

NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Financial Statements and Single Audit Reports

September 30, 2018 and 2017

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 statements of financial position as of September 30, 2018 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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2018 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.

Other Matters

Report on Summarized Comparative Information

I have previously audited NACDD's 2017 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated December 6, 2017. In my opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 11, 2018 on my consideration of NACDD's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NACDD's internal control over financial reporting and compliance.

James J. Johnson, CPA

December 11, 2018

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statements of Financial Position

September 30, 2018 and 2017

| Assets | 2018 | 2017 |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,536,848 | \$ 1,260,418 |
| Investments | 932,303 | 753,461 |
| Government grants and other receivables | 1,716,556 | 4,571,423 |
| Other assets | 450,919 | 111,718 |
| Furniture and equipment, net | <u>14,845</u> | <u>17,025</u> |
| Total assets | <u>\$ 5,651,471</u> | <u>\$ 6,714,045</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,437,418 | \$ 3,484,250 |
| Deferred revenue | <u>27,338</u> | <u>2,000</u> |
| Total liabilities | <u>1,464,756</u> | <u>3,486,250</u> |
| Net assets: | | |
| Unrestricted | 1,769,465 | 1,631,446 |
| Temporarily restricted | <u>2,417,250</u> | <u>1,596,349</u> |
| Total net assets | <u>4,186,715</u> | <u>3,227,795</u> |
| Total liabilities and net assets | <u>\$ 5,651,471</u> | <u>\$ 6,714,045</u> |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statement of Activities

Year ended September 30, 2018

(with summarized financial information for the year ended September 30, 2017)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Totals</u> | |
|--|---------------------|-----------------------------------|---------------------|---------------------|
| | | | <u>2018</u> | <u>2017</u> |
| Changes in net assets: | | | | |
| Revenue, gains, and other support: | | | | |
| Government grants and contracts | \$ - | \$ 19,893,153 | \$ 19,893,153 | \$ 19,175,517 |
| Other grants and contributions | 21,275 | 1,440,500 | 1,461,775 | 577,449 |
| Conference and meetings | 6,250 | - | 6,250 | 254,583 |
| Member dues | 91,000 | - | 91,000 | 51,000 |
| Investment income | 128,842 | - | 128,842 | 85,387 |
| Net assets released from restrictions | <u>20,512,752</u> | <u>(20,512,752)</u> | <u>-</u> | <u>-</u> |
| Total revenue, gains, and other support | <u>20,760,119</u> | <u>820,901</u> | <u>21,581,020</u> | <u>20,143,936</u> |
| Expenses and losses: | | | | |
| Program services: | | | | |
| Prevention | 16,967,417 | - | 16,967,417 | 17,138,050 |
| Total program services | <u>16,967,417</u> | <u>-</u> | <u>16,967,417</u> | <u>17,138,050</u> |
| Supporting services: | | | | |
| Management and general | 3,631,005 | - | 3,631,005 | 3,021,440 |
| Fundraising | 23,678 | - | 23,678 | 4,017 |
| Total supporting services | <u>3,654,683</u> | <u>-</u> | <u>3,654,683</u> | <u>3,025,457</u> |
| Total expenses and losses | <u>20,622,100</u> | <u>-</u> | <u>20,622,100</u> | <u>20,163,507</u> |
| Change in net assets | <u>138,019</u> | <u>820,901</u> | <u>958,920</u> | <u>(19,571)</u> |
| Net assets at beginning of year | <u>1,631,446</u> | <u>1,596,349</u> | <u>3,227,795</u> | <u>3,247,366</u> |
| Net assets at end of year | <u>\$ 1,769,465</u> | <u>\$ 2,417,250</u> | <u>\$ 4,186,715</u> | <u>\$ 3,227,795</u> |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statements of Cash Flows

Years ended September 30, 2018 and 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 958,920 | \$ (19,571) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 22,708 | 5,387 |
| Unrealized, realized (gain) on investments | (123,591) | (81,332) |
| Decrease (increase) in government grants and other receivables | 2,854,867 | (525,163) |
| Increase in other assets | (339,201) | (42,939) |
| (Decrease) increase in accounts payable and accrued expenses | (2,046,832) | 625,127 |
| Increase in deferred revenue | 25,338 | 2,000 |
| Net cash provided by (used in) operating activities | 1,352,209 | (36,491) |
| Cash flows from investing activities: | | |
| Purchase of investments | (55,251) | (4,054) |
| Purchase of equipment | (20,528) | (10,290) |
| Net cash used in investing activities | (75,779) | (14,344) |
| Net increase (decrease) in cash and cash equivalents | 1,276,430 | (50,835) |
| Cash and cash equivalents: | | |
| Beginning of year | 1,260,418 | 1,311,253 |
| End of year | \$ 2,536,848 | \$ 1,260,418 |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Statement of Functional Expenses

Year ended September 30, 2018

(with summarized financial information for the year ended September 30, 2017)

| | <u>Program Services</u> | <u>Supporting Services</u> | | <u>Totals</u> | |
|----------------------------------|-------------------------|-----------------------------------|--------------------|---------------------|---------------------|
| | <u>Prevention</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2018</u> | <u>2017</u> |
| Program expenses | \$ 14,598,177 | \$ 493,070 | \$ - | \$15,091,247 | \$13,513,134 |
| Personnel expenses | 156,043 | 2,117,557 | 8,114 | 2,281,714 | 1,873,957 |
| Professional fees | 9,975 | 181,685 | - | 191,660 | 325,390 |
| Supplies | - | 56,177 | - | 56,177 | 23,790 |
| Telephone and communications | 17,740 | 107,433 | - | 125,173 | 89,768 |
| Postage and shipping | 9,682 | 2,866 | - | 12,548 | 18,153 |
| Occupancy | - | 76,410 | - | 76,410 | 73,445 |
| Bad debt expense | - | 606 | - | 606 | - |
| Noncapitalized equipment | 15,608 | 21,941 | - | 37,549 | 25,016 |
| Equipment rental and maintenance | - | 4,909 | - | 4,909 | 5,138 |
| Travel | 1,370,007 | 201,143 | 14,194 | 1,585,344 | 1,710,904 |
| Conferences and meetings | 413,182 | 111,554 | 1,370 | 526,106 | 835,997 |
| Printing and publications | 67,271 | 42,223 | - | 109,494 | 56,818 |
| Grant expense | 280,021 | - | - | 280,021 | 1,080,559 |
| Advocacy | - | 75,000 | - | 75,000 | 75,000 |
| Depreciation | - | 22,708 | - | 22,708 | 5,387 |
| Miscellaneous | 29,711 | 115,723 | - | 145,434 | 451,051 |
| | <u>\$ 16,967,417</u> | <u>\$ 3,631,005</u> | <u>\$ 23,678</u> | <u>\$20,622,100</u> | <u>\$20,163,507</u> |

See accompanying notes to financial statements.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2018 and 2017

(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, 2018 and 2017

(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, 2018 and 2017, 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 95% in 2018 and 95% in 2017.

(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, 2017, from which the summarized information was derived.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2018 and 2017

(2) Investments

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

| | <u>2018</u> | <u>2017</u> |
|----------------------|------------------|------------------|
| Balanced mutual fund | \$375,026 | \$331,901 |
| Equity mutual fund | 557,277 | 421,560 |
| | <u>\$932,303</u> | <u>\$735,461</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, 2018 and 2017:

| | Total | Level 1 | Level 2 | Level 3 |
|---------------------|------------|------------|---------|---------|
| September 30, 2018: | | | | |
| Mutual funds | \$ 932,303 | \$ 932,303 | \$ - | \$ - |
| September 30, 2017: | | | | |
| Mutual funds | \$ 753,461 | \$ 753,461 | \$ - | \$ - |

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2018 and 2017

(4) Furniture and Equipment

Furniture and equipment consisted of the following at September 30:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|------------------|------------------|
| Furniture and fixtures | \$ 64,527 | \$ 43,999 |
| Less accumulated depreciation | <u>(49,682)</u> | <u>(26,974)</u> |
| | <u>\$ 14,845</u> | <u>\$ 17,025</u> |

(5) 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 \$76,410 and \$73,445 for the years ended September 30, 2018 and 2017, respectively.

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

| | |
|------|-------------------|
| 2019 | \$ 78,520 |
| 2020 | <u>32,717</u> |
| | <u>\$ 111,237</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 \$60,306 and \$58,622 for the years ended September 30, 2018 and 2017, respectively.

**NATIONAL ASSOCIATION OF CHRONIC
DISEASE DIRECTORS**

Notes to Financial Statements

September 30, 2018 and 2017

(7) Net Assets

Temporarily restricted net assets at September 30, 2018 and 2017 consist of funds for the following:

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|
| Federal grants – admin. Improvements | \$1,467,715 | \$1,451,155 |
| Nonfederal projects | 712,111 | - |
| Jean Chabut Memorial Fund | 950 | 950 |
| Novo DAP #4 | 15,286 | 15,286 |
| NPA – End Health Disparities | - | (3,811) |
| Conf.//Training – Cancer, Health Equity, Evaluations, etc. | 86,796 | 61,289 |
| ICF Task Order | 17,704 | 17,704 |
| Lupus Education – ACR #2 | 53,519 | 51,276 |
| Diabetes Council | 2,500 | 2,500 |
| CD Collaboration - ASTDD | (750) | - |
| Indiana CBS Project | 57,000 | - |
| Mis – Implementation - Cancer | 5,240 | - |
| DSME Primer | (871) | - |
| Roselie Zabala Memorial Fund | 50 | - |
| | <u>\$2,417,250</u> | <u>\$1,596,349</u> |

(8) Subsequent Events

Subsequent events have been evaluated through December 11, 2018, 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.

NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

| Federal grantor/program title | Federal CFDA Number | Grant or Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|--|---------------------------|---|---------------------------------------|-------------------------|
| U S Department of Health and Human Services | | | | |
| Centers for Disease Control | | | | |
| DP15 -1512 Nat Organization for Chronic | 93 809 | 5NU58DP006128-03-00 & 5NU58DP006128-02-00 | \$ - | \$ 2,341,983 |
| Advancing Arthritis Public Health Approaches Through National Organizations | 93 068 | 5NU58DPP006261-01-00 & 5NU58DP00626102-00 | - | 438,491 |
| Scaling and Sustaining the Diabetes Prevention Program in Underserved Areas | 93 261 | 6NU58DP006363-01-01 | - | 1,099,483 |
| Partner Actions to Improve Oral Health Outcomes | 93 446 | 1NU58DP006574-01-00 | - | 5,861 |
| National Organizations for Chronic Disease Prevention and Health Promotion | 93 283 | 5U58DP002759-05 | - | (25,000) |
| PPHF 2013 OSTLTS Partnerships - CBA of Public Health Systems | 93 424 | NU38OT000169-05-00 | - | 47,000 |
| Diabetes Prevention Prog Expansion OSTLTS Partnerships | 93 261 93 424 | 6NU58DP004778-04-04 6NU38OT000225-04 & 5NU38OT000225-05 | - | 73,898 15,903,475 |
| American Heart Association Partnership to Prevent Heart Disease | 93 814 | 5NU58DP006117-03-00 | - | 27,705 |
| American College of Rheumatology - Lupus Technical Assistance | 93 068 | 6NU58DP006138-03 | - | 80,420 |
| MS Chronic Disease Acaddemy | 93 757 | NU58DP004816-05 | - | 74,946 |
| CDC Investigations and Tech Assistance - ASTDD | 93 283 | 5NU58DP004919-03 | - | 11,876 |
| Non-ACA/PPHF Building Capacity of the Public Health System (Change Lab Solutions) | 93 424 | 5NU38OT000141-05 | - | 5,871 |
| Non-ACA/PPHF Building Capacity of the Public Health System (NNPHI)) | 93 424 | U38OT000203-05 | - | 42,091 |
| State Public Heat Actions - to Promote School Health | 93 757 | DP14-1422PPHF14 | - | 96,000 |
| State Public Heat Actions - to Promote School Health | 93 757 | NU58DP004832 | - | 60,000 |
| State Public Heat Actions - to Promote School Health | 93 757 | 5NU58DP004794-05 | - | 48,617 |
| State Public Heat Actions - to Promote School Health | 93 757 | DP14-142204PPHF17 | - | 40,000 |
| State Public Heat Actions - to Promote School Health | 93 757 | 6NU58DP004820-05 | - | 10,300 |
| State Public Heat Actions - to Promote School Health | 93 757 | DP13-1305PPHF17 | - | 10,000 |
| Assistance Programs for Chronic Disease Prevention and Control | 93 945 | 5NU58DP004806 | - | 9,500 |
| State Public Heat Actions - to Promote School Health | 93 757 | 5NU58DP004797 | - | 8,546 |
| Total Federal Expenditures | | | \$ - | \$ 20,411,063 |

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) Summary of Significant Accounting Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Independent Auditor's Report

The Board of Directors
National Association of Chronic Disease Directors:

I have audited, in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Association of Chronic Disease Directors ("NACDD"), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements and have issued my report thereon dated December 11, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered NACDD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NACDD's internal control. Accordingly, I do not express an opinion on the effectiveness of NACDD's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NACDD's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James D. Johnson, CPA

December 11, 2018

**Report on Compliance For Each Major Federal Program
And on Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

The Board of Directors
National Association of Chronic Disease Directors:

Report on Compliance for Each Major Federal Program

I have audited the National Association of Chronic Disease Directors ("NACDD") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NACDD's major federal programs for the year ended September 30, 2018. NACDD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of NACDD's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NACDD's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of NACDD's compliance.

Opinion on Each Major Federal Program

In my opinion, NACDD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of NACDD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered NACDD's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of NACDD's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James J. Hauer, CPA

December 11, 2018

NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Schedule of Findings and Questioned Costs

Year ended September 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CRF 200.516(a)? yes no

Identification of major federal programs: CFDA 93.424 CDC – OSTLTS Partnerships
CFDA 93.424 CDC - CBA of Public Health Systems
CFDA 93.424 CDC - Change Lab Solutions
CFDA 93.424 CDC - NNPHI
CFDA 93.261 CDC – Scaling and Sustaining the Diabetes Prev. in Underserved Areas
CFDA 93.261 CDC – Diabetes Prevention Prog. Expan.

NATIONAL ASSOCIATION OF CHRONIC DISEASE DIRECTORS

Schedule of Findings and Questioned Costs

Year ended September 30, 2018

Dollar threshold used to distinguish between type A and \$ 750,000
type B programs:

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

There were no findings related to the financial statements for the year ended September 30, 2018.

Section III – Federal Award Findings and Questioned Costs

There were no findings and questioned costs related to federal awards for the year ended September 30, 2018.