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	$ 375,399	$ 80,664	$ 456,063
Net realized and unrealized (losses) gains	(198,218)	403,745	205,527
Total investment return	$ 177,181	$ 484,409	$ 661,590

5. FAIR VALUE HIERARCHY

Accounting standards emphasize that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, standards established a three-tier hierarchy to distinguish between various types of inputs used in determining the value of an organization's financial instruments. The inputs are summarized as follows:

- *Level 1 Inputs* - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on readily available quoted prices in active markets.

- *Level 2 Inputs* - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than Level 1 quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

- *Level 3 Inputs* - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different hierarchy levels. In such cases, for disclosure purposes, the level in the hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

At June 30, 2018 and 2017, all of the Foundation's investments are classified within Level 1 of the hierarchy.

6. ENDOWMENTS

The Foundation's endowment consists of 16 individual funds established by donors for a variety of purposes, including programs, awards, research and operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law
The Foundation interprets Georgia's adoption of the Uniform Prudent Management of Institutional Funds Act ("GPMIFA") 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. The Foundation 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 applicable donor gift instruments at the time the accumulation is added to the endowment fund. The remaining portion of the donor-restricted endowment fund in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by GPMIFA.

In accordance with GPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the endowment fund
2) The purposes of the Foundation and the donor-restricted endowment fund
3) General economic conditions
4) The possible effects of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Foundation
7) The investment policies of the Foundation

Endowment composition by net asset classification as of June 30, 2018 and 2017 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018	$ 925,154	$ 4,226,177	$ 5,151,331
June 30, 2017	$ 882,882	$ 4,136,606	$ 5,019,488

6. ENDOWMENTS – CONTINUED

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 882,882	$ 4,136,606	$ 5,019,488
Contributions	-	71,631	71,631
Reclassification of net assets	(17,940)	17,940	-
Investment return:			
Investment income, net of fees	58,574	-	58,574
Net appreciation (realized and unrealized)	45,081	-	45,081
Total investment return	103,655	-	103,655
Appropriation of endowment assets for expenditure	(43,443)	-	(43,443)
Endowment net assets, end of year	$ 925,154	$ 4,226,177	$ 5,151,331

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 466,909	$ 4,106,875	$ 4,573,784
Contributions	-	20,707	20,707
Reclassification of net assets	(9,024)	9,024	-
Investment return:			
Investment income, net of fees	59,340	-	59,340
Net appreciation (realized and unrealized)	403,745	-	403,745
Total investment return	463,085	-	463,085
Appropriation of endowment assets for expenditure	(38,088)	-	(38,088)
Endowment net assets, end of year	$ 882,882	$ 4,136,606	$ 5,019,488

6. ENDOWMENTS – CONTINUED

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment assets that attempt to provide the preservation of assets, growth of capital and generation of income. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to (a) minimize the risk of large losses and, over time, exceed the rate of inflation in order to preserve the purchasing power of assets, (b) generate a long-term rate of return to equal or exceed the appropriate market indices and (c) generate income to fund operations as needed.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives with prudent risk restraints.

Endowment Spending Policy

The Board encourages the growth of the Foundation endowment assets through a spending policy that will provide a predictable stream of income to the Foundation and to the appropriate restricted projects, while permitting reinvestment of any earnings above the approved spending rate. The initial payout is up to four percent of the 12 quarter trailing average fund balance as of June 30th of each year. In any year that the June 30 fair value of an endowment is less than its fair value at the time of original contribution, the Foundation will use an income-only approach to the spending rate.

Funds with Deficiencies

If the fair value of any fund classified as permanently restricted at year end is below the amount determined to be permanently restricted, the deficit which cannot be funded from temporarily restricted unspent earnings of the fund is reported as a reduction in unrestricted net assets. No funds with deficiencies were recorded for the years ended June 30, 2018 and 2017.

7. GRANTS PAYABLE

The Foundation disburses a portion of its project funds as cost reimbursement grants. Recognition of these funds as program expenses is contingent upon the recipient properly expending and documenting the expenditure as directed by the Foundation. Once these established conditions are met, the respective amounts are expensed and accrued as grants payable. As of June 30, 2018 and 2017, the Foundation had grants payable totaling $2,471,842 and $3,492,599, respectively.

8. REFUNDABLE ADVANCES

During a prior year, the Foundation received $5,000,000 in refundable advances to be used for Emergency Preparedness and Response which includes severe and/or infrequent national level emergencies. Recognition as revenue was contingent upon the Foundation using these funds for their intended purpose, with any amounts not used to be returned to the donor. As of June 30, 2017, $3,474,976 was still available to be expended. During the year ended June 30, 2018, the donor authorized the Foundation to use, and the Foundation used, $1,889,000 of this funding as a part of the Foundation's response to the effects of devastating hurricanes in Puerto Rico, leaving $1,585,976 remaining as of June 30, 2018. A financial report will be submitted to this donor in January 2019, and at this time the donor will determine whether unspent funds will be returned or can continue to be held by the Foundation for a future emergency response.

9. RETIREMENT PLANS

The Foundation has established a voluntary defined contribution retirement plan, which in a prior year was merged with the Foundation's voluntary tax-deferred annuity plan. Under the terms of the plan, all employees who work at least 20 hours per week are eligible to participate after 90 days of consecutive service. Upon meeting these eligibility requirements, employees are fully vested. Contributions under this plan are invested in one or more of the available investment options at the discretion of the participant to the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Contributions to the retirement plan by the Foundation totaled $985,812 and $924,996 for the years ended June 30, 2018 and 2017, respectively.

The Foundation also has established a deferred 457 compensation plan. Per the plan document, any Employer contributions to the plan vest at 20 percent per year and are fully vested after five years. This is an unfunded plan in which any amounts due or payable pursuant to the terms of the plan will be paid from the general assets of the Foundation. Participants may make contributions up to the maximum amount allowed by law. There are no legal obligations for the Foundation to make any contributions to this plan, and no plan participants or plan liabilities outstanding as of June 30, 2018 or 2017.

10. NET ASSETS

Temporarily restricted net assets were released from restriction as a result of actions of the Foundation and/or passage of time for the years ended June 30, 2018 and 2017 as follows:

	2018	2017
Sponsored programs		
Ebola relief efforts	$ 3,525,991	$ 2,369,909
Zika relief efforts	-	43,489,011
Malaria elimination efforts	5,807,326	4,162,553
Meningitis Surveillance in Africa	3,194,487	1,525,082
Expanding the Immunization Data System in Nigeria	6,629,974	-
Hurricane relief efforts	2,278,173	-
Data for Health	7,192,074	6,163,508
Freedom from Smoking Initiative	5,160,696	4,388,619
Other programs	23,819,245	20,310,092
Total sponsored programs	57,607,966	82,408,774
General operating expenses	1,172,911	942,205
Administrative fees recovered	4,577,441	4,747,956
Total releases from restriction	$ 63,358,318	$ 88,098,935

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	2018	2017
Sponsored programs		
Malaria elimination efforts	$ 15,267,396	$ 19,637,163
Data for Health	7,933,609	6,119,710
Freedom from Smoking Initiative	5,841,481	10,637,033
Other programs	49,242,637	45,933,612
Total sponsored programs	78,285,123	82,327,518
General operating expenses	867,148	748,059
Costs to be recovered - restricted for use in future periods	2,295,927	4,416,990
Total temporarily restricted net assets available	$ 81,448,198	$ 87,492,567

Permanently restricted net assets totaling $4,226,177 and $4,136,606 at June 30, 2018 and 2017, respectively, are restricted for investment in perpetuity, the income of which is expendable to support various donor-specified activities.

11. GRANTS RECEIVED FROM THE CDC

During each of the years ended June 30, 2018 and 2017, the Foundation received operating grants from the CDC totaling $1,250,000.

12. CONTRIBUTED GOODS AND SERVICES

Contributed services totaling approximately $198,000 and $192,000, for the years ended June 30, 2018 and 2017, respectively, relate to services performed by individuals loaned to the Foundation by the CDC for specific management and consulting expertise. These services were performed by individuals with specialized skills and the Foundation would have paid individuals to perform the same tasks if the services had not been contributed.

For the years ended June 30, 2018 and 2017, respectively, the Foundation received additional donated supplies and equipment with fair values of approximately $570,000 and $37,370,000, which were immediately passed to organizations for use in the Foundation's sponsored projects, which were primarily addressing the Zika outbreak in the year ended June 30, 2017. Since these supplies and equipment were passed on to other organizations, based on need as determined by the Foundation, they are reflected in the accompanying statements of activities as both contribution revenue and an expense.

13. COMMITMENTS AND CONTINGENCIES

Operating Lease

In September of 2016, the Foundation executed a non-cancelable operating lease for office space, which continues until September of 2028. This new lease includes rent abatement of the first 24 monthly rental payments. In accordance with applicable accounting standards, the Foundation recognizes rental expense on a straight-line basis based on the total cash payments to be made over the life of the lease, therefore, this rent abatement is being amortized over the life of the lease. During the year ended June 30, 2017, the Foundation also made leasehold improvements in the full amount of the tenant improvement allowance provided under the lease, which are included in property, plant, and equipment, with the corresponding credit to leasehold allowances amortized as a reduction in rent expense over the term of the lease. Rental expense for office space, net of amortization of leasehold allowances, was $771,268 and $578,849 for the years ended June 30, 2018 and 2017, respectively.

13. COMMITMENTS AND CONTINGENCIES – CONTINUED

The minimum lease payments under the Foundation's office lease are as follows:

Year ending June 30,	
2019	$ 685,170
2020	930,635
2021	953,878
2022	977,752
Thereafter	6,687,658
	$ 10,235,093

Federal Grant Programs
The Foundation has received proceeds from various Federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. The Foundation has received no such audits for the years ended June 30, 2018 or 2017.

Payment of Project Funds
The Foundation disburses the majority of its project funds as cost reimbursement grants with third party service providers. As discussed in Note 7, the disbursement of funds by the Foundation is generally contingent upon the service provider properly expending and documenting approved expenditures. Project disbursements are not accrued by the Foundation until these conditions are met. A majority of funding for these grants is provided by donor contributions and grants received by the Foundation. These grants are recognized as temporarily restricted revenue by the Foundation at the time of the initial gift. As most grants awarded by the Foundation occur over more than one fiscal year, it is not uncommon for timing differences to exist between the year revenue is recognized and the year an expenditure occurs. It should also be noted that gift revenues can fluctuate significantly year to year. Cost reimbursement grants expected to be funded by the Foundation in future years totaled $65,699,950 and $73,454,328 at June 30, 2018 and 2017, respectively.

The Foundation agreed to prepay certain service organizations approximately $828,000 and $2,000,000 in 2018 and 2017, respectively, for services to be rendered during a future year. These arrangements were acceptable due to the legal requirements of the providers and based upon their history of providing exceptional service.

14. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management and the Board evaluated subsequent events after the statement of financial position date of June 30, 2018 through February 4, 2019, which was the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program	Management and General	Fundraising	Total 2018	Total 2017
Personnel cost	$ 8,162,909	$ 2,384,296	$ 1,545,935	$ 12,093,140	$ 12,648,594
Awards	24,296,267	-	-	24,296,267	51,919,913
Conferences and meetings	482,659	46,346	9,404	538,409	762,691
Legal	4,026	10,114	1,615	15,755	41,707
Other professional fees	22,034,761	438,984	23,515	22,497,260	20,078,800
Advertising	813	53,408	364	54,585	141,921
Office expenses	2,285,951	60,001	59,840	2,405,792	2,130,471
Information technology	19,073	90,192	12,813	122,078	173,471
Occupancy	323,705	221,868	145,638	691,211	640,266
Travel	2,585,486	21,151	19,916	2,626,553	2,854,523
Depreciation	112,432	103,062	79,639	295,133	173,226
Insurance	12,912	69,499	-	82,411	71,785
Miscellaneous	4,504	53,436	11,336	69,276	108,428
	$ 60,325,498	$ 3,552,357	$ 1,910,015	$ 65,787,870	$ 91,745,796

See independent auditors' report.

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program	Management and General	Fundraising	Total 2017
Personnel cost	$ 8,468,250	$ 2,206,941	$ 1,973,403	$ 12,648,594
Awards	51,919,913	-	-	51,919,913
Conferences and meetings	685,555	19,855	57,281	762,691
Legal	8,932	31,200	1,575	41,707
Other professional fees	19,352,872	725,928	-	20,078,800
Advertising	-	141,921	-	141,921
Office expenses	1,961,447	79,590	89,434	2,130,471
Information technology	790	160,299	12,382	173,471
Occupancy	299,602	192,937	147,727	640,266
Travel	2,790,638	16,828	47,057	2,854,523
Depreciation	71,022	57,165	45,039	173,226
Insurance	20,088	51,697	-	71,785
Miscellaneous	23,773	30,742	53,913	108,428
	$ 85,602,882	$ 3,715,103	$ 2,427,811	$ 91,745,796

See independent auditors' report.