Financial Statements and
Independent Auditors' Report

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

June 30, 2011 and 2010

Metcalf Davis

Certified Public Accountants

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

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

June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 audit was 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 19, 2011

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

STATEMENT OF FINANCIAL POSITION

June 30, 2011
with comparative totals for 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2011	Total 2010
ASSETS					
Cash and cash equivalents, unrestricted	$ 20,154,587	$ -	$ -	$ 20,154,587	$ 16,073,788
Cash and cash equivalents, reserved for program or investing activities	-	22,378,129	339,251	22,717,380	29,487,607
Contributions receivable	347,040	37,347,735	-	37,694,775	26,216,193
Accounts receivable	794,727	-	-	794,727	332,679
Investments	-	2,101,728	2,286,504	4,388,232	2,067,438
Prepaid and other assets	172,687	1,458,766	-	1,631,453	137,016
Property and equipment	145,316	-	-	145,316	206,484
	$ 21,614,357	$ 63,286,358	$ 2,625,755	$ 87,526,470	$ 74,521,205
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 550,328	$ 21,949	$ -	$ 572,277	$ 684,965
Agency funds held in trust	197,845	-	-	197,845	421,677
Contracts payable	7,056,905	-	-	7,056,905	5,021,273
Grants payable	4,245,036	-	-	4,245,036	1,996,412
Refundable advances	-	4,974,976	-	4,974,976	4,974,976
Deferred rent	280,977	-	-	280,977	280,166
Other liabilities	75,000	-	-	75,000	26,250
Total liabilities	12,406,091	4,996,925	-	17,403,016	13,405,719
Commitments and contingencies (note N)					
Net assets	9,208,266	58,289,433	2,625,755	70,123,454	61,115,486
	$ 21,614,357	$ 63,286,358	$ 2,625,755	$ 87,526,470	$ 74,521,205

The accompanying notes are an integral part of this statement.

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

STATEMENT OF FINANCIAL POSITION

June 30, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
ASSETS				
Cash and cash equivalents, unrestricted	$ 16,073,788	$ -	$ -	$ 16,073,788
Cash and cash equivalents, reserved for program or investing activities	-	29,068,652	418,955	29,487,607
Contributions receivable	-	26,216,193	-	26,216,193
Accounts receivable	332,679	-	-	332,679
Investments	-	45,433	2,022,005	2,067,438
Prepaid and other assets	28,344	108,672	-	137,016
Property and equipment	206,484	-	-	206,484
	$ 16,641,295	$ 55,438,950	$ 2,440,960	$ 74,521,205
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 648,185	$ 36,780	$ -	$ 684,965
Agency funds held in trust	421,677	-	-	421,677
Contracts payable	5,021,273	-	-	5,021,273
Grants payable	1,996,412	-	-	1,996,412
Refundable advances	-	4,974,976	-	4,974,976
Deferred rent	280,166	-	-	280,166
Other liabilities	26,250	-	-	26,250
Total liabilities	8,393,963	5,011,756	-	13,405,719
Commitments and contingencies (note N)				
Net assets	8,247,332	50,427,194	2,440,960	61,115,486
	$ 16,641,295	$ 55,438,950	$ 2,440,960	$ 74,521,205

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
with comparative totals for 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2011	Total 2010
Revenue, gains (losses), other support and transfers					
Grants and contributions	$ 134,574	$ 27,629,196	$ 184,795	$ 27,948,565	$ 16,490,372
Contributed services and equipment	3,174,489	-	-	3,174,489	590,876
Direct Federal grants	-	4,686,189	-	4,686,189	3,043,334
Indirect cost recovery	516,706	2,944,632	-	3,461,338	2,026,600
Total grants and contributions	3,825,769	35,260,017	184,795	39,270,581	22,151,182
Interest and dividend income	119,472	50,092	-	169,564	151,940
Administrative fees	1,001,501	-	-	1,001,501	795,748
Recovery of losses	-	111,966	-	111,966	423,945
Net realized and unrealized gain (loss) on investments	302,420	(622)	-	301,798	216,255
Net assets released from restriction	27,559,214	(27,559,214)	-	-	-
Total revenue, gains (losses), other support and transfers	32,808,376	7,862,239	184,795	40,855,410	23,739,070
Expenses					
Program expenses					
Project grants	15,551,800	-	-	15,551,800	11,636,870
Other program	12,503,835	-	-	12,503,835	11,659,787
Total program	28,055,635	-	-	28,055,635	23,296,657
Management and general expenses	2,391,369	-	-	2,391,369	2,171,998
Fundraising	1,400,438	-	-	1,400,438	1,316,812
Total expenses	31,847,442	-	-	31,847,442	26,785,467
Change in net assets	960,934	7,862,239	184,795	9,007,968	(3,046,397)
Net assets at beginning of year	8,247,332	50,427,194	2,440,960	61,115,486	64,161,883
Net assets at end of year	$ 9,208,266	$ 58,289,433	$ 2,625,755	$ 70,123,454	$ 61,115,486

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, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains (losses) other support and transfers				
Grants and contributions	$ 635,427	$ 15,781,717	$ 73,228	$ 16,490,372
Contributed services and equipment	527,377	63,499	-	590,876
Direct Federal grants	-	3,043,334	-	3,043,334
Indirect cost recovery	635,053	1,391,547	-	2,026,600
Total grants and contributions	1,797,857	20,280,097	73,228	22,151,182
Interest and dividend income	113,967	37,973	-	151,940
Administrative fees	795,748	-	-	795,748
Recovery of losses	-	423,945	-	423,945
Net realized and unrealized gain on investments	214,161	2,094	-	216,255
Net assets released from restriction	25,102,148	(25,102,148)	-	-
Total revenue, gains (losses) other support and transfers	28,023,881	(4,358,039)	73,228	23,739,070
Expenses				
Program expenses				
Project grants	11,636,870	-	-	11,636,870
Other program	11,659,787	-	-	11,659,787
Total program	23,296,657	-	-	23,296,657
Management and general expenses	2,171,998	-	-	2,171,998
Fundraising	1,316,812	-	-	1,316,812
Total expenses	26,785,467	-	-	26,785,467
Change in net assets	1,238,414	(4,358,039)	73,228	(3,046,397)
Net assets at beginning of year	7,008,918	54,785,233	2,367,732	64,161,883
Net assets at end of year	$ 8,247,332	$ 50,427,194	$ 2,440,960	$ 61,115,486

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, 2011 and 2010

	2011	2010
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Change in net assets	$ 9,007,968	$ (3,046,397)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	66,939	73,515
Realized and unrealized gain on investments - net	(301,798)	(216,255)
Grants and contributions restricted for long-term investment	(184,795)	(73,228)
(Increase) decrease in contributions receivable	(11,478,582)	10,750,578
(Increase) decrease in accounts receivable	(462,048)	105,583
(Increase) decrease in prepaid and other assets	(1,494,437)	2,939,607
(Decrease) increase in accounts payable and accrued expenses	(112,688)	218,377
Decrease in funds held for others	(223,832)	(69,631)
Increase in contracts payable	2,035,632	849,345
Increase (decrease) in grants payable	2,248,624	(315,317)
Increase in deferred rent	811	8,611
Increase in other liabilities	48,750	26,250
Decrease in refundable advances	-	(1,056)
Net cash (used in) provided by operating activities	(849,456)	11,249,982
Cash flows from investing activities		
Proceeds from sales of investments	-	505,026
Purchase of investments	(2,018,997)	(416,674)
Purchase of property and equipment	(5,770)	(69,906)
Net cash (used in) provided by investing activities	(2,024,767)	18,446
Cash flows from financing activity		
Grants and contributions restricted for long-term investment	184,795	73,228
Net (decrease) increase in cash and cash equivalents	(2,689,428)	11,341,656
Cash and cash equivalents at beginning of year	45,561,395	34,219,739
Cash and cash equivalents at end of year	$ 42,871,967	$ 45,561,395

The accompanying notes are an integral part of these statements.

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, 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 use of the related assets 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 reclassifications between the applicable classes of net assets. Contributions subject to donor-imposed restrictions that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

3. Contributions

Private gifts, including pledges, are recognized as revenues in the period received. Conditional pledges, if received, are not recognized until the conditions on which they depend are substantially met. 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 risk at the date of donation. Discounts on pledges receivable are recorded as additional contribution revenue in accordance with any donor-imposed restriction. An allowance for uncollectible pledges receivable is provided based upon management's judgment and consideration of various factors including prior collection history, type of contribution and nature of fund-raising activity.

4. Contributed Goods and Services

Contributed goods and services, meeting the criteria defined in Generally Accepted Accounting Principles ("GAAP"), "Accounting for Contributions," are reflected in the accompanying statements of activities as both contribution revenue and expense. 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. Major U.S. and foreign equity and fixed income indices have recently experienced significant volatility and, in some cases, significant declines. 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 Foundation's investment values. The Foundation attempts to manage this market risk through diversification, ongoing due diligence of fund management and monitoring of economic conditions.

If an investment is held directly by the Foundation and an active market with quoted prices exists, the Foundation reports the fair value as the market price of an identical security. Shares in mutual funds are 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 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 $197,845 and $421,677 at June 30, 2011 and 2010, 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 are 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. 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, 2011 and 2010 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, 2011, tax years ended June 30, 2008, 2009 and 2010 remained open for possible examination by the IRS.

15. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. 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.

17. Other Significant Accounting Policies

Other significant accounting policies are set forth in the remaining notes which follow.

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 $34,614,868 and $18,639,754 at June 30, 2011 and 2010, respectively.

The liquidity crisis that originally was linked principally to the sub-prime lending markets has spread to other corners of the credit markets in the U.S. and internationally. It is not possible at this time to predict the full impact or duration of the existing illiquid credit market conditions. The unstable market conditions and the resulting uncertainties contribute to additional risks for the Foundation associated with future ability to receive funding from its donors and the volatility of the market performance as it affects endowment values.

At June 30, 2011 amounts receivable from two donors totaled 52 percent of total contributions receivable. At June 30, 2010 amounts receivable from one donor totaled 52 percent of total contributions receivable.

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2011 and 2010 are summarized as follows:

	2011	2010
Unconditional promises to give	$ 38,497,275	$ 27,576,609
Less allowance for uncollectible pledges	(400,000)	(802,444)
	38,097,275	26,774,165
Less present value discount	(402,500)	(557,972)
	$ 37,694,775	$ 26,216,193
Amounts due in:		
Less than one year	$ 29,476,018	$ 22,619,230
One year to five years	9,021,257	4,957,379
	$ 38,497,275	$ 27,576,609

Contributions to be received after one year are discounted at an appropriated discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. Estimated future cash flows to be received after one year were discounted using rates ranging from 0.4 to 2.0 percent.

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NOTE D – INVESTMENTS

The following is a summary of investments at June 30, 2011 and 2010:

	2011		2010	
	Fair value	Cost	Fair value	Cost
Domestic equity mutual funds	$ 1,001,390	$ 844,309	$ 755,362	$ 728,844
International equity mutual funds	436,855	418,606	333,658	412,054
Fixed income mutual funds	848,260	801,064	795,374	749,662
U.S. agency securities	2,000,000	2,000,000	-	-
Mortgage backed securities				
Issued by GNMA	5,408	5,242	9,250	9,053
Issued by FNMA	57,412	56,206	92,092	89,776
Issued by FHLMC	38,907	37,558	81,702	80,873
	$ 4,388,232	$ 4,162,985	$ 2,067,438	$ 2,070,262

Investment return is classified in the statements of activities as follows for the years ended June 30, 2011 and 2010:

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

	2010		
	Unrestricted	Temporarily restricted	Total
Dividend and interest income	$ 113,967	$ 37,973	$ 151,940
Net realized and unrealized gains	214,161	2,094	216,255
Total investment return	$ 328,128	$ 40,067	$ 368,195

Interest and dividend income is recorded net of management fees totaling $14,590 and $14,612 for the years ended June 30, 2011 and 2010, 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. This category generally includes certain private debt and equity instruments and alternative investments. The Foundation had no Level III valued assets or liabilities at June 30, 2011 or 2010.

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, 2011 and 2010:

	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

	June 30, 2010		
	Level I	Level II	Total
Equity investment funds:			
Domestic equity mutual funds	$ 755,362	$ -	$ 755,362
International equity mutual funds	333,658	-	333,658
Fixed income funds:			
Debt security mutual funds	795,374	-	795,374
Mortgage backed securities			
Issued by GNMA	-	9,250	9,250
Issued by FNMA	-	92,092	92,092
Issued by FHLMC	-	81,702	81,702
	-	183,044	183,044
Total	$ 1,884,394	$ 183,044	$ 2,067,438

NOTE F – ENDOWMENTS

The Foundation's endowment consists of approximately 15 individual funds established for a variety of purposes, including programs, awards, research and operations. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments 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

NOTE F – ENDOWMENTS - Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
June 30, 2011	$ (133,826)	$ 24,865	$ 2,625,755	$ 2,516,794
June 30, 2010	$ (478,599)	$ 81,318	$ 2,440,960	$ 2,043,679

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

	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

NOTE F – ENDOWMENTS - Continued

Changes in endowment net assets for the year ended June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ (654,079)	$ 220,915	$ 2,367,732	$ 1,934,568
Contributions	-	39,640	73,228	112,868
Investment return:				
Investment income net of fees	-	27,449	-	27,449
Net depreciation (realized and unrealized)	175,480	-	-	175,480
Total investment return	175,480	27,449	-	202,929
Appropriation of endowment assets for expenditure	-	(206,686)	-	(206,686)
Endowment net assets, end of year	$ (478,599)	$ 81,318	$ 2,440,960	$ 2,043,679

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, 2011 and 2010, as a result of unfavorable market conditions, the Foundation's endowment funds experienced deficiencies from original fair value totaling $133,826 and $478,599, 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, 2011 and 2010:

	2011	2010
Office equipment	$ 100,642	$ 126,558
Office furniture	218,983	218,983
Software	72,270	72,270
Leasehold improvements	37,481	31,711
Automobiles	26,874	26,874
	456,250	476,396
Less accumulated depreciation	(310,934)	(269,912)
Property and equipment - net	$ 145,316	$ 206,484

Depreciation expense was $66,939 and $73,515 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010, the Foundation has grants payable totaling $4,245,036 and $1,996,412, 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 frequent 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 both June 30, 2011 and 2010, $4,974,976 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 $264,907 and $200,203 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010 as follows:

	2011	2010
Project expenses	$ 23,989,301	$ 21,923,613
General operating expenses - expiration of time restrictions	1,303,115	1,179,740
Administrative fees	2,266,798	1,998,795
	$ 27,559,214	$ 25,102,148

NOTE K – NET ASSETS - Continued

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and 2010:

	2011	2010
Sponsored programs	$ 53,846,629	$ 44,807,781
General operating expenses - restricted for use in future periods	799,154	227,269
Cost recovery - restricted for use in future periods	3,643,650	5,392,144
	$ 58,289,433	$ 50,427,194

Permanently restricted net assets totaling $2,625,755 and $2,440,960 at June 30, 2011 and 2010, 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, 2011 and 2010, the Foundation received operating grants from the CDC totaling $1,875,000 and $625,000, respectively.

NOTE M – CONTRIBUTED SERVICES

Contributed services totaling approximately $500,000 in 2011 and $530,000 in 2010 relate to services performed by individuals loaned to the Foundation by the CDC for specific management 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 $2,678,408 and $63,499 for the years ended June 30, 2011 and 2010, 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,	
2012	$ 328,722
2013	336,876
2014	345,353
2015	354,000
2016	362,816
2017 and thereafter	1,045,327
	$ 2,773,094

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 $45,973,237 and $39,406,204 at June 30, 2011 and 2010, respectively.

NOTE N – COMMITMENTS AND CONTINGENCIES – Continued

Although not a usual practice, in the current year the Foundation agreed to prepay a service organization approximately $1,400,000 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. No such prepayments were made in the prior year.

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.

Litigation and claims

The Foundation is party to legal actions arising in the ordinary course of business. These actions are in various stages of the litigation process and their ultimate outcome cannot be determined currently. Accordingly, potential liabilities in excess of insurance coverage may not be reflected in the accompanying financial statements.

NOTE O – SUBSEQUENT EVENTS

Management and the Board of Directors have evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2011 financial statements through December 19, 2011, 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, 2011
with comparative totals for 2010

	Program	Management and general	Fundraising	Total 2011	Total 2010
Personnel cost	$ 1,728,333	$ 1,349,578	$ 949,373	$ 4,027,284	$ 3,852,222
Awards	15,551,800	350	-	15,552,150	11,636,870
Conferences and meetings	652,470	32,777	108,320	793,567	779,433
Legal	19,987	54,614	280	74,881	63,055
Accounting	-	48,003	-	48,003	44,100
Other professional fees	8,353,137	388,465	44,123	8,785,725	7,745,866
Investment	-	-	-	-	380
Advertising	-	3,765	-	3,765	22,623
Office expenses	296,499	144,044	134,614	575,157	430,948
Information technology	38,201	130,824	16,681	185,706	211,547
Occupancy	145,753	141,354	75,000	362,107	365,142
Travel	1,151,438	51,026	50,129	1,252,593	1,328,339
Depreciation	23,509	27,964	15,466	66,939	73,515
Insurance	7,271	17,302	-	24,573	18,371
Scientific supplies	54,912	-	-	54,912	166,801
Miscellaneous	32,325	1,303	6,452	40,080	46,255
	$ 28,055,635	$ 2,391,369	$ 1,400,438	$ 31,847,442	$ 26,785,467

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

SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2010

	Program	Management and general	Fundraising	Total 2010
Personnel cost	$ 1,611,979	$ 1,275,421	$ 964,822	$ 3,852,222
Awards	11,636,870	-	-	11,636,870
Conferences and meetings	691,098	27,062	61,273	779,433
Legal	1,191	59,989	1,875	63,055
Accounting	-	44,100	-	44,100
Other professional fees	7,480,593	258,199	7,074	7,745,866
Investment	-	380	-	380
Advertising	7,863	14,760	-	22,623
Office expenses	184,795	161,329	84,824	430,948
Information technology	58,910	134,558	18,079	211,547
Occupancy	177,362	123,085	64,695	365,142
Travel	1,208,207	27,836	92,296	1,328,339
Depreciation	28,749	28,338	16,428	73,515
Insurance	1,430	16,941	-	18,371
Scientific supplies	166,801	-	-	166,801
Miscellaneous	40,809	-	5,446	46,255
	$ 23,296,657	$ 2,171,998	$ 1,316,812	$ 26,785,467