Financial Statements and
Independent Auditors' Report

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

June 30, 2012 and 2011

Metcalf Davis

Certified Public Accountants

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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

June 30, 2012 and 2011

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Metcalf Davis

Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of the National Foundation for the Centers for Disease Control and Prevention, Inc., (a Georgia not-for-profit corporation) (the "Foundation"), as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and its changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic 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.

Metcalf Davis

Atlanta, Georgia
December 7, 2012

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

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents, unrestricted	$ 17,509,110	$ 20,154,587
Cash and cash equivalents, reserved for program or investing activities	22,034,342	22,717,380
Contributions receivable	24,756,393	37,694,775
Accounts receivable	402,175	794,727
Investments	2,336,447	4,388,232
Prepaid and other assets	1,635,229	1,631,453
Property and equipment	102,199	145,316
Total assets	$ 68,775,895	$ 87,526,470
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 602,875	$ 572,277
Agency funds held in trust	219,324	197,845
Contracts payable	7,244,395	7,056,905
Grants payable	1,565,771	4,245,036
Refundable advances	4,474,976	4,974,976
Deferred rent	273,818	280,977
Other liabilities	39,112	75,000
Total liabilities	14,420,271	17,403,016
Commitments and contingencies (note N)		
Net assets		
Unrestricted	8,393,399	9,208,266
Temporarily restricted	43,267,508	58,289,433
Permanently restricted	2,694,717	2,625,755
Total net assets	54,355,624	70,123,454
Total liabilities and net assets	$ 68,775,895	$ 87,526,470

The accompanying notes are an integral part of these statements.

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2012
with comparative totals for 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2012	Total 2011
Revenue, gains (losses), other support and transfers					
Grants and contributions	$ 152,154	$ 13,365,065	$ 343,962	$ 13,861,181	$ 27,948,565
Contributed services and equipment	558,740	45,000	-	603,740	3,174,489
Direct Federal grants	-	4,010,682	-	4,010,682	4,686,189
Indirect cost recovery	425,039	1,177,845	-	1,602,884	3,461,338
Total grants and contributions	1,135,933	18,598,592	343,962	20,078,487	39,270,581
Interest and dividend income	106,362	30,048	-	136,410	169,564
Administrative fees	777,820	-	-	777,820	1,001,501
(Loss) recovery on contributions receivable	-	(1,926,284)	-	(1,926,284)	111,966
Net realized and unrealized gain (loss) on investments	17,836	(25,202)	-	(7,366)	301,798
Net assets released from restriction - change in donor intent	-	275,000	(275,000)	-	-
Net assets released from restriction for time and purpose	31,974,079	(31,974,079)	-	-	-
Total revenue, gains (losses), other support and transfers	34,012,030	(15,021,925)	68,962	19,059,067	40,855,410
Expenses					
Program expenses					
Project grants	17,061,088	-	-	17,061,088	15,551,800
Other program	13,137,614	-	-	13,137,614	12,503,835
Total program	30,198,702	-	-	30,198,702	28,055,635
Management and general expenses	2,902,500	-	-	2,902,500	2,391,369
Fundraising	1,725,695	-	-	1,725,695	1,400,438
Total expenses	34,826,897	-	-	34,826,897	31,847,442
Change in net assets	(814,867)	(15,021,925)	68,962	(15,767,830)	9,007,968
Net assets at beginning of year	9,208,266	58,289,433	2,625,755	70,123,454	61,115,486
Net assets at end of year	$ 8,393,399	$ 43,267,508	$ 2,694,717	$ 54,355,624	$ 70,123,454

The accompanying notes are an integral part of this statement.

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

STATEMENT OF ACTIVITIES

Year ended June 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains (losses) other support and transfers				
Grants and contributions	$ 134,574	$ 27,629,196	$ 184,795	$ 27,948,565
Contributed services and equipment	3,174,489	-	-	3,174,489
Direct Federal grants	-	4,686,189	-	4,686,189
Indirect cost recovery	516,706	2,944,632	-	3,461,338
Total grants and contributions	3,825,769	35,260,017	184,795	39,270,581
Interest and dividend income	119,472	50,092	-	169,564
Administrative fees	1,001,501	-	-	1,001,501
Recovery of losses	-	111,966	-	111,966
Net realized and unrealized gain (loss) on investments	302,420	(622)	-	301,798
Net assets released from restriction	27,559,214	(27,559,214)	-	-
Total revenue, gains, other support and transfers	32,808,376	7,862,239	184,795	40,855,410
Expenses				
Program expenses				
Project grants	15,551,800	-	-	15,551,800
Other program	12,503,835	-	-	12,503,835
Total program	28,055,635	-	-	28,055,635
Management and general expenses	2,391,369	-	-	2,391,369
Fundraising	1,400,438	-	-	1,400,438
Total expenses	31,847,442	-	-	31,847,442
Change in net assets	960,934	7,862,239	184,795	9,007,968
Net assets at beginning of year	8,247,332	50,427,194	2,440,960	61,115,486
Net assets at end of year	$ 9,208,266	$ 58,289,433	$ 2,625,755	$ 70,123,454

The accompanying notes are an integral part of this statement.

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

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	2012	2011
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Change in net assets	$ (15,767,830)	$ 9,007,968
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	62,202	66,939
Realized and unrealized loss (gain) on investments - net	7,366	(301,798)
Grants and contributions restricted for long-term investment	(343,962)	(184,795)
Change in assets and liabilities:		
Contributions receivable	12,938,382	(11,478,582)
Accounts receivable	392,552	(462,048)
Prepaid and other assets	(3,776)	(1,494,437)
Accounts payable and accrued expenses	30,598	(112,688)
Agency funds held in trust	21,479	(223,832)
Contracts payable	187,490	2,035,632
Grants payable	(2,679,265)	2,248,624
Deferred rent	(7,159)	811
Other liabilities	(35,888)	48,750
Refundable advances	(500,000)	-
Net cash used in operating activities	(5,697,811)	(849,456)
Cash flows from investing activities		
Proceeds from sales of investments	2,039,273	-
Purchase of investments	-	(2,018,997)
Purchase of property and equipment	(13,939)	(5,770)
Net cash provided by (used in) investing activities	2,025,334	(2,024,767)
Cash flows from financing activity		
Grants and contributions restricted for long-term investment	343,962	184,795
Net decrease in cash and cash equivalents	(3,328,515)	(2,689,428)
Cash and cash equivalents at beginning of year	42,871,967	45,561,395
Cash and cash equivalents at end of year	$ 39,543,452	$ 42,871,967

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The National Foundation for the Centers for Disease Control and Prevention, Inc. (the "Foundation") is a foundation that was formed by Federal law, was 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 of the Foundation shall not be officers or employees of the Federal government.

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

1. *Accrual Basis of Accounting*

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

2. *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 the Foundation maintains them permanently. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 unrestricted. Contributions subject to donor-imposed restrictions that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

3. Contributions

Contributions, which include 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.

4. 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 management expertise.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest bearing checking accounts, savings accounts and certificates of deposit. Included with cash and cash equivalents are amounts that, while currently available, can only be utilized for disbursements related to projects developed in conjunction with the settlement grants.

6. 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. These securities are exposed to various risks, such as interest rate, market, liquidity and credit risks. Liquidity risk represents the possibility that the Foundation may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If it became necessary to dispose of a liquid investment at an inopportune time, the Foundation might be forced to do so at a substantial discount to recorded fair value. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Foundation's financial statements.

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 statement of activities and is a component of investment return. A unitized valuation method is used to determine the basis for allocating investment income, gains and losses.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. 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 life of the corresponding lease.

8. Accounts Receivable

Accounts receivable consists 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 feels all accounts receivable are fully collectible.

9. 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. Agency funds held by the Foundation totaled $219,324 and $197,845 at June 30, 2012 and 2011, respectively.

10. 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.

11. Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, short-term investments, accounts payable and accrued expenses approximates fair value because of the short maturity of these financial instruments.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Allocation of Functional Expenses

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

13. 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. Up to two years of unused annual vacation may be carried forward at the end of each fiscal year. An accrual for unused vacation days has been included with accounts payable and accrued expenses on the statement of financial position.

14. Public Relations, Advertising and Marketing Costs

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

15. Income Tax Status

The Foundation is recognized as an organization which is 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 Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2012 and 2011, and accordingly, no liability has been accrued.

Generally the IRS may examine a tax return for three years from the date it is filed. At June 30, 2012, tax years ended June 30, 2009, 2010 and 2011 remained open for possible examination by the IRS.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. 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.

17. Management Estimates

Management of the Foundation has made certain estimates and assumptions related to 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.

NOTE B – CONCENTRATIONS OF CREDIT RISK

The Foundation's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation up to $250,000 for interest bearing accounts and to an unlimited amount for certain non-interest bearing business accounts. Uninsured balances consisting of Money Market Treasury funds totaled $39,636,773 and $34,614,868 at June 30, 2012 and 2011, respectively.

At June 30, 2012, amounts receivable from one donor totaled approximately 36 percent of total contributions receivable. At June 30, 2011, amounts receivable from two donors totaled 52 percent of total contributions receivable.

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2012 and 2011 are summarized as follows:

	2012	2011
Unconditional promises to give	$ 27,449,047	$ 38,497,275
Less allowance for uncollectible pledges	(2,200,000)	(400,000)
	25,249,047	38,097,275
Less present value discount	(492,654)	(402,500)
	$ 24,756,393	$ 37,694,775
Amounts due in:		
Less than one year	$ 19,820,716	$ 29,476,018
One year to five years	7,628,331	9,021,257
	$ 27,449,047	$ 38,497,275

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risk involved (rates range from 0.4 to 6.0 percent). Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions.

NOTE D – INVESTMENTS

The following is a summary of investments at June 30, 2012 and 2011:

	2012	2011
Domestic equity mutual funds	$ 1,041,034	$ 1,001,390
International equity mutual funds	372,937	436,855
Fixed income mutual funds	922,476	848,260
U.S. agency securities	-	2,000,000
Mortgage backed securities		
Issued by GNMA	-	5,408
Issued by FNMA	-	57,412
Issued by FHLMC	-	38,907
	$ 2,336,447	$ 4,388,232

Investment return is classified in the statements of activities as follows for the years ended June 30, 2012 and 2011:

	2012		
	Unrestricted	Temporarily restricted	Total
Dividend and interest income	$ 106,362	$ 30,048	$ 136,410
Net realized and unrealized gains (losses)	17,836	(25,202)	(7,366)
Total investment return	$ 124,198	$ 4,846	$ 129,044

	2011		
	Unrestricted	Temporarily restricted	Total
Dividend and interest income	$ 119,472	$ 50,092	$ 169,564
Net realized and unrealized gains (losses)	302,420	(622)	301,798
Total investment return	$ 421,892	$ 49,470	$ 471,362

Interest and dividend income is recorded net of management fees totaling $10,709 and $14,590 for the years ended June 30, 2012 and 2011, respectively.

NOTE E – FAIR VALUE HIERARCHY

Professional literature defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The guidance states 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 market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels I and II of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level III of the hierarchy).

Three levels of inputs may be used to measure fair value:

Level I - Quoted prices in active markets for identical assets or liabilities. Level I assets and liabilities include debt and equity securities that are traded in an active exchange market as well as U.S. Treasury securities.

Level II - Observable inputs other than Level I prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level II assets and liabilities include less actively traded investments valued at market based on the value of equitable securities. Also included are certain U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques and instruments for which the determination of fair value requires significant management judgment or estimation. The Foundation had no Level III valued assets or liabilities at June 30, 2012 or 2011.

NOTE E – FAIR VALUE HIERARCHY - Continued

The following tables summarize the valuation of the Foundation's investments by the fair value hierarchy levels described above as of June 30, 2012 and 2011:

	June 30, 2012		
	Level I	Level II	Total
Equity investment funds:			
Domestic equity mutual funds	$ 1,041,034	$ -	$ 1,041,034
International equity mutual funds	372,937	-	372,937
Fixed income funds:			
Fixed income mutual funds	922,476	-	922,476
Total	$ 2,336,447	$ -	$ 2,336,447

	June 30, 2011		
	Level I	Level II	Total
Equity investment funds:			
Domestic equity mutual funds	$ 1,001,390	$ -	$ 1,001,390
International equity mutual funds	436,855	-	436,855
Fixed income funds:			
Fixed income mutual funds	848,260	-	848,260
U.S. agency securities	2,000,000	-	2,000,000
Mortgage backed securities			
Issued by GNMA	-	5,408	5,408
Issued by FNMA	-	57,412	57,412
Issued by FHLMC	-	38,907	38,907
	-	101,727	101,727
Total	$ 4,286,505	$ 101,727	$ 4,388,232

Valuation Techniques Level II Securities

At June 30, 2011, Level II marketable securities consisted of mortgage-backed securities valued using market values derived from current interest rates.

There were no significant transfers between levels during the current year.

NOTE F – ENDOWMENTS

The Foundation's endowment consists of approximately 15 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 ("UPMIFA") 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 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 UPMIFA.

In accordance with UPMIFA, 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 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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE F – ENDOWMENTS - Continued

Endowment net asset composition by type of fund as of June 30, 2012 and 2011 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
June 30, 2012	$ (145,151)	$ 52,472	$ 2,694,717	$ 2,602,038
June 30, 2011	$ (133,826)	$ 24,865	$ 2,625,755	$ 2,516,794

Changes in endowment net assets for the year ended June 30, 2012 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ (133,826)	$ 24,865	$2,625,755	$2,516,794
Contributions	-	65,740	343,962	409,702
Investment return:				
Investment income net of fees	-	25,776	-	25,776
Net depreciation (realized and unrealized)	(11,325)	(15,350)	-	(26,675)
Total investment return	(11,325)	10,426	-	(899)
Transfer to operations based upon change in donor intent	-	-	(275,000)	(275,000)
Appropriation of endowment assets for expenditure	-	(48,559)	-	(48,559)
Endowment net assets, end of year	$ (145,151)	$ 52,472	$2,694,717	$2,602,038

NOTE F – ENDOWMENTS - Continued

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ (478,599)	$ 81,318	$ 2,440,960	$ 2,043,679
Contributions	-	52,418	184,795	237,213
Investment return:				
Investment income net of fees	-	37,954	-	37,954
Net appreciation (realized and unrealized)	344,773	-	-	344,773
Total investment return	344,773	37,954	-	382,727
Appropriation of endowment assets for expenditure	-	(146,825)	-	(146,825)
Endowment net assets, end of year	$ (133,826)	$ 24,865	$ 2,625,755	$ 2,516,794

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment assets that attempts 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. Actual returns in any given year may vary from this amount.

NOTE F – ENDOWMENTS - Continued

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 fair market value of an endowment is less than its historical cost at June 30, the Foundation will use an income only approach to the spending rate.

Funds with Deficiencies

If the market 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. For the years ended June 30, 2012 and 2011, as a result of unfavorable market conditions, the Foundation’s endowment funds experienced deficiencies from original fair value totaling $145,151 and $133,826, respectively, which were recorded as decreases in unrestricted net assets as required by generally accepted accounting principles.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at June 30, 2012 and 2011:

	2012	2011
Office equipment	$ 83,987	$ 100,642
Office furniture	232,922	218,983
Software	72,270	72,270
Leasehold improvements	37,481	37,481
Automobiles	26,874	26,874
	453,534	456,250
Less accumulated depreciation	(351,335)	(310,934)
Property and equipment - net	$ 102,199	$ 145,316

Depreciation expense was $62,202 and $66,939 for the years ended June 30, 2012 and 2011, respectively.

NOTE H – GRANTS PAYABLE

The Foundation disburses a majority 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, 2012 and 2011, the Foundation has grants payable totaling $1,565,771 and $4,245,036, respectively.

NOTE I – 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 is contingent upon the Foundation using these funds for their intended purpose by November 14, 2014. Any amounts not used by this date must be returned to the donor. At June 30, 2012 and 2011, $4,474,976 and $4,974,976, respectively, remained available to be expended in future years.

NOTE J – RETIREMENT PLANS

In 1995, the Board of Directors of the Foundation established a voluntary defined contribution retirement plan. Under the terms of the plan, all employees who work at least 20 hours per week are eligible 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 $276,611 and $264,907 for the years ended June 30, 2012 and 2011, respectively.

In 1995, the Board of Directors of the Foundation established a voluntary tax deferred annuity plan. Under the terms of the plan, all employees who work at least 20 hours per week are eligible. 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 direction of the participant to TIAA-CREF. The employees may make contributions up to the maximum amount allowed by law. There are no provisions or obligations for the Foundation to make any contributions to this plan.

In March of 2010, the Board of Directors of the Foundation established a deferred 457 compensation plan for the Foundation's Chief Executive Officer. 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. The Officer 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.

NOTE K – 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, 2012 and 2011 as follows:

	2012	2011
Project expenses	28,356,497	$ 23,989,301
General operating expenses - expiration of time restrictions	1,245,012	1,303,115
Administrative fees	2,372,570	2,266,798
	$ 31,974,079	$ 27,559,214

NOTE K – NET ASSETS - Continued

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011:

	2012	2011
Sponsored programs	$ 40,626,728	$ 53,846,629
General operating expenses - restricted for use in future periods	804,142	799,154
Cost recovery - restricted for use in future periods	1,836,638	3,643,650
	$ 43,267,508	$ 58,289,433

Permanently restricted net assets totaling $2,694,717 and $2,625,755 at June 30, 2012 and 2011, respectively, are restricted for investment in perpetuity, the income of which is expendable to support various donor-specified activities.

NOTE L – GRANTS RECEIVED FROM THE CDC

During the years ended June 30, 2012 and 2011, the Foundation received operating grants from the CDC totaling $1,250,000 and $1,875,000, respectively.

NOTE M – CONTRIBUTED SERVICES

Contributed services totaling approximately $500,000 in both 2012 and 2011 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.

The Foundation received donated equipment with fair market values of approximately $103,000 and $2,700,000 for the years ended June 30, 2012 and 2011, respectively, which was given to another organization for use in one of the projects the Foundation is involved in. Since this equipment was passed on to another organization, it is reflected in the accompanying statements of activities as both contribution revenue and an expense.

NOTE N – COMMITMENTS AND CONTINGENCIES

Operating Lease

In 2008, the Foundation executed a non-cancelable operating lease for rental of office space that expires March 31, 2019. The lease has a provision that granted the Foundation an abatement of the first 10 installments of monthly rent totaling $253,905.

The Foundation is recognizing rental expense on a straight line basis based on the total cash payments to be made over the life of the lease.

The minimum lease payments under this office lease are as follows:

Year ending June 30,	
2013	336,876
2014	345,353
2015	354,000
2016	362,816
2017	371,040
2018 and thereafter	674,287
	$ 2,444,372

Rental expense was $323,989 and $324,166 for the years ended June 30, 2012 and 2011, respectively.

NOTE N – COMMITMENTS AND CONTINGENCIES - Continued

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 H above, 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 $35,220,949 and $45,973,237 at June 30, 2012 and 2011, respectively.

Although not a usual practice, the Foundation agreed to prepay a service organization approximately $1,600,000 and $1,400,000 in 2012 and 2011, respectively, for personnel services to be rendered during a future year. This arrangement was acceptable due to the legal requirements of the provider and based upon their history of providing exceptional performance.

Federal Grants 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. Management believes that any required refunds will be immaterial.

NOTE O – SUBSEQUENT EVENTS

Management and the Board of Directors have evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2012 financial statements through December 7, 2012, 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

June 30, 2012
with comparative totals for 2011

	Program	Management and general	Fundraising	Total 2012	Total 2011
Personnel cost	$ 1,615,133	$ 1,518,481	$ 1,094,044	$ 4,227,658	$ 4,027,284
Awards	17,061,088	-	-	17,061,088	15,552,150
Conferences and meetings	500,597	44,973	153,337	698,907	793,567
Legal	7,380	172,613	12,932	192,925	74,881
Accounting	-	92,500	-	92,500	48,003
Other professional fees	8,531,956	496,064	127,716	9,155,736	8,785,725
Advertising	-	19,799	-	19,799	3,765
Office expenses	299,818	123,987	113,091	536,896	575,157
Information technology	442,004	159,524	13,075	614,603	185,706
Occupancy	179,566	173,478	72,081	425,125	362,107
Travel	1,510,696	51,442	118,078	1,680,216	1,252,593
Depreciation	20,952	27,466	13,784	62,202	66,939
Insurance	7,216	18,817	-	26,033	24,573
Scientific supplies	14,563	-	-	14,563	54,912
Miscellaneous	7,733	3,356	7,557	18,646	40,080
	$ 30,198,702	$ 2,902,500	$ 1,725,695	$ 34,826,897	$ 31,847,442

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

SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2011

	Program	Management and general	Fundraising	Total 2011
Personnel cost	$ 1,728,333	$ 1,349,578	$ 949,373	$ 4,027,284
Awards	15,551,800	350	-	15,552,150
Conferences and meetings	652,470	32,777	108,320	793,567
Legal	19,987	54,614	280	74,881
Accounting	-	48,003	-	48,003
Other professional fees	8,353,137	388,465	44,123	8,785,725
Advertising	-	3,765	-	3,765
Office expenses	296,499	144,044	134,614	575,157
Information technology	38,201	130,824	16,681	185,706
Occupancy	145,753	141,354	75,000	362,107
Travel	1,151,438	51,026	50,129	1,252,593
Depreciation	23,509	27,964	15,466	66,939
Insurance	7,271	17,302	-	24,573
Scientific supplies	54,912	-	-	54,912
Miscellaneous	32,325	1,303	6,452	40,080
	$ 28,055,635	$ 2,391,369	$ 1,400,438	$ 31,847,442