

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Financial Statements

September 30, 2016 and 2015

(With Independent Auditor's Report Thereon)

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, 2016 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, 2016, 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 2015 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 10, 2015. In my opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jan Dyhouse, CPA

December 8, 2016

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statements of Financial Position

September 30, 2016 and 2015

| Assets | 2016 | 2015 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,311,253 | \$ 298,886 |
| Investments | 668,075 | 614,408 |
| Government grants and other receivables | 4,046,259 | 3,475,089 |
| Other assets | 68,780 | 44,941 |
| Furniture and equipment, net | 12,121 | 16,938 |
| | <hr/> | <hr/> |
| Total assets | \$ 6,106,488 | \$ 4,450,262 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 2,859,122 | \$ 2,172,655 |
| Deferred revenue | - | 46,957 |
| | <hr/> | <hr/> |
| Total liabilities | 2,859,122 | 2,219,612 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Net assets: | | |
| Unrestricted | 1,958,416 | 1,814,800 |
| Temporarily restricted | 1,288,950 | 415,850 |
| | <hr/> | <hr/> |
| Total net assets | 3,247,366 | 2,230,650 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total liabilities and net assets | \$ 6,106,488 | \$ 4,450,262 |
| | <hr/> <hr/> | <hr/> <hr/> |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statement of Activities

Year ended September 30, 2016

(with summarized financial information for the year ended September 30, 2015)

| | Unrestricted | Temporarily Restricted | 2016 | 2015 |
|--|---------------------|---------------------------|---------------------|---------------------|
| | Totals | | | |
| Changes in net assets: | | | | |
| Revenue, gains, and other support: | | | | |
| Government grants and contracts | \$ - | \$ 16,361,122 | \$ 16,361,122 | \$ 12,338,781 |
| Other grants and contributions | 38,836 | 475,289 | 514,125 | 389,741 |
| Member dues | 48,000 | - | 48,000 | 46,100 |
| Investment income | 53,667 | - | 53,667 | 10,868 |
| Other revenues | 1,200 | - | 1,200 | 235 |
| Net assets released from restrictions | 15,963,311 | (15,963,311) | - | - |
| Total revenue, gains, and other support | <u>16,105,014</u> | <u>873,100</u> | <u>16,978,114</u> | <u>12,785,725</u> |
| Expenses and losses: | | | | |
| Program services: | | | | |
| Prevention | 13,738,746 | - | 13,738,746 | 10,716,651 |
| Detection | - | - | - | 218,435 |
| Total program services | <u>13,738,746</u> | <u>-</u> | <u>13,738,746</u> | <u>10,935,086</u> |
| Supporting services: | | | | |
| Management and general | 2,214,833 | - | 2,214,833 | 1,420,239 |
| Fundraising | 7,819 | - | 7,819 | 8,887 |
| Total supporting services | <u>2,222,652</u> | <u>-</u> | <u>2,222,652</u> | <u>1,429,126</u> |
| Total expenses and losses | <u>15,961,398</u> | <u>-</u> | <u>15,961,398</u> | <u>12,364,212</u> |
| Change in net assets | <u>143,616</u> | <u>873,100</u> | <u>1,016,716</u> | <u>421,513</u> |
| Net assets at beginning of year | <u>1,814,800</u> | <u>415,850</u> | <u>2,230,650</u> | <u>1,809,137</u> |
| Net assets at end of year | <u>\$ 1,958,416</u> | <u>\$ 1,288,950</u> | <u>\$ 3,247,366</u> | <u>\$ 2,230,650</u> |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statements of Cash Flows

Years ended September 30, 2016 and 2015

| | 2016 | 2015 |
|--|--------------|-------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,016,716 | \$ 421,513 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 4,817 | 4,816 |
| Unrealized, realized (gain) on investments | (47,667) | (7,167) |
| (Increase) in government grants and other receivables | (571,170) | (2,119,997) |
| (Decrease) increase in other assets | (23,839) | 4,688 |
| Increase in accounts payable and accrued expenses | 686,467 | 1,145,746 |
| (Decrease) in deferred revenue | (46,957) | (3,400) |
| Net cash provided by (used in) operating activities | 1,018,367 | (553,801) |
| Cash flows from investing activities: | | |
| Purchase of investments | (6,000) | (3,702) |
| Net increase (decrease) in cash and cash equivalents | 1,012,367 | (557,503) |
| Cash and cash equivalents: | | |
| Beginning of year | 298,886 | 856,389 |
| End of year | \$ 1,311,253 | \$ 298,886 |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statement of Functional Expenses

Year ended September 30, 2016

(with summarized financial information for the year ended September 30, 2015)

| | <u>Program Services</u> | | <u>Supporting Services</u> | | <u>Totals</u> | |
|----------------------------------|-------------------------|-------------------------------|----------------------------|----------------------|----------------------|--|
| | <u>Prevention</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2016</u> | <u>2015</u> | |
| Program expenses | \$ 10,634,959 | \$ 168,569 | \$ - | \$ 10,803,528 | \$ 8,375,353 | |
| Personnel expenses | 158,021 | 1,302,315 | 7,819 | 1,468,155 | 1,055,679 | |
| Professional fees | - | 207,715 | - | 207,715 | 42,137 | |
| Supplies | 281 | 20,980 | - | 21,261 | 15,535 | |
| Telephone and communications | 768 | 54,151 | - | 54,919 | 70,290 | |
| Postage and shipping | 8,260 | 6,576 | - | 14,836 | 3,759 | |
| Occupancy | - | 71,825 | - | 71,825 | 69,655 | |
| Noncapitalized equipment | - | 27,729 | - | 27,729 | 12,303 | |
| Equipment rental and maintenance | - | 4,778 | - | 4,778 | 4,801 | |
| Travel | 1,202,283 | 122,502 | - | 1,324,785 | 891,429 | |
| Conferences and meetings | 456,269 | 93,469 | - | 549,738 | 294,246 | |
| Printing and publications | 21,950 | 24,663 | - | 46,613 | 43,990 | |
| Grant expense | 1,059,169 | - | - | 1,059,169 | 1,352,806 | |
| Advocacy | - | 59,400 | - | 59,400 | 69,750 | |
| Depreciation | - | 4,817 | - | 4,817 | 4,816 | |
| Miscellaneous | 196,786 | 45,344 | - | 242,130 | 57,663 | |
| | <u>\$ 13,738,746</u> | <u>\$ 2,214,833</u> | <u>\$ 7,819</u> | <u>\$ 15,961,398</u> | <u>\$ 12,364,212</u> | |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

(a) Organization

The National Association of Chronic Disease Directors ("NACDD") is a public health association for chronic disease directors of each state and U.S. territory. 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 receives primary support through a cooperative agreement with the Centers for Disease and Control and Prevention (CDC).

(b) Accrual Basis of Accounting

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

(c) Basis of Presentation of Financial Statements

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NACDD and changes therein are classified as unrestricted and temporarily restricted.

Unrestricted net assets include amounts that are not subject to donor-imposed stipulations, which are used to account for resources, which are available to carry out the purposes of NACDD in accordance with the limitations of its charter and bylaws.

Temporarily restricted net assets are those resources currently available for use, but expendable only for purposes specified by the donor or grantor. Such resources originate from contributions and gifts-in-kind restricted for specific purposes. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(d) 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.

(e) Investments

Investment securities are stated at fair value.

(f) Government Grants and Other Receivables

Government grants and other receivables are expected to be collected in one year or less.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2016 and 2015

(g) Furniture 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 is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year.

(h) 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.

(i) 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.

(j) Revenue Concentrations

For the years ended September 30, 2016 and 2015, NACDD received a substantial portion of its revenue from grants from the U.S. Department of Health and Human Services (pass through entity – Centers for Disease Control). As a percentage of revenue, these grants amounted to 96% in 2016 and 97% in 2015.

(k) 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.

(l) Comparative Information

The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NACDD's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2016 and 2015

(2) Investments

The fair value of investments at September 30 are as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------------|------------------|------------------|
| Balanced mutual fund | \$305,882 | \$280,794 |
| Equity mutual fund | 362,193 | 333,614 |
| | <u>\$668,075</u> | <u>\$614,408</u> |

(3) 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. Under ASC 820, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other significant observable inputs not quoted on active markets, but corroborated by market data.

Level 3: Significant unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

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, 2016 and 2015:

| | Total | Level 1 | Level 2 | Level 3 |
|---------------------|------------|------------|---------|---------|
| September 30, 2016: | | | | |
| Mutual funds | \$ 668,075 | \$ 668,075 | \$ - | \$ - |
| September 30, 2015: | | | | |
| Mutual funds | \$ 614,408 | \$ 614,408 | \$ - | \$ - |

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2016 and 2015

(4) Furniture and Equipment

Furniture and equipment consisted of the following at September 30:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 33,710 | \$ 33,710 |
| Less accumulated depreciation | <u>(21,589)</u> | <u>(16,772)</u> |
| | <u>\$ 12,121</u> | <u>\$ 16,938</u> |

(5) Lease Commitments

NACDD leases office space under an operating lease that expires on December 31, 2017. Rent expense was \$71,825 and \$69,655 for the years ended September 30, 2016 and 2015, respectively.

Gross minimum lease payments due under the above lease are as follows:

| | |
|------|------------------|
| 2017 | 72,185 |
| 2018 | <u>18,157</u> |
| | <u>\$ 90,342</u> |

(6) 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 \$47,651 and \$22,544 for the years ended September 30, 2016 and 2015, respectively.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2016 and 2015

(7) Net Assets

Temporarily restricted net assets at September 30, 2016 and 2015 consist of funds for the following:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|--------------------|------------------|
| Federal grants – admin. improvements | \$ 932,240 | \$ - |
| Million Hearts | 569 | - |
| Jean Chabut Memorial Fund | 950 | 950 |
| Novo DAP Legislation #2 | 681 | 681 |
| NovoNordisk – Vital Statistics | 17,458 | 18,602 |
| Novo-Death Certificate Project | - | 32,800 |
| Novo DAP #3 | (325) | (45) |
| Novo DAP #4 | 12,264 | - |
| NPA-End Health Disparities | (3,811) | (3,811) |
| KS – 1422 Project | 5,279 | - |
| Rheumatoid Arthritis | 82,374 | 82,374 |
| Kansas Physical Activity Champion | 1,593 | 1,593 |
| BIPI | - | 98,403 |
| ICF Task Order | 17,704 | - |
| State of Vermont | 11,474 | 11,474 |
| Maryland – CBS project | (10,000) | - |
| Lupus Education – ACR #2 | 48,421 | - |
| Diabetes Council | 2,500 | 2,500 |
| Conferences/Training | 103,446 | 103,446 |
| CD Collaboration - ASTDD | (750) | - |
| Sanofi Aventis | 37,611 | 37,611 |
| SA – Diabetes Workshops 2014 | 899 | 899 |
| Rheumatoid Arthritis - Education | 11 | 11 |
| Regional Diabetes | 865 | 865 |
| Sanofi Aventis – Quality Improvement | 27,497 | 27,497 |
| | <u>\$1,288,950</u> | <u>\$415,850</u> |

(8) Subsequent Events

Subsequent events have been evaluated through December 8, 2016, 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.