

**NATIONAL ASSOCIATION OF CHRONIC  
DISEASE DIRECTORS**

Financial Statements

September 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

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## **Independent Auditor's Report**

The Board of Directors  
National Association of Chronic Disease Directors:

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the National Association of Chronic Disease Directors ("NACDD") which comprise the statement of financial position as of September 30, 2019 and the related statements of activities, cash flows, and functional expenses for the year 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.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NACDD as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

I have previously audited NACDD's 2018 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 11, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*James D. Howell, CPA*

December 10, 2019

**NATIONAL ASSOCIATION OF CHRONIC  
DISEASE DIRECTORS**

Statements of Financial Position

September 30, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 1,868,178	\$ 2,536,848
Investments	1,068,754	932,303
Government grants and other receivables	3,465,207	1,716,556
Other assets	123,767	450,919
Furniture and equipment, net	13,638	14,845
	<hr/>	<hr/>
Total assets	<u>\$ 6,539,544</u>	<u>\$ 5,651,471</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,603,616	\$ 1,437,418
Deferred revenue	6,252	27,338
Total liabilities	<hr/> 1,609,868	<hr/> 1,464,756
Net assets:		
Without donor restrictions	4,200,916	1,769,465
With donor restrictons	728,760	2,417,250
Total net assets	<hr/> 4,929,676	<hr/> 4,186,715
Total liabilities and net assets	<u>\$ 6,539,544</u>	<u>\$ 5,651,471</u>

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC  
DISEASE DIRECTORS**

Statement of Activities

Year ended September 30, 2019

(with summarized financial information for the year ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Changes in net assets:				
Revenue, gains, and other support:				
Government grants and contracts	\$ -	\$ 25,077,390	\$ 25,077,390	\$ 19,893,153
Other grants and contributions	83,032	237,521	320,553	1,461,775
Conference and meetings	24,807	-	24,807	6,250
Member dues	84,000	-	84,000	91,000
Investment income	131,092	-	131,092	128,842
Other revenue	5,518	-	5,518	-
Net assets released from restrictions	27,003,401	(27,003,401)	-	-
Total revenue, gains, and other support	27,331,850	(1,688,490)	25,643,360	21,581,020
Expenses and losses				
Program services	21,094,075	-	21,094,075	16,967,417
Prevention	21,094,075	-	21,094,075	16,967,417
Total program services	42,188,150	-	42,188,150	33,934,834
Supporting services				
Management and general	3,803,786	-	3,803,786	3,631,005
Fundraising	2,538	-	2,538	23,678
Total supporting services	3,806,324	-	3,806,324	3,654,683
Total expenses and losses	45,994,474	-	45,994,474	37,589,517
Change in net assets	2,431,451	(1,688,490)	742,961	958,920
Net assets at beginning of year	1,769,465	2,417,250	4,186,715	3,227,795
Net assets at end of year	\$ 4,200,916	\$ 728,760	\$ 4,929,676	\$ 4,186,715

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC  
DISEASE DIRECTORS**

Statements of Cash Flows

Years ended September 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Change in net assets	\$ 742,961	\$ 958,920
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,296	22,708
Unrealized, realized (gain) on investments	(131,092)	(123,591)
(Increase) decrease in government grants and other receivables	(1,748,651)	2,854,867
Decrease (increase) in other assets	327,152	(339,201)
Increase (decrease) in accounts payable and accrued expenses	166,198	(2,046,832)
(Decrease) increase in deferred revenue	(21,086)	25,338
	<u>(648,222)</u>	<u>1,352,209</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(5,359)	(55,251)
Purchase of leasehold improvement and equipment	(15,089)	(20,528)
	<u>(20,448)</u>	<u>(75,779)</u>
Net cash used in investing activities		
Net (decrease) increase in cash and cash equivalents	(668,670)	1,276,430
Cash and cash equivalents:		
Beginning of year	<u>2,536,848</u>	<u>1,260,418</u>
End of year	<u>\$ 1,868,178</u>	<u>\$ 2,536,848</u>

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC  
DISEASE DIRECTORS**

Statement of Functional Expenses

Year ended September 30, 2019  
(with summarized financial information for the year ended September 30, 2018)

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Totals</u>	
	<u>Prevention</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019</u>	<u>2018</u>	
Program expenses	\$ 16,790,318	\$ 569,736	\$ -	\$ 17,360,054	\$ 15,091,247	
Personnel expenses	980,991	1,849,173	2,538	2,832,702	2,281,714	
Professional fees	-	187,619	-	187,619	191,660	
Supplies	245	31,941	-	32,186	56,177	
Telephone and communications	-	116,090	-	116,090	125,173	
Postage and shipping	13,425	8,344	-	21,769	12,548	
Occupancy	-	78,411	-	78,411	76,410	
Bad debt expense	-	-	-	-	606	
Noncapitalized equipment	441	58,839	-	59,280	37,549	
Equipment rental and maintenance	-	6,258	-	6,258	4,909	
Travel	1,880,671	332,900	-	2,213,571	1,585,344	
Conferences and meetings	735,463	184,543	-	920,006	526,106	
Printing and publications	32,880	55,381	-	88,261	109,494	
Grant expense	467,290	90,000	-	557,290	280,021	
Advocacy	167,950	-	-	167,950	75,000	
Depreciation	-	16,296	-	16,296	22,708	
Miscellaneous	24,401	218,255	-	242,656	145,434	
	<u>\$ 21,094,075</u>	<u>\$ 3,803,786</u>	<u>\$ 2,538</u>	<u>\$ 24,900,399</u>	<u>\$ 20,622,100</u>	

See accompanying notes to financial statements.

# NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Notes to Financial Statements

September 30, 2019 and 2018

## **(1) Organization and Purpose**

The National Association of Chronic Disease Directors ("NACDD") is a public health association for chronic disease directors of each state and U.S. territory. Its mission is to improve the health of the public by strengthening state-based leadership and expertise for chronic disease prevention and control in states and at the national level.

Since its founding in 1988, NACDD has been a national leader in the effort to reduce chronic diseases by mobilizing its members to advocate for preventive policies and programs, and to encourage knowledge sharing and develop model partnerships for health promotion through state and community-based prevention strategies. NACDD primarily receives support through a cooperative agreement with the Centers for Disease and Control and Prevention (CDC).

## **(2) Summary of Significant Accounting Policies**

### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Without donor restrictions* – net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. Assets with time or purpose restrictions are satisfied either by the passage of time or by actions of NACDD. As reflected in the accompanying financial statement, NACDD's Board of Directors has designated a portion of these net assets as an operating reserve.
- *With donor restrictions* – net assets that are subject to donor-imposed restrictions. These include net assets that are subject to time or purpose restrictions. Assets with time or purpose restrictions are satisfied either by the passage of time or by actions of NACDD.

Revenue is 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. If an expense is incurred for a purpose for which net assets with donor restrictions are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as released from restrictions in the statement of activities. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions.



# NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Notes to Financial Statements

September 30, 2019 and 2018

## **Cash Equivalents**

For purposes of the statement of cash flows, NACDD considers highly liquid investments with maturities of three months or less to be cash equivalents.

## **Investments**

Investment securities are stated at fair value. Management fees and expenses are netted against interest and dividend income for the years ended September 30, 2019 and 2018, respectively.

## **Fair Value Measurement**

NACDD's financial instruments consist of cash and cash equivalents, investments, receivables, program grants payable, accounts payable, and accrued expenses which are recorded at their fair values.

## **Government Grants and Other Receivables**

NACDD receives funding under grants and contracts primarily from the Centers for Disease Control and Prevention for direct and indirect program costs and to provide certain whole or partial sub-grants to other agencies. The funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for programs.

Revenue from grants and contracts is recognized only when funds are utilized by NACDD to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue.

## **Property and Equipment**

Equipment is stated at cost and is being depreciated on a straight-line basis over an estimated useful life of three to seven years. Furniture and equipment are capitalized if it has a cost of \$5,000 or more and a useful life of more than 1 year when acquired.

## **Management Estimates**

NACDD's management has made certain estimates and assumptions related to the reporting of government grants receivable, accounts payable, and accrued expenses to prepare the financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

## **Tax Status**

NACDD is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. NACDD is not classified as a private foundation.

# NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

## Notes to Financial Statements

September 30, 2019 and 2018

### Revenue Concentrations

For the years ended September 30, 2019 and 2018, NACDD received a substantial portion of its revenue from grants from the Centers for Disease Control and Prevention. As a percentage of revenue, these grants amounted to 99% in 2019 and 95% in 2018.

### Functional Allocation of Expense

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

NACDD's expenses are classified into two categories: Program activities, which primarily focus on prevention of chronic disease and support services; and expenses incurred to support NACDD's mission activities, which include: board governance and oversight, management, finance, general and administrative.

For the years ended September 30, 2019 and 2018 NACDD's expenses were allocated to these two areas as follows:

	2019		2018	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Program Expenses	\$ 21,094,075	85%	16,967,417	82%
Support Expenses	<u>3,806,324</u>	<u>15%</u>	<u>3,654,683</u>	<u>18%</u>
Total	\$ <u>24,900,399</u>	<u>100%</u>	<u>20,622,100</u>	<u>100%</u>

### Adoption of new accounting pronouncements

Several new accounting pronouncements have been issued, which NACDD has adopted or will be adopting in the near future. The following pronouncements have disclosure requirements that impact our financial statements.

In May 2014, the Financial Accounting Standards Board (the "FASB") issued an Accounting Standards Update ("ASU") 2014-09, stating *Revenue from Contracts with Customers* (Topic 606) will supersede the guidance in former ASC 605, Revenue Recognition. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers* (Topic 606): *Deferral of Effective Date*, which provides an optional, one-year deferral of the effective date. Therefore, this standard is effective for fiscal years beginning after December 15, 2018. NACDD is currently evaluating the potential impact on our financial statements and do not expect it to have a material impact to our financial results.

# NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

## Notes to Financial Statements

September 30, 2019 and 2018

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which, when effective, will require organizations to recognize assets and liabilities on the balance sheet for the rights and obligations created by the leases. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The guidance is effective for the years beginning after ending December 15, 2020, and early adoption is permitted. NACDD is ending its current lease in less than 12 months and will adopt the new guidance as soon as a new lease agreement is signed.

In August 2016, the FASB issued ASU 2016-14—Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which makes several improvements to current financial reporting for not-for-profits. The guidance is effective for the years beginning after December 15, 2018 and NACDD has adopted the standard. The most significant impact of this standard is to present two classes of net assets, as well as disclosures about how liquidity is managed.

In June 2018, the FASB issued ASU 2018-08 *Not-for-Profit Entities* (Topic 958-605) clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance on revenue recognition; to assist entities in distinguishing between contributions (non-reciprocal) and exchange (reciprocal) transactions; and to determine whether a contribution is conditional. The effective date of the amendment is for years beginning after December 15, 2018. NACDD is currently evaluating the potential impact on our financial statements and do not expect it to have a material impact to our financial results.

### **(3) Liquidity and Availability**

NACDD regularly monitors liquidity required to meet its operating needs and other financial commitments. In addition to the financial assets and other resources available for general expenditure within one year, NACDD has board-designated, operating reserve net assets without donor restrictions of \$1,068,754 that, while the organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, with Board approval as needed.

# NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

## Notes to Financial Statements

September 30, 2019 and 2018

### (3) Liquidity and Availability - continued

Financial assets for general expenditures available within one year from September 30, 2019, are as follows:

	<b>2019</b>
Cash and Cash Equivalents	\$ 1,868,178
Grants Receivable	3,265,132
Other Receivables	200,075
Investments	<u>1,068,754</u>
Total Financial Assets	6,402,139
Board Designated Operating Reserve	<u>(1,068,754)</u>
Total Financial Assets Available for General Expenditures Within One Year	\$ <u>5,333,385</u>

### (4) Investments

The fair value of investments at September 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Balanced Mutual Fund	\$ 407,143	375,026
Equity Mutual Fund	<u>661,611</u>	<u>557,277</u>
	\$ <u>1,068,754</u>	<u>923,303</u>

### (5) Fair Value Measurements

NACDD follows the provisions of Statement of Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC 820, Fair Value Measurements and Disclosures, for financial assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires NACDD to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date or published net asset value for alternative investments with characteristics similar to a mutual fund.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

# NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Notes to Financial Statements

September 30, 2019 and 2018

## (5) Fair Value Measurements - continued

- Level 3 inputs are unobservable inputs for the asset or liability

The level in the fair value hierarchy within which a fair value measurement falls, in its entirety, is based on the lowest level input that is significant to the fair value measurement.

The following table summarized the NACDD's financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of September 30, 2019 and 2018:

	Total	Level 1	Level 2	Level 3
September 30, 2019:				
Mutual funds	\$ 1,068,754	1,068,754	-	-
September 30, 2018:				
Mutual funds	932,303	932,303	-	-

## (6) Furniture and Equipment

Furniture and equipment consisted of the following at September 30:

	2019	2018
Furniture and Equipment	\$ 43,999	43,999
Leasehold Improvements	<u>35,617</u>	<u>20,528</u>
	79,615	64,527
Less accumulated depreciation	<u>( 65,978)</u>	<u>(49,682)</u>
	\$ <u><u>13,638</u></u>	<u><u>14,845</u></u>

## (7) Lease Commitments

NACDD leases office space under an operating lease that expires on February 28, 2020, with a provision to extend this lease for up to three additional, one-year periods. Rent expense was \$78,411 and \$76,410 for the years ended September 30, 2019, and 2018, respectively.

Gross minimum lease payments due per above lease amounts to \$32,717 for fiscal year 2020.

**NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2019 and 2018

**(8) Employee Benefit Plan**

NACDD sponsors a defined contribution 401(k) retirement plan in which all employees are eligible to participate. Contributions may be made by employees through salary withholdings. NACDD matches 7% of 100% of the CEO's salary contribution. It matches 100% of the first 3% of an employee's salary contributions, and 50% of the next 2% of an employee's salary contributions. Expenditures for employer contributions to the plan totaled \$76,123 and \$60,306 for the years ended September 30, 2019 and 2018, respectively.

**(9) Net Assets**

Net assets with donor restrictions at September 30, 2019 and 2018 consist of funds for the following:

	<b>2019</b>	<b>2018</b>
Federal grants – admin. Improvements	\$ 608,467	\$1,467,715
Nonfederal projects	-	712,111
Jean Chabut Memorial Fund	-	950
Novo DAP #4	-	15,286
Conf./Training – Cancer, Health Equity, Evaluations, etc.	-	86,796
ICF Task Order	-	17,704
Lupus Education – ACR #2	3,233	53,519
Diabetes Council	-	2,500
CD Collaboration - ASTDD	-	(750)
Indiana CBS Project	-	57,000
Mis – Implementation - Cancer	-	5,240
DSME Primer	-	(871)
Roselie Zabala Memorial Fund	-	50
Community eConnect - NV	7,091	-
Community eConnect - MO	(12,707)	-
Community eConnect - DE	11,546	-
Hawaii Department of Health	56,052	-
South Dakota Department of Health	( 63)	-
Arkansas Department of Public Health	1,851	-
Georgia Department of Health	4,052	-
Florida Dept. of Health – DMS -PO	15,444	-
Florida Dept. of Health – Clinic	15,223	-
ScreenVision - Montana	8,571	-
ScreenVision – South Carolina	10,000	-
	<u>\$ 728,760</u>	<u>\$2,417,250</u>

# NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Notes to Financial Statements

September 30, 2019 and 2018

## **(9) Net Assets - continued**

Net assets without donor restrictions – Board –designated consisted of a Board designated operating reserve fund totaling \$1,068,754 at September 30, 2019.

## **(10) Subsequent Events**

Subsequent events have been evaluated through December 10, 2019 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.