Financial Statements and
Independent Auditors' Report

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

June 30, 2013 and 2012

Metcalf Davis
CPAs | ADVISORS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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

June 30, 2013 and 2012

C O N T E N T S

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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., (a Georgia not-for-profit corporation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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, 2013 and 2012, 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 23 and 24 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.

Metcalf Davis

Atlanta, Georgia
February 24, 2014

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

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 20,226,256	$ 17,509,110
Contributions receivable	16,760,004	24,756,393
Accounts receivable	1,019,475	402,175
Cash reserved or restricted	26,043,499	22,034,342
Investments	2,961,078	2,336,447
Prepaid and other assets	2,200,614	1,635,229
Property and equipment	58,867	102,199
Total assets	$ 69,269,793	$ 68,775,895
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 649,839	$ 602,875
Agency funds held in trust	180,571	219,324
Contracts payable	9,443,290	7,244,395
Grants payable	1,650,073	1,565,771
Refundable advances	4,474,976	4,474,976
Deferred rent	258,506	273,818
Other liabilities	656,961	39,112
Total liabilities	17,314,216	14,420,271
Commitments and contingencies (note N)		
Net assets		
Unrestricted	8,522,140	8,393,399
Temporarily restricted	40,368,607	43,267,508
Permanently restricted	3,064,830	2,694,717
Total net assets	51,955,577	54,355,624
Total liabilities and net assets	$ 69,269,793	$ 68,775,895

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, 2013
with comparative totals for 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2013	Total 2012
Revenue, gains (losses), other support and transfers					
Grants and contributions	$ 377,591	$ 18,439,647	$ 370,113	$ 19,187,351	$ 13,861,181
Contributed services and equipment	501,372	6,100	-	507,472	603,740
Direct Federal grants	-	3,769,993	-	3,769,993	4,010,682
Indirect cost recovery	598,362	1,490,084	-	2,088,446	1,602,884
Total grants and contributions	1,477,325	23,705,824	370,113	25,553,262	20,078,487
Interest and dividend income	122,420	66,695	-	189,115	136,410
Administrative fees	1,142,360	-	-	1,142,360	777,820
Recovery (loss) on contributions receivable	-	322,298	-	322,298	(1,926,284)
Net realized and unrealized gain (loss) on investments	76,191	53,984	-	130,175	(7,366)
Net assets released from restriction for time and purpose	27,047,702	(27,047,702)	-	-	-
Total revenue, gains (losses), other support and transfers	29,865,998	(2,898,901)	370,113	27,337,210	19,059,067
Expenses					
Program expenses					
Project grants	10,783,644	-	-	10,783,644	17,061,088
Other program	14,606,883	-	-	14,606,883	13,137,614
Total program	25,390,527	-	-	25,390,527	30,198,702
Management and general expenses	2,614,434	-	-	2,614,434	2,902,500
Fundraising	1,732,296	-	-	1,732,296	1,725,695
Total expenses	29,737,257	-	-	29,737,257	34,826,897
Change in net assets	128,741	(2,898,901)	370,113	(2,400,047)	(15,767,830)
Net assets at beginning of year	8,393,399	43,267,508	2,694,717	54,355,624	70,123,454
Net assets at end of year	$ 8,522,140	$ 40,368,607	$ 3,064,830	$ 51,955,577	$ 54,355,624

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, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains (losses) other support and transfers				
Grants and contributions	$ 152,154	$ 13,365,065	$ 343,962	$ 13,861,181
Contributed services and equipment	558,740	45,000	-	603,740
Direct Federal grants	-	4,010,682	-	4,010,682
Indirect cost recovery	425,039	1,177,845	-	1,602,884
Total grants and contributions	1,135,933	18,598,592	343,962	20,078,487
Interest and dividend income	106,362	30,048	-	136,410
Administrative fees	777,820	-	-	777,820
Loss on contributions receivable	-	(1,926,284)	-	(1,926,284)
Net realized and unrealized gain (loss) on investments	17,836	(25,202)	-	(7,366)
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, other support and transfers	34,012,030	(15,021,925)	68,962	19,059,067
Expenses				
Program expenses				
Project grants	17,061,088	-	-	17,061,088
Other program	13,137,614	-	-	13,137,614
Total program	30,198,702	-	-	30,198,702
Management and general expenses	2,902,500	-	-	2,902,500
Fundraising	1,725,695	-	-	1,725,695
Total expenses	34,826,897	-	-	34,826,897
Change in net assets	(814,867)	(15,021,925)	68,962	(15,767,830)
Net assets at beginning of year	9,208,266	58,289,433	2,625,755	70,123,454
Net assets at end of year	$ 8,393,399	$ 43,267,508	$ 2,694,717	$ 54,355,624

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, 2013 and 2012

	2013	2012
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Change in net assets	$ (2,400,047)	$ (15,767,830)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	43,332	62,202
Realized and unrealized (gain) loss on investments	(130,175)	7,366
Grants and contributions restricted for long-term investment	(370,113)	(343,962)
Change in assets and liabilities:		
Contributions receivable	7,996,389	12,938,382
Restricted and designated cash	(4,009,157)	683,038
Accounts receivable	(617,300)	392,552
Prepaid and other assets	(565,385)	(3,776)
Accounts payable and accrued expenses	46,964	30,598
Agency funds held in trust	(38,753)	21,479
Contracts payable	2,198,895	187,490
Grants payable	84,302	(2,679,265)
Deferred rent	(15,312)	(7,159)
Other liabilities	617,849	(35,888)
Refundable advances	-	(500,000)
Net cash provided by (used in) operating activities	2,841,489	(5,014,773)
Cash flows from investing activities		
Proceeds from sales of investments	-	2,039,273
Purchase of investments	(494,456)	-
Purchase of property and equipment	-	(13,939)
Net cash (used in) provided by investing activities	(494,456)	2,025,334
Cash flows from financing activity		
Grants and contributions restricted for long-term investment	370,113	343,962
Net increase (decrease) in cash and cash equivalents	2,717,146	(2,645,477)
Cash and cash equivalents at beginning of year	17,509,110	20,154,587
Cash and cash equivalents at end of year	$ 20,226,256	$ 17,509,110

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, 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 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.

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 with maturities of 3 months or less. Unrestricted amounts are available for operating activities. Restricted amounts, while currently available, are reserved by the board for investment purposes or restricted by grantors for disbursements related to specific grants or contracts.

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. 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 $180,571 and $219,324 at June 30, 2013 and 2012, 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2013 and 2012, 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, 2013, tax years ended June 30, 2010, 2011 and 2012 remained open for possible examination by the IRS.

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.

18. Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

NOTE B – CONCENTRATIONS OF CREDIT RISK

The Federal Deposit Insurance Corporation ("FDIC") insures up to $250,000 per financial institution. Uninsured cash balances aggregated approximately $45,637,000 and $39,637,000 at June 30, 2013 and 2012, respectively. Management of the Foundation has evaluated and accepted the risk associated with uninsured cash balances.

At June 30, 2013 and 2012, amounts receivable from one donor totaled approximately 34 percent and 36 percent respectively of total contributions receivable.

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2013 and 2012 are summarized as follows:

	2013	2012
Unconditional promises to give	$ 18,088,389	$ 27,449,047
Less allowance for uncollectible pledges	(265,000)	(2,200,000)
	17,823,389	25,249,047
Less present value discount	(1,063,385)	(492,654)
	$ 16,760,004	$ 24,756,393
Amounts due in:		
Less than one year	$ 17,398,248	$ 19,820,716
One year to five years	690,141	7,628,331
	$ 18,088,389	$ 27,449,047

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risk involved (rates range from 4.5 to 8.0 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, 2013 and 2012:

	2013	2012
Domestic equity mutual funds	$ 1,318,478	$ 1,041,034
International equity mutual funds	568,892	372,937
Fixed income mutual funds	1,073,708	922,476
	$ 2,961,078	$ 2,336,447

Investment return is classified in the statements of activities as follows for the years ended June 30, 2013 and 2012:

	2013		
	Unrestricted	Temporarily restricted	Total
Interest and dividend income	$ 122,420	$ 66,695	$ 189,115
Net realized and unrealized (losses) gains	76,191	53,984	130,175
Total investment return	$ 198,611	$ 120,679	$ 319,290

	2012		
	Unrestricted	Temporarily restricted	Total
Interest and dividend 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

NOTE E – 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.

For the years ending June 30, 2013 and 2012, all of the Foundation’s investments are classified within level 1 of the hierarchy

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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

Endowment net asset composition by type of fund as of June 30, 2013 and 2011 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
June 30, 2013	$ (54,078)	$ 141,188	$ 3,064,830	$ 3,151,940
June 30, 2012	$ (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, 2013 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ (145,151)	$ 52,472	$ 2,694,717	$ 2,602,038
Contributions	-	-	370,113	370,113
Investment return:				
Investment income net of fees	-	75,572	-	75,572
Net appreciation (realized and unrealized)	91,073	53,984	-	145,057
Total investment return	91,073	129,556	-	220,629
Appropriation of endowment assets for expenditure	-	(40,840)	-	(40,840)
Endowment net assets, end of year	$ (54,078)	$ 141,188	$ 3,064,830	$ 3,151,940

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)	$ 90,605	$ 2,625,755	$ 2,582,534
Contributions	-	-	343,962	343,962
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

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.

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, 2013 and 2012, as a result of unfavorable market conditions, the Foundation's endowment funds experienced deficiencies from original fair value totaling $54,078 and $145,151, which was 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, 2013 and 2012:

	2013	2012
Office equipment	$ 83,987	$ 83,987
Office furniture	232,922	232,922
Software	72,270	72,270
Leasehold improvements	37,481	37,481
Automobiles	26,874	26,874
	453,534	453,534
Less accumulated depreciation	(394,667)	(351,335)
Property and equipment - net	$ 58,867	$ 102,199

Depreciation expense was $43,332 and $62,202 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, the Foundation has grants payable totaling $1,650,073 and $1,565,771, 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, 2013 and 2012, $4,474,976 in both years 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 $319,421 and $276,611 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 as follows:

	2013	2012
Sponsored programs	$ 24,058,040	$ 28,356,497
General operating expenses - expiration of time restrictions	1,231,056	1,245,012
Cost recovery	1,758,606	2,372,570
	$ 27,047,702	$ 31,974,079

NOTE K – NET ASSETS - Continued

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Sponsored programs	$ 37,832,348	$ 40,626,728
General operating expenses - restricted for use in future periods	823,086	804,142
Cost recovery - restricted for use in future periods	1,713,173	1,836,638
	$ 40,368,607	$ 43,267,508

Permanently restricted net assets totaling $3,064,830 and $2,694,717 at June 30, 2013 and 2012, 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, 2013 and 2012, the Foundation received operating grants from the CDC totaling $1,250,000 for each year.

NOTE M – CONTRIBUTED SERVICES

Contributed services totaling approximately $210,000 and $500,000, respectively in both 2013 and 2012 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 $297,000 and $103,000 for the years ended June 30, 2013 and 2012, 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,	
2014	345,353
2015	354,000
2016	362,816
2017	371,040
2018 and thereafter	674,287
	$ 2,107,496

Rental expense was $322,034 and $323,989 for the years ended June 30, 2013 and 2012, respectively.

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 $27,130,067 and $35,220,949 at June 30, 2013 and 2012, respectively.

NOTE N – COMMITMENTS AND CONTINGENCIES - Continued

Although not a usual practice, the Foundation agreed to prepay a service organization approximately $2,200,000 and $1,600,000 in 2013 and 2012, 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

In connection with the preparation of the financial statements, management and the Board of Directors evaluated subsequent events after the statement of financial position date of June 30, 2013 through February 24, 2014, which was the date the financial statements were available to be issued. No subsequent events were noted which require disclosure.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2013
with comparative totals for 2012

	Program	Management and general	Fundraising	Total 2013	Total 2012
Personnel cost	$ 1,796,851	$ 1,731,424	$ 1,175,825	$ 4,704,100	$ 4,227,658
Awards	10,783,644	-	-	10,783,644	17,061,088
Conferences and meetings	345,053	34,147	54,714	433,914	698,907
Legal	3,290	77,108	10,553	90,951	192,925
Accounting	-	57,600	-	57,600	92,500
Other professional fees	10,325,185	247,750	215,574	10,788,509	9,155,736
Advertising	-	10,774	-	10,774	19,799
Office expenses	474,267	92,358	114,089	680,714	536,896
Information technology	12,399	132,415	13,992	158,806	614,603
Occupancy	209,234	138,680	80,219	428,133	425,125
Travel	1,404,619	26,657	44,786	1,476,062	1,680,216
Depreciation	12,816	18,941	11,575	43,332	62,202
Insurance	6,623	35,226	-	41,849	26,033
Scientific supplies	-	-	-	-	14,563
Miscellaneous	16,546	11,354	10,969	38,869	18,646
	$ 25,390,527	$ 2,614,434	$ 1,732,296	$ 29,737,257	$ 34,826,897

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

SCHEDULE OF FUNCTIONAL EXPENSES

June 30, 2012

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