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

CDC Foundation
Together our impact is greater

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019 AND 2018

Warren Averett
CPAs AND ADVISORS

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
TABLE OF CONTENTS
JUNE 30, 2019 AND 2018

Warren Averett
CPAs AND ADVISORS

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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., (the Foundation) (a Georgia not-for-profit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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 23, 2020

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Cash and cash equivalents	$ 7,056,252	$ 6,436,571
Contributions receivable, net	41,976,280	24,785,390
Accounts receivable	4,911,712	1,764,539
Cash and cash equivalents reserved or restricted	5,047,553	9,772,350
Investments	72,316,597	69,931,674
Prepaid and other assets	2,103,142	942,790
Property, plant and equipment, net	2,269,057	2,384,346
TOTAL ASSETS	$ 135,680,593	$ 116,017,660

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable and accrued expenses	$ 1,900,107	$ 1,368,434
Agency funds held in trust	93,640	92,789
Contracts payable	13,568,005	10,478,069
Grants payable	3,719,204	2,471,842
Refundable advances	1,585,976	1,585,976
Unamortized leasehold allowance	1,634,217	1,810,889
Deferred rent	1,660,372	1,492,617
TOTAL LIABILITIES	24,161,521	19,300,616
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS		
Without donor restrictions	15,312,807	11,042,669
With donor restrictions		
Restricted by purpose or time	91,853,577	81,448,198
Restricted in perpetuity	4,352,688	4,226,177
With donor restrictions, total	96,206,265	85,674,375
TOTAL NET ASSETS	111,519,072	96,717,044
TOTAL LIABILITIES AND NET ASSETS	$ 135,680,593	$ 116,017,660

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Contributions, gains (losses), other support and transfers				
Grants and contributions	$ 368,710	$ 50,116,933	$ 50,485,643	$ 46,846,963
Contributed goods and services	167,552	250,950	418,502	769,242
Direct Federal grants	-	15,217,129	15,217,129	4,798,742
Indirect cost recovery	1,942,487	9,916,552	11,859,039	5,822,114
Total grants and contributions	2,478,749	75,501,564	77,980,313	58,237,061
Interest and dividend income, net	995,965	632,468	1,628,433	835,074
Administrative fees	1,219,592	-	1,219,592	833,900
Other revenue	61,857	311,838	373,695	1,916,230
Refund – donor-restricted gifts	-	(298,747)	(298,747)	(211,032)
Reduction – donor-restricted gifts	(33,147)	(1,362,002)	(1,395,149)	(8,339)
Net realized and unrealized gain (loss) on investments	509,090	205,215	714,305	(417)
Net assets released from restriction for time and purpose	64,458,446	(64,458,446)	-	-
Total contributions, gains (losses), other support and transfers	69,690,552	10,531,890	80,222,442	61,602,477
Program costs and other expenses				
Program costs				
Project grants	16,695,575	-	16,695,575	23,725,299
Other program costs – contributed goods and services	250,950	-	250,950	-
Other program costs	41,616,875	-	41,616,875	35,714,749
Total program costs	58,563,400	-	58,563,400	60,011,016
Management and general expenses	4,952,325	-	4,952,325	3,687,887
Fundraising expenses	1,904,689	-	1,904,689	2,067,256
Total program costs and other expenses	65,420,414	-	65,420,414	65,766,159
CHANGE IN NET ASSETS	4,270,138	10,531,890	14,802,028	(4,163,682)
NET ASSETS AT:				
BEGINNING OF YEAR	11,042,669	85,674,375	96,717,044	100,880,726
END OF YEAR	$ 15,312,807	$ 96,206,265	$ 111,519,072	$ 96,717,044

See notes to the financial statements.

NATIONAL FOUNDATION FOR THE CENTERS FOR DISEASE CONTROL AND PREVENTION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Contributions, gains (losses), other support and transfers			
Grants and contributions	$ 334,363	$ 46,512,600	$ 46,846,963
Contributed goods and services	198,274	570,968	769,242
Direct Federal grants	-	4,798,742	4,798,742
Indirect cost recovery	2,183,223	3,638,891	5,822,114
Total grants and contributions	2,715,860	55,521,201	58,237,061
Interest and dividend income, net	756,798	78,276	835,074
Administrative fees	833,900	-	833,900
Other revenue	13,644	1,902,586	1,916,230
Refund - donor-restricted gifts	-	(211,032)	(211,032)
Reduction - donor-restricted gifts	-	(8,339)	(8,339)
Net realized and unrealized (loss) gain on investments	(121,245)	120,828	(417)
Net assets released from restriction for time and purpose	63,358,318	(63,358,318)	-
Total contributions, gains (losses), other support and transfers	67,557,275	(5,954,798)	61,602,477
Program costs and other expenses			
Program costs			
Project grants - contributed goods and services	570,968	-	570,968
Project grants - other	23,725,299	-	23,725,299
Other program costs	35,714,749	-	35,714,749
Total program costs	60,011,016	-	60,011,016
Management and general expenses	3,687,887	-	3,687,887
Fundraising expenses	2,067,256	-	2,067,256
Total program costs and other expenses	65,766,159	-	65,766,159
CHANGE IN NET ASSETS	1,791,116	(5,954,798)	(4,163,682)
NET ASSETS AT:			
BEGINNING OF YEAR	9,251,553	91,629,173	100,880,726
END OF YEAR	$ 11,042,669	$ 85,674,375	$ 96,717,044

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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 14,802,028	$ (4,163,682)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	443,056	295,133
Realized and unrealized (gain) loss on investments	(714,305)	417
Contributions restricted for long-term investment	(94,341)	(71,631)
Change in assets and liabilities:		
Contributions receivable	(17,190,890)	16,437,541
Accounts receivable	(3,147,173)	(1,039,064)
Prepaid and other assets	(1,160,352)	1,234,907
Accounts payable and accrued expenses	531,673	57,620
Agency funds held in trust	851	11,895
Contracts payable	3,089,936	967,121
Unamortized leasehold allowance	(176,672)	(176,672)
Grants payable	1,247,362	(1,020,757)
Refundable advances	-	(1,889,000)
Deferred rent	167,755	781,838
Net cash (used in) provided by operating activities	(2,201,072)	11,425,666
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(41,543,179)	(85,735,791)
Sales of investments	39,872,561	34,975,268
Purchase of property and equipment	(327,767)	(546,665)
Net cash used in investing activities	(1,998,385)	(51,307,188)
CASH FLOWS FROM FINANCING ACTIVITY		
Contributions restricted for long-term investment	94,341	71,631
Net cash provided by financing activity	94,341	71,631
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESERVED OR RESTRICTED CASH AND CASH EQUIVALENTS	(4,105,116)	(39,809,891)
CASH, CASH EQUIVALENTS, AND RESERVED OR RESTRICTED CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	16,208,921	56,018,812
END OF YEAR	$ 12,103,805	$ 16,208,921

See notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS

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

The Foundation is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the 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, 2019 and 2018, 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.

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.

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

Revenues are recognized when Foundation assets are enhanced or its liabilities are settled (or a combination of both) due to receipt of contributions, rendering services, or other activities central to its mission. Expenses, including program costs, are recognized when Foundation assets are used, or liabilities are incurred, to render services, provide funding for other service providers, or perform other ongoing activities central to its mission. Revenues are reported as increases in 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.

Contributions

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

Contributed goods and services 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.

Cash and Cash Equivalents

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

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

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

The tables below present a reconciliation of cash, cash equivalents, and reserved or restricted cash at beginning and end of year for the years ended June 30, 2019 and 2018:

	2019	2018
Beginning of year		
Cash and cash equivalents	$ 6,436,571	$ 13,808,029
Cash and cash equivalents reserved or restricted	9,772,350	42,210,783
Beginning of year, total	$ 16,208,921	$ 56,018,812
End of year		
Cash and cash equivalents	7,056,252	6,436,571
Cash and cash equivalents reserved or restricted	5,047,553	9,772,350
End of year, total	$ 12,103,805	$ 16,208,921

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

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

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

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

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, 2019, and 2018, the Foundation believes all accounts receivable are fully collectible.

Refund on Donor-Restricted Contributions
During the years ended June 30, 2019 and 2018, the Foundation recognized refunds of $298,747 and $211,032, 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, 2019 and 2018, the projects were completed and the total gift amount originally provided by the donor was not needed. In accordance with donor requests, the excess funds received were returned to the donor or the outstanding receivable was cancelled and a corresponding loss was recognized.

Reduction – Donor-Restricted Contributions
During the years ended June 30, 2019 and 2018, the Foundation recognized a loss of $1,395,149 and $8,339, respectively, related to the reduction of gifts received from donors in prior years for specific projects. 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 loss was recognized.

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

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

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

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

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

Compensated Absences

Foundation policies allow employees who work 20 or more hours per week to receive from 80 to 160 hours of vacation annually, based upon years of service. An accrual for unused vacation days has been included with accounts payable and accrued expenses on the statements of financial position.

Risk Management

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

Deferred Rent and Unamortized Leasehold Allowance

Deferred rent represents the cumulative difference between the rent expense recognized on the straight-line basis and the actual rent paid. Unamortized leasehold allowance represents the unamortized balance of the leasehold allowance provided by the lessor under the rental agreement as described in Note 14.

Management Estimates

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

Public Relations, Advertising and Marketing Costs

The Foundation's policy is to expense all public relations, advertising and marketing costs as they are incurred. Advertising expenses totaled $56,850 and $54,585 for the years ended June 30, 2019 and 2018, respectively.

New Accounting Standards – Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASU No. 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expense by functional and natural classification in one location; (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (4) requires additional policy disclosures regarding Board-designated funds. The Foundation implemented the provisions of FASB ASU 2016-14 during the fiscal year ended June 30, 2019 and applied the changes retrospectively. The changes required by FASB ASU No. 2016-14 are disclosed throughout these financial statements.

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

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230), requiring the statements of cash flows to explain the change in restricted cash and cash equivalents together with cash and cash equivalents. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Foundation early adopted ASU No. 2016-18 in the fiscal year ended June 30, 2019 and applied the changes retrospectively.

New Accounting Standards – Yet to be Adopted
In February 2016, the FASB issued 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, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Foundation is currently evaluating the impact of FASB ASU No. 2016-02 on the presentation of the financial statements.

2. CONCENTRATIONS OF CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) insures up to $250,000 per financial institution. Uninsured cash balances aggregated approximately $11,400,000 and $17,100,000 at June 30, 2019 and 2018, respectively. Management of the Foundation has evaluated the risk associated with uninsured cash balances, and manages this risk.

Contributions receivable from two donors represent approximately 52% and 48% of total contributions receivable at June 30, 2019 and 2018, respectively. Revenue from the same two donors represents approximately 40% and 33% of total revenue for the years ended June 30, 2019 and 2018, respectively.

3. LIQUIDITY

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

	2019	2018
Financial assets, at year end:		
Cash and cash equivalents	$ 7,056,252	$ 6,436,571
Cash and cash equivalents reserved or restricted	5,047,553	9,772,350
Accounts receivable	4,911,712	1,764,539
Investments	72,316,597	69,931,674
Contributions receivable, net	41,976,280	24,785,390
Total financial assets at June 30	131,308,394	112,690,524
Less: assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	96,206,265	85,674,375
Financial assets available to meet cash needs for general expenditures within one year	$ 35,102,129	$ 27,016,149

The Foundation obtains certain support from donor-restricted contributions. 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.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Unconditional promises to give	$ 45,909,809	$ 26,771,609
Less: allowance for uncollectible pledges	(750,000)	(350,000)
Contributions receivable, gross	45,159,809	26,421,609
Less: present value discount	(3,183,529)	(1,636,219)
Contributions receivable, net	$ 41,976,280	$ 24,785,390

Contributions receivable are due as follows:

	2019	2018
Amounts due in:		
Less than one year	$ 33,670,184	$ 19,505,609
One year to five years	12,239,625	7,266,000
Unconditional promises to give	$ 45,909,809	$ 26,771,609

Discounts on contributions receivable were calculated at the date of donation using rates commensurate with the risk involved (rates range from 3.90% to 5.50%). 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.

5. INVESTMENTS

The following is a summary of investments at June 30, 2019 and 2018:

	2019	2018
Investment cash and equivalents	$ 124,434	$ 4,660,002
U.S. Treasury/agency securities	58,593,293	52,826,062
Corporate bonds	8,163,087	7,305,889
Domestic equity mutual funds	2,819,557	2,566,996
International equity mutual funds	1,394,521	1,199,662
Fixed income mutual funds	1,221,705	1,373,063
Total investments	$ 72,316,597	$ 69,931,674

5. INVESTMENTS – CONTINUED

Investment return, net of investment management fees, is classified in the statements of activities as follows for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income, net	$ 995,965	$ 632,468	$ 1,628,433
Net realized and unrealized gains	509,090	205,215	714,305
Total investment return	$ 1,505,055	$ 837,683	$ 2,342,738

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income, net	$ 756,798	$ 78,276	$ 835,074
Net realized and unrealized (losses) gains	(121,245)	120,828	(417)
Total investment return	$ 635,553	$ 199,104	$ 834,657

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 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.

6. FAIR VALUE HIERARCHY – CONTINUED

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

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

At June 30, 2019 and 2018, all of the Foundation's investments are classified within Level 1 of the hierarchy.

7. ENDOWMENT

The Foundation's endowment consists of 17 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

7. ENDOWMENT – CONTINUED

Composition and changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Donor-restricted endowment net assets, beginning of year	$ 5,151,331	$ 5,019,488
Contributions	110,161	71,631
Investment return	475,683	103,655
Appropriation of endowment assets for expenditure	(46,253)	(43,443)
Donor-restricted endowment net assets, end of year	$ 5,690,922	$ 5,151,331

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, 2019 and 2018.

8. GRANTS PAYABLE

The Foundation disburses a portion of its project funds as cost reimbursement grants. Recognition of these funds as program expenses is contingent upon the recipient properly expending and documenting the expenditure as directed by the Foundation. Once these established conditions are met, the respective amounts are expensed and accrued as grants payable. As of June 30, 2019 and 2018, the Foundation had grants payable totaling $3,719,204 and $2,471,842, respectively.

9. REFUNDABLE ADVANCES

During a prior year, the Foundation received certain refundable advances to be used for Emergency Preparedness and Response which includes severe and/or infrequent national level emergencies. Recognition as revenue was contingent upon the Foundation using these funds for their intended purpose, with any amounts not used to be returned to the donor. During the year ended June 30, 2018, the donor authorized the Foundation to use, and the Foundation used, $1,889,000 of this funding as a part of the Foundation's response to the effects of devastating hurricanes in Puerto Rico, leaving $1,585,976 remaining as of June 30, 2018. No further funds were spent during the year ended June 30, 2019, with the donor specifying that unspent funds can continue to be held by the Foundation for a future emergency response.

10. 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 $1,046,662 and $985,812 for the years ended June 30, 2019 and 2018, respectively.

The Foundation also has established a deferred 457 compensation plan. Per the plan document, any Employer contributions to the plan vest at 20% per year and are fully vested after five years. This is an unfunded plan in which any amounts due or payable pursuant to the terms of the plan will be paid from the general assets of the Foundation. Participants may make contributions up to the maximum amount allowed by law. There are no legal obligations for the Foundation to make any contributions to this plan. Disbursements from the plan totaled $25,082 for each of the years ended June 30, 2019 and 2018. The Foundation did not make any contributions to the plan during the years ended June 30, 2019 and 2018. Liabilities outstanding to plan participants totaled $44,491 and $69,573 as of June 30, 2019 or 2018, respectively.

11. 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, 2019 and 2018 as follows:

	2019	2018
Satisfaction of program restrictions		
Sponsored programs		
Data for Health	$ 6,498,488	$ 7,192,074
Malaria elimination efforts	5,636,216	5,807,326
Meningitis Surveillance in Africa	1,618,209	3,194,487
Expanding the Immunization Data System in Nigeria	1,771,003	6,629,974
Freedom from Smoking Initiative	3,725,823	5,160,696
Opioid Surge Staffing	2,764,650	-
Hurricane relief efforts	-	2,278,173
Ebola relief efforts	-	3,525,991
Other sponsored programs	37,252,925	23,775,802
Total sponsored programs	59,267,314	57,564,523
General operating purposes - operating grant	1,275,480	1,172,911
Satisfaction of program restrictions, total	60,542,794	58,737,434
Expiration of time restrictions - administrative fees recovered	3,869,399	4,577,441
Appropriation from donor-restricted endowment	46,253	43,443
Total releases from restriction	$ 64,458,446	$ 63,358,318

11. NET ASSETS – CONTINUED

Donor-restricted net assets are available for the following purposes at June 30, 2019 and 2018:

	2019	2018
Restricted by purpose or time:		
Sponsored programs		
Malaria elimination efforts	$ 9,187,984	$ 15,267,396
Data for Health	2,978,061	7,933,609
Freedom from Smoking Initiative	10,673,730	5,841,481
Opioid Surge Staffing	6,980,116	-
Digital Bridge Information Exchange	4,008,967	-
Alliance Partner Engagement Framework	4,715,500	-
Other programs	46,894,979	48,317,483
Total sponsored programs	85,439,337	77,359,969
General operating expenses - operating grant	960,758	867,148
Administrative cost recovery for use in future years	4,115,248	2,295,927
Endowment earnings	1,338,234	925,154
Total restricted by purpose or time	91,853,577	81,448,198
Endowment assets restricted in perpetuity	4,352,688	4,226,177
Total net assets with donor restrictions	$ 96,206,265	$ 85,674,375

12. GRANTS RECEIVED FROM THE CDC

During each of the years ended June 30, 2019 and 2018, the Foundation received operating grants from the CDC totaling $1,250,000. Additionally, during the year ended June 30, 2019, the Foundation received grant awards from the CDC through Federal cooperative agreements totaling $15,241,293, primarily for opioid prevention efforts.

13. CONTRIBUTED GOODS AND SERVICES

Contributed services totaling approximately $168,000 and $198,000, for the years ended June 30, 2019 and 2018, 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.

13. CONTRIBUTED GOODS AND SERVICES – CONTINUED

For the years ended June 30, 2019 and 2018, the Foundation received additional donated supplies and equipment with fair values of approximately $250,000 and $570,000, 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.

14. COMMITMENTS AND CONTINGENCIES

Operating Lease
In September of 2016, the Foundation executed a non-cancelable operating lease for office space, which continues until September of 2028. This new lease includes rent abatement of the first 24 monthly rental payments. In accordance with applicable accounting standards, the Foundation recognizes rental expense on a straight-line basis based on the total cash payments to be made over the life of the lease; therefore, this rent abatement is being amortized over the life of the lease. 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 $696,849 and $605,404 for the years ended June 30, 2019 and 2018, respectively.

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

For the Year Ending June 30,	
2020	$ 930,635
2021	953,878
2022	977,752
2023	1,002,260
2024	1,027,399
Thereafter	4,657,999
	$ 9,549,923

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.

14. COMMITMENTS AND CONTINGENCIES – CONTINUED

Payment of Project Funds
The Foundation disburses the majority of its project funds as cost reimbursement grants with third party service providers. As discussed in Note 8, 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 donor-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 $76,281,081 and $65,699,950 at June 30, 2019 and 2018, respectively.

The Foundation agreed to prepay certain service organizations approximately $1,461,800 and $828,000 in 2019 and 2018, 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.

15. 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, 2019 and 2018. Occupancy, depreciation, building maintenance, information technology, telecommunications, printing and supplies have been allocated based on employee headcount. Program costs are divided into three categories: project grants, contributed goods and services and other program costs. Project grants are amounts paid to implementing partners that are non-profit or governmental organizations. This would include payments to the CDC and organizations such as the World Health Organization. Contributed goods and services consist of supplies, equipment and services donated to one of the Foundation's programs. Other program costs are all other costs incurred by the Foundation's programs and programs department, including personnel costs, professional fees, supplies, travel, etc.

	Program	Management and General	Fundraising	Total 2019
Personnel cost	$ 11,650,730	$ 2,959,096	$ 1,510,000	$ 16,119,826
Program awards	16,695,575	-	-	16,695,575
Conferences and meetings	604,059	93,261	3,916	701,236
Other professional fees	23,257,755	873,620	29,848	24,161,223
Office expenses	2,559,691	86,886	56,836	2,703,413
Occupancy	330,804	272,216	144,562	747,582
Travel	3,190,634	57,629	12,672	3,260,935
Depreciation	179,383	172,178	91,495	443,056
Other expenses	94,769	437,439	55,360	587,568
Total	$ 58,563,400	$ 4,952,325	$ 1,904,689	$ 65,420,414

	Program	Management and General	Fundraising	Total 2018
Personnel cost	$ 7,848,427	$ 2,541,537	$ 1,703,176	$ 12,093,140
Program awards	24,296,267	-	-	24,296,267
Conferences and meetings	482,659	46,346	9,404	538,409
Other professional fees	22,034,761	438,984	23,515	22,497,260
Office expenses	2,285,951	60,001	59,840	2,405,792
Occupancy	323,705	221,868	145,638	691,211
Travel	2,585,486	21,151	19,916	2,626,553
Depreciation	112,432	103,062	79,639	295,133
Other expenses	41,328	254,938	26,128	322,394
Total	$ 60,011,016	$ 3,687,887	$ 2,067,256	$ 65,766,159

16. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management and the Board evaluated subsequent events after the statement of financial position date of June 30, 2019 through January 23, 2020, which was the date the financial statements were available to be issued.