

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



**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2021 AND 2020

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
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JUNE 30, 2021 AND 2020**

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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), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Foundation for the Centers for Disease Control and Prevention, Inc. as of June 30, 2021 and 2020, 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.

Warren Averett, LLC

Atlanta, Georgia
January 12, 2022

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

ASSETS		
	2021	2020
Cash and cash equivalents	\$ 1,858,648	\$ 16,908,213
Cash and cash equivalents reserved or restricted	52,915,026	89,137,827
Contributions receivable, net	145,272,169	96,203,433
Accounts receivable	2,339,890	2,013,717
Investments	82,939,636	67,077,285
Prepaid and other assets	2,861,435	4,393,652
Property, plant and equipment, net	1,408,283	1,786,351
TOTAL ASSETS	\$ 289,595,087	\$ 277,520,478
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,450,261	\$ 2,663,448
Contracts payable	8,870,726	9,352,462
Grants payable	12,806,838	7,375,946
Unamortized leasehold allowance	1,280,872	1,457,545
Deferred rent	1,481,709	1,582,661
TOTAL LIABILITIES	29,890,406	22,432,062
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
NET ASSETS		
Without donor restrictions	35,872,286	29,318,131
With donor restrictions		
Restricted by purpose or time	219,164,911	221,176,337
Restricted in perpetuity	4,667,484	4,593,948
With donor restrictions, total	223,832,395	225,770,285
TOTAL NET ASSETS	259,704,681	255,088,416
TOTAL LIABILITIES AND NET ASSETS	\$ 289,595,087	\$ 277,520,478

See notes to the financial statements.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
CONTRIBUTIONS, GAINS (LOSSES), OTHER SUPPORT AND TRANSFERS				
Federal grants	\$ -	\$ 57,629,292	\$ 57,629,292	\$ 49,800,360
Non-Federal grants and contributions	2,324,975	111,890,403	114,215,378	158,162,457
Contributed goods and services	289,342	17,283,006	17,572,348	18,742,545
Indirect cost recovery	3,137,111	19,914,508	23,051,619	30,149,715
Total grants and contributions	5,751,428	206,717,209	212,468,637	256,855,077
Interest and dividend income, net	1,408,995	132,078	1,541,073	1,913,344
Administrative fees	489,708	-	489,708	507,083
Other revenue	57,460	316,585	374,045	117,924
Refund – donor-restricted gifts	-	(136,189)	(136,189)	(948,405)
Reduction – donor-restricted gifts	-	(4,056,735)	(4,056,735)	(831,969)
Net realized and unrealized gains on investments	1,231,120	694,634	1,925,754	1,535,054
Net assets released from restriction for time and purpose	205,605,472	(205,605,472)	-	-
TOTAL CONTRIBUTIONS, GAINS (LOSSES), OTHER SUPPORT AND TRANSFERS	214,544,183	(1,937,890)	212,606,293	259,148,108
PROGRAM COSTS AND OTHER EXPENSES				
Program costs				
Emergency response	134,487,846	-	134,487,846	55,689,520
Non-infectious disease	27,929,518	-	27,929,518	24,463,147
Infectious disease	25,154,556	-	25,154,556	24,760,496
Other programs	6,721,614	-	6,721,614	383,178
Total program costs	194,293,534	-	194,293,534	105,296,341
Management and general expenses	10,789,507	-	10,789,507	8,108,724
Fundraising expenses	2,906,987	-	2,906,987	2,173,699
TOTAL PROGRAM COSTS AND OTHER EXPENSES	207,990,028	-	207,990,028	115,578,764
CHANGE IN NET ASSETS	6,554,155	(1,937,890)	4,616,265	143,569,344
NET ASSETS AT:				
BEGINNING OF YEAR	29,318,131	225,770,285	255,088,416	111,519,072
END OF YEAR	\$ 35,872,286	\$ 223,832,395	\$ 259,704,681	\$ 255,088,416

See notes to the financial statements.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total 2020
CONTRIBUTIONS, GAINS (LOSSES), OTHER SUPPORT AND TRANSFERS			
Federal grants	\$ -	\$ 49,800,360	\$ 49,800,360
Non-Federal grants and contributions	3,229,264	154,933,193	158,162,457
Contributed goods and services	229,894	18,512,651	18,742,545
Indirect cost recovery	11,178,458	18,971,257	30,149,715
Total grants and contributions	14,637,616	242,217,461	256,855,077
Interest and dividend income, net	1,525,196	388,148	1,913,344
Administrative fees	507,083	-	507,083
Other revenue	-	117,924	117,924
Refund – donor-restricted gifts	-	(948,405)	(948,405)
Reduction – donor-restricted gifts	-	(831,969)	(831,969)
Net realized and unrealized gains on investments	484,090	1,050,964	1,535,054
Net assets released from restriction for time and purpose	112,430,103	(112,430,103)	-
TOTAL CONTRIBUTIONS, GAINS (LOSSES), OTHER SUPPORT AND TRANSFERS	129,584,088	129,564,020	259,148,108
PROGRAM COSTS AND OTHER EXPENSES			
Program costs			
Emergency response	55,689,520	-	55,689,520
Non-infectious disease	24,463,147	-	24,463,147
Infectious disease	24,760,496	-	24,760,496
Other programs	383,178	-	383,178
Total program costs	105,296,341	-	105,296,341
Management and general expenses	8,108,724	-	8,108,724
Fundraising expenses	2,173,699	-	2,173,699
TOTAL PROGRAM COSTS AND OTHER EXPENSES	115,578,764	-	115,578,764
CHANGE IN NET ASSETS	14,005,324	129,564,020	143,569,344
NET ASSETS AT:			
BEGINNING OF YEAR	15,312,807	96,206,265	111,519,072
END OF YEAR	\$ 29,318,131	\$ 225,770,285	\$ 255,088,416

See notes to the financial statements.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,616,265	\$ 143,569,344
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	454,406	502,301
Realized and unrealized gains on investments	(1,925,754)	(1,535,054)
Contributions restricted for long-term investment	(43,274)	(132,626)
Contributions of donated securities held by the Foundation at year-end	-	(772,000)
Change in assets and liabilities:		
Contributions receivable	(49,068,736)	(54,227,153)
Accounts receivable	(326,173)	2,897,995
Prepaid and other assets	1,532,217	(2,290,510)
Accounts payable and accrued expenses	2,786,813	669,701
Contracts payable	(481,736)	(4,215,543)
Unamortized leasehold allowance	(176,673)	(176,672)
Grants payable	5,430,892	3,656,742
Refundable advances	-	(1,585,976)
Deferred rent	(100,952)	(77,711)
Net cash (used in) provided by operating activities	(37,302,705)	86,282,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(21,994,421)	(56,178,338)
Sales of investments	8,057,824	63,724,704
Purchase of property and equipment	(76,338)	(19,595)
Net cash (used in) provided by investing activities	(14,012,935)	7,526,771
CASH FLOWS FROM FINANCING ACTIVITY		
Contributions restricted for long-term investment	43,274	132,626
Net cash provided by financing activity	43,274	132,626
NET (DECREASE) INCREASE IN CASH	(51,272,366)	93,942,235
CASH, CASH EQUIVALENTS, AND RESERVED OR RESTRICTED CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	106,046,040	12,103,805
END OF YEAR	<u>\$ 54,773,674</u>	<u>\$ 106,046,040</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY:		
Contributions of donated securities held by the Foundation at year-end	<u>\$ -</u>	<u>\$ 772,000</u>

See notes to the financial statements

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND
DESCRIPTION OF BUSINESS**

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

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

During the years ended June 30, 2021 and 2020, the Foundation was involved in a variety of projects, including assisting with the opioid crisis, assisting with preventing infections in cancer patients, malaria elimination efforts, expanding the immunization system in Nigeria, the Data for Health initiative to strengthen the availability of public health data to governments spread across the world, and a wide variety of other public health protection efforts.

During the years ended June 30, 2021 and 2020, the Foundation was actively involved in responding to the COVID-19 pandemic. Through its work, the Foundation addressed many critical pandemic response gaps, including procuring and distributing personal protective equipment to hospitals and public health professionals, assisting in creating and distributing critical public health messages, staffing public health worker positions in states and localities, funding lab supplies and critical equipment, and supporting COVID-related research needs. With the COVID-19 pandemic continuing to infect individuals across the United States and the world, the Foundation has remained actively engaged in COVID-19 response activities subsequent to year-end. This effort had a significant impact on the Foundation and its financial results. For the years ended June 30, 2021 and 2020, the Foundation received public and private funding commitments related to this crisis totaling approximately \$317,000,000 and \$166,000,000, respectively. Out of the approximately \$317,000,000 in funding commitments, approximately \$227,800,000 was from conditional Federal cost-reimbursement grants which will be recognized into revenue in future years as the funds are deployed. In total, the Foundation expended approximately \$124,000,000 and \$47,000,000 for COVID-19 emergency response activities during the years ended June 30, 2021 and 2020, respectively.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

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

Accrual Basis of Accounting

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

Basis of Presentation

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time, or stipulations that the Foundation maintains them perpetually.

Revenues are recognized when Foundation assets are enhanced or its liabilities are settled (or a combination of both) due to receipt of contributions, rendering services, or other activities. Expenses, including program costs, are recognized when Foundation assets are used, or liabilities are incurred, to render services, provide funding for other service providers, or perform other ongoing activities. Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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 revenue in net assets with donor restrictions, with a corresponding release from restriction. Contributions subject to donor-imposed restrictions that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received, provided there is no right of return of the assets received and no indicators of barriers imposed by the donor. 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 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.

In the fiscal year ended June 30, 2021, the Foundation was the recipient of certain Federal cost-reimbursement grants which are subject to certain conditions and restrictions typically met by incurring qualifying expenses for a program. Revenue is recognized for these grants as expenditures allowed by the grant are incurred and the requirements of applicable federal cost principles are met. As of June 30, 2021, conditional Federal grants awarded for which qualifying expenses have not been incurred and for which revenue has not been recognized totaled approximately \$227,800,000.

In accordance with accounting principles generally accepted in the United States of America, contributed goods and services 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. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. Generally, such services include specific programmatic expertise.

It is the Foundation's practice to sell donated securities received as soon as administratively possible. In April 2020, the Foundation received a donation of 50,000 shares of certain Class A Common stock, valued at \$772,000; these shares were required under Securities Act Rule 144 to be held by the Foundation for six months prior to being sold. At June 30, 2020, the fair market value of the shares had increased to \$1,714,000. During the year ended June 30, 2021, the Foundation sold the shares for total proceeds of \$3,360,000 with the resulting gain reflected in net realized and unrealized gains on investments, without donor restrictions, in the statement of activities.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest-bearing checking accounts, savings accounts, money market accounts, Treasury bills, and certificates of deposit with maturities of three months or less. Cash and cash equivalents which are not reserved or restricted are available for operating activities.

Cash and Cash Equivalents Reserved or Restricted

Cash and cash equivalents reserved or restricted, while currently available, are restricted by grantors for disbursements related to specific grants or contracts, or are reserved for rapid deployment in responding to the COVID-19 pandemic.

The tables below present a summary of cash, cash equivalents, and reserved or restricted cash at beginning and end of year for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Beginning of year		
Cash and cash equivalents	\$ 16,908,213	\$ 7,056,252
Cash and cash equivalents reserved or restricted	89,137,827	5,047,553
Beginning of year, total	<u>\$ 106,046,040</u>	<u>\$ 12,103,805</u>
End of year		
Cash and cash equivalents	\$ 1,858,648	\$ 16,908,213
Cash and cash equivalents reserved or restricted	52,915,026	89,137,827
End of year, total	<u>\$ 54,773,674</u>	<u>\$ 106,046,040</u>

Investments

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

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

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

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 and is presented net of accumulated depreciation. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful life of three to seven years. Land is not subject to depreciation. Capitalized leasehold improvements are depreciated over the shorter of the life of the asset or the life of the corresponding lease.

Accounts Receivable

Accounts receivable consist primarily of amounts due to the Foundation under contracts with third party organizations. Accounts receivable not received within 60 days of invoicing are considered past due, and an allowance for uncollectible receivables is recorded as deemed necessary based on historical trends and specific account analysis. As of June 30, 2021, and 2020, the Foundation believes all accounts receivable are fully collectible.

Refund on Donor-Restricted Contributions

During the years ended June 30, 2021 and 2020, the Foundation recognized refunds of \$136,189 and \$948,405, respectively, related to gifts received from donors in prior years for specific projects. When donors originally contributed to support these projects, the total cost of each project was estimated, and the donors agreed to fully fund these amounts. In the years ended June 30, 2021 and 2020, the projects were completed and the total gift amount originally provided by the donor was more than the project costs incurred. In accordance with donor requests, the excess funds received were returned to the donor or the outstanding receivable was cancelled, and a corresponding loss was recognized.

Reduction – Donor-Restricted Contributions

During the years ended June 30, 2021 and 2020, the Foundation recorded reductions in contributions receivable originally recorded in a prior year totaling \$4,056,735 and \$831,969, respectively. These reductions related to several factors, including the Foundation being able to complete a project at a cost lower than originally anticipated or a change in circumstances resulting in the Foundation discontinuing its working relationship with a donor. As a result of these factors, the remaining pledge due from the donor was reduced and a corresponding reduction in net assets was recognized.

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.

Grants Payable

The Foundation disburses a portion of its project funds as cost reimbursement grants. Recognition of these funds as program expenses is contingent upon the recipient properly expending and documenting the expenditure as directed by the Foundation. Once these established conditions are met, the respective amounts are expensed and accrued as grants payable until the Foundation provides reimbursement.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

Deferred Rent and Unamortized Leasehold Allowance

Deferred rent represents the cumulative difference between the rent expense recognized on the straight-line basis and the actual rent paid. Unamortized leasehold allowance represents the unamortized balance of the leasehold allowance provided by the lessor under the rental agreement as described in Note 12.

Fair Value of Financial Instruments

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

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

Compensated Absences

Foundation policies allow employees who work 20 or more hours per week to receive from 80 to 192 hours of vacation annually, based upon position. Up to 40 hours of accrued vacation time can be carried forward to the next year. An accrual for unused vacation days has been included with accounts payable and accrued expenses on the statements of financial position.

Risk Management

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

Indirect Cost Recovery

Indirect cost recovery consists of revenue recognized on both Federal and non-Federal grants and contributions to support the Foundation's shared administrative and other costs incurred in administering the programs funded by those grants and contributions. For the years ended June 30, 2021 and 2020, approximately \$6,800,000 and \$5,700,000, respectively, of indirect cost recovery was related to Federal grants, and approximately \$16,200,000 and \$24,400,000, respectively, was related to non-Federal grants and contributions.

Public Relations, Advertising and Marketing Costs

The Foundation's policy is to expense all public relations, advertising and marketing costs as they are incurred. These costs, included with management and general expenses, totaled \$72,136 and \$98,387 for the years ended June 30, 2021 and 2020, respectively.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

New Accounting Standards – Yet to be Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, (Topic 842), increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the impact of FASB ASU No. 2016-02 on the presentation of the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update require that a not-for-profit entity presents contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, along with requiring additional quantitative and qualitative disclosures that provide additional detail on contributed nonfinancial assets. The amendments are effective for annual periods beginning after June 15, 2021. The Foundation is currently evaluating the impact of FASB ASU No. 2020-07 on the presentation of the financial statements.

Management Estimates

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

Subsequent Events

In connection with the preparation of the financial statements, management and the Board evaluated subsequent events after the statements of financial position date of June 30, 2021 through January 12, 2022, which was the date the financial statements were available to be issued.

2. CONCENTRATIONS OF CREDIT RISK

Throughout the year, the Foundation maintains bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage limits. Uninsured cash balances aggregated approximately \$47,700,000 and \$88,300,000 at June 30, 2021 and 2020, respectively. Management of the Foundation has evaluated and accepted the risk associated with uninsured cash balances.

Contributions receivable from Federal grants awarded by the CDC represented approximately 47% and 57% of total contributions receivable at June 30, 2021 and 2020, respectively, and contributions revenue from Federal grants awarded by the CDC represented approximately 30% and 21% of total revenue for the years ended June 30, 2021 and 2020, respectively.

**NATIONAL FOUNDATION FOR THE CENTERS FOR
DISEASE CONTROL AND PREVENTION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

3. LIQUIDITY

The schedule below reflects the Foundation's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use within one year because of donor-imposed restrictions.

	<u>2021</u>	<u>2020</u>
Financial assets, at year end:		
Cash and cash equivalents	\$ 1,858,648	\$ 16,908,213
Cash and cash equivalents reserved or restricted	52,915,026	89,137,827
Accounts receivable	2,339,890	2,013,717
Investments	82,939,636	67,077,285
Contributions receivable, net	<u>145,272,169</u>	<u>96,203,433</u>
Total financial assets at June 30	<u>285,325,369</u>	<u>271,340,475</u>
Less: assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	<u>223,832,395</u>	<u>225,770,285</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 61,492,974</u>	<u>\$ 45,570,190</u>

Program costs are predominantly funded with donor-restricted funds whereas management and general and fundraising expenses are predominantly covered with funding from sources without donor restriction. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Due to the donor restrictions described above, certain financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2021 and 2020 are summarized as follows:

	2021	2020
Unconditional promises to give	\$ 155,451,082	\$ 101,580,510
Less: allowance for uncollectible pledges	(4,250,000)	(1,350,000)
Less: present value discount	(5,928,913)	(4,027,077)
Contributions receivable, net	<u>\$ 145,272,169</u>	<u>\$ 96,203,433</u>

Contributions receivable are due as follows:

	2021	2020
Amounts due in:		
Less than one year	\$ 125,435,662	\$ 89,533,797
One year to five years	30,015,420	12,046,713
Unconditional promises to give	<u>\$ 155,451,082</u>	<u>\$ 101,580,510</u>

Discounts on contributions receivable in excess of one year were calculated as of the date of donation using rates commensurate with the risk involved (rates range from 3.25% to 5.50%). Amortization of discounts is recorded as additional contribution revenue based on the nature of the contributions, in accordance with donor-imposed restrictions on the contributions.

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5. INVESTMENTS

The following is a summary of investments at June 30, 2021 and 2020:

	2021	2020
Investment cash and equivalents	\$ 52,369	\$ 64,807
U.S. Treasury/agency securities	62,678,250	47,401,695
Common stock	-	1,714,500
Corporate bonds	12,631,998	12,024,995
Domestic equity mutual funds	5,425,913	4,430,705
International equity mutual funds	541,519	1,030,027
Fixed income mutual funds	1,609,587	410,556
Total investments	<u>\$ 82,939,636</u>	<u>\$ 67,077,285</u>

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

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

At June 30, 2021 and 2020, with the exception of corporate bonds, which meet the criteria for classification as Level 2, all of the Foundation's investments are classified within Level 1 of the hierarchy.

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7. ENDOWMENT

The Foundation's endowment consists of approximately 20 individual funds established by donors for a variety of purposes, including programs, awards, research and operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation interprets Georgia's adoption of the Uniform Prudent Management of Institutional Funds Act (GPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of applicable donor gift instruments at the time the accumulation is added to the endowment fund. The remaining portion of the donor-restricted endowment fund in excess of the original fair value is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by GPMIFA.

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

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

Composition and changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Donor-restricted endowment net assets, beginning of year	\$ 6,060,538	\$ 5,690,922
Contributions	58,688	228,963
Investment return	1,613,217	184,927
Appropriation of endowment assets for expenditure	<u>(12,993)</u>	<u>(44,274)</u>
Donor-restricted endowment net assets, end of year	<u><u>\$ 7,719,450</u></u>	<u><u>\$ 6,060,538</u></u>

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7. ENDOWMENT – CONTINUED

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for the endowment assets that attempt to provide for 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 minimize the risk of large losses and generate a long-term rate of return to equal or exceed the appropriate market indices, and over time, exceed the rate of inflation in order to preserve the purchasing power of assets, and generate income to fund operations as needed.

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

Endowment Spending Policy

The Board encourages the growth of the Foundation endowment assets through a spending policy that will provide a predictable stream of income to the Foundation and to the appropriate restricted projects, while permitting reinvestment of any earnings above the approved spending rate. The initial payout is up to 4% of the 12-quarter trailing average fund balance as of June 30th of each year. In any year that the June 30 fair value of an endowment is less than its fair value at the time of original contribution, the Foundation will use an income-only approach to the spending rate.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or GPMIFA requires the Foundation to retain as a fund of perpetual duration. No deficiencies of this nature were present for the years ended June 30, 2021 and 2020.

8. RETIREMENT PLANS

The Foundation has established a voluntary defined contribution retirement plan, in which all employees who work at least 20 hours per week are eligible to participate after 90 days of consecutive service. Upon meeting these eligibility requirements, employees are fully vested. Contributions under this plan are invested, at the discretion of the participant, in one or more of the available investment options at the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Contributions to the retirement plan by the Foundation totaled \$2,836,987 and \$1,504,927 for the years ended June 30, 2021 and 2020, respectively.

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8. RETIREMENT PLANS – CONTINUED

The Foundation also has a 457 deferred compensation plan. Per the plan document, any Foundation contributions to the plan vest at 20% per year and are fully vested after five years. Disbursements from the plan totaled \$25,082 for each of the years ended June 30, 2021 and 2020. The Foundation did not make any contributions to the plan during the years ended June 30, 2021 and 2020. Liabilities outstanding to plan participants were \$19,410 as of June 30, 2020; there were no further liabilities outstanding as of June 30, 2021, as final disbursements were made to plan participants.

9. NET ASSETS

Net assets were released from donor-imposed restrictions as a result of actions of the Foundation and/or passage of time for the years ended June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of program restrictions		
Sponsored programs		
Emergency response	\$ 135,776,013	\$ 55,054,732
Non-infectious disease	28,317,882	22,931,308
Infectious disease	25,267,941	24,223,937
Other sponsored programs	1,086,904	574,506
Total sponsored programs	190,448,740	102,784,483
General operating purposes – operating grant	1,226,397	1,043,010
Satisfaction of program restrictions, total	191,675,137	103,827,493
Expiration of time restrictions – administrative fees recovered	13,917,342	8,558,336
Appropriation from donor-restricted endowment	12,993	44,274
Total releases from restriction	<u>\$ 205,605,472</u>	<u>\$ 112,430,103</u>

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9. NET ASSETS – CONTINUED

Donor-restricted net assets are available for the following purposes at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Restricted by purpose or time:		
Sponsored programs		
Emergency response	\$ 91,503,550	\$ 111,926,022
Non-infectious disease	62,366,286	60,143,319
Infectious disease	54,804,720	43,663,222
Other sponsored programs	<u>7,438,389</u>	<u>3,977,184</u>
Total sponsored programs	216,112,945	219,709,747
Endowment earnings	<u>3,051,966</u>	<u>1,466,590</u>
Total restricted by purpose or time	219,164,911	221,176,337
Endowment assets restricted in perpetuity	<u>4,667,484</u>	<u>4,593,948</u>
Total net assets with donor restrictions	<u><u>\$ 223,832,395</u></u>	<u><u>\$ 225,770,285</u></u>

10. GRANTS RECEIVED FROM THE CDC

In addition to other funding the Foundation raises to extend CDC's work, the Foundation is also eligible to apply for and receive grants from the Federal government, including a \$1,250,000 operating grant received annually from the CDC. During each of the years ended June 30, 2021 and 2020, the Foundation received operating grants from the CDC totaling \$1,250,000. Additionally, during the years ended June 30, 2021 and 2020, the Foundation received grant awards from CDC totaling \$67,210,800 and \$53,298,784, primarily to fund Foundation programs aimed at responding to the COVID-19 pandemic as well as programs aimed at opioid addiction prevention.

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11. CONTRIBUTED GOODS AND SERVICES

Contributed services totaling \$270,464 and \$229,894, for the years ended June 30, 2021 and 2020, respectively, related 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 other contributed services from third parties totaling \$16,629,559 and \$2,006,440 for the years ended June 30, 2021 and 2020, respectively, which consisted, primarily, of donated radio airtime.

For the years ended June 30, 2021 and 2020, the Foundation also received donated supplies and equipment with fair values of \$672,325 and \$16,506,211, respectively, which were immediately passed to organizations for use in the Foundation's sponsored projects. Since these supplies and equipment were passed on to other organizations, based on need as determined by the Foundation, they are reflected in the accompanying statements of activities as both contribution revenue and an expense.

12. COMMITMENTS AND CONTINGENCIES

Operating Lease

In September of 2016, the Foundation executed a non-cancelable operating lease for office space, which continues until September of 2028. This lease includes rent abatement of the first 24 monthly rental payments. In accordance with applicable accounting standards, the Foundation recognizes rental expense on a straight-line basis based on the total cash payments to be made over the life of the lease; therefore, this rent abatement is being amortized over the life of the lease. The Foundation also made leasehold improvements in the full amount of the tenant improvement allowance provided under the lease, which are included in property, plant, and equipment, with the corresponding credit to leasehold allowances amortized as a reduction in rent expense over the term of the lease. Rental expense for office space, net of amortization of leasehold allowances, was \$823,427 and \$722,402 for the years ended June 30, 2021 and 2020, respectively.

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

For the Year Ending June 30,

2022	\$ 977,752
2023	1,002,260
2024	1,027,399
2025	1,053,171
2026	1,079,338
Thereafter	<u>2,525,489</u>
	<u><u>\$ 7,665,409</u></u>

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12. COMMITMENTS AND CONTINGENCIES – CONTINUED

Federal Grant Programs

The Foundation has received proceeds from various Federal grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies.

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 1, the disbursement of funds, and recognition of revenue by the Foundation is generally contingent upon the service provider properly expending and documenting eligible expenditures. Project disbursements for these grants are not accrued by the Foundation until these conditions are met by the service provider. Cost reimbursement grants expected to be funded by the Foundation as project costs in future years totaled approximately \$197,000,000 at June 30, 2021 and 2020.

The Foundation agreed to prepay certain service organizations totaling approximately \$2,400,000 and \$3,900,000 in 2021 and 2020, respectively, for services to be rendered during a future year. These arrangements were acceptable due to the legal requirements of the providers and based upon their history of providing exceptional service.

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13. PROGRAM COSTS AND OTHER EXPENSES BY NATURE AND FUNCTION

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities, with a summary by both nature and function provided in the tables below for the years ended June 30, 2021 and 2020. Occupancy, depreciation, building maintenance, information technology, telecommunications, printing and supplies have been allocated based on employee headcount.

Program costs and other expenses by nature and function for the year ended June 30, 2021:

	Emergency Response	Non-Infectious Disease	Infectious Disease	Other Programs	Total Program	Management and General	Fundraising	Total 2021
Personnel cost	\$ 57,874,243	\$ 6,980,993	\$ 4,268,793	\$ 209,939	\$ 69,333,968	\$ 5,630,986	\$ 1,609,764	\$ 76,574,718
Program awards	24,173,474	8,262,052	4,937,614	3,243,580	40,616,720	15,211	551	40,632,482
Other professional fees	29,162,807	12,080,926	14,430,155	3,197,751	58,871,639	3,399,818	672,219	62,943,676
Project supplies	5,126,457	242,719	1,264,009	8,352	6,641,537	-	-	6,641,537
Contributed goods	672,325	-	-	-	672,325	-	-	672,325
Contributed services	16,610,681	-	-	-	16,610,681	270,464	-	16,881,145
Office expenses	140	78,792	42,656	6,804	128,392	320,158	125,149	573,699
Conferences and meetings	39,664	17,153	16,694	38,136	111,647	80,546	139	192,332
Occupancy	47,315	150,140	105,639	10,793	313,887	395,006	131,363	840,256
Travel	111,635	1,832	21,552	-	135,019	1,158	88	136,265
Depreciation	125,227	26,006	23,422	6,259	180,914	183,035	90,457	454,406
Other expenses	543,878	88,905	44,022	-	676,805	493,125	277,257	1,447,187
Total	\$ 134,487,846	\$ 27,929,518	\$ 25,154,556	\$ 6,721,614	\$ 194,293,534	\$ 10,789,507	\$ 2,906,987	\$ 207,990,028

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13. PROGRAM COSTS AND OTHER EXPENSES BY NATURE AND FUNCTION – CONTINUED

Program costs and other expenses by nature and function for the year ended June 30, 2020:

	Emergency Response	Non-Infectious Disease	Infectious Disease	Other Programs	Total Program	Management and General	Fundraising	Total 2020
Personnel cost	\$ 4,684,538	\$ 6,934,649	\$ 3,938,557	\$ 63,819	\$ 15,621,563	\$ 3,653,574	\$ 1,426,936	\$ 20,702,073
Program awards	7,381,322	5,071,192	5,928,347	119,691	18,500,552	12,865	-	18,513,417
Other professional fees	14,867,576	10,632,225	12,558,683	13,588	38,072,072	1,216,393	35,593	39,324,058
Project supplies	8,323,158	144,329	1,113,411	23,287	9,604,185	-	-	9,604,185
Contributed goods	16,487,839	-	18,372	-	16,506,211	-	-	16,506,211
Contributed services	2,006,440	-	-	-	2,006,440	229,894	-	2,236,334
Office expenses	1,353,643	78,064	86,270	9,262	1,527,239	153,226	89,472	1,769,937
Conferences and meetings	95,543	256,312	44,362	110,029	506,246	48,019	4,199	558,464
Occupancy	2,535	171,136	185,974	-	359,645	300,095	113,006	772,746
Travel	356,455	1,029,053	768,242	31,670	2,185,420	59,241	11,606	2,256,267
Depreciation	107,559	47,248	47,823	741	203,371	195,201	103,729	502,301
Other expenses	22,912	98,939	70,455	11,091	203,397	2,240,216	389,158	2,832,771
Total	<u>\$ 55,689,520</u>	<u>\$ 24,463,147</u>	<u>\$ 24,760,496</u>	<u>\$ 383,178</u>	<u>\$ 105,296,341</u>	<u>\$ 8,108,724</u>	<u>\$ 2,173,699</u>	<u>\$ 115,578,764</u>