

NATIONAL COALITION OF STD DIRECTORS

**Financial Statements Together with
Reports of Independent Public Accountants**

For the Years Ended September 30, 2019 and 2018



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

SEPTEMBER 30, 2019 AND 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
National Coalition of STD Directors

Report on the Financial Statements

We have audited the accompanying financial statements of the National Coalition of STD Directors (NCSA), which comprise the statements of financial position as of September 30, 2019 and 2018, the related statements of activities and changes in net assets, functional expenses 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 controls 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 controls. 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 NCSD as of September 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) , 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 our opinion, the Schedule of Expenditures of Federal Awards 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*, we have also issued our report dated August 17, 2020, on our consideration of NCSD's internal controls over financial reporting and on our 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 our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCSD's internal controls over financial reporting and compliance.

Washington, DC
September 22, 2020

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.

NATIONAL COALITION OF STD DIRECTORS

Statements of Financial Position As of September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 232,957	\$ 1,336,947
Investments	964,141	1,187,971
Accounts receivable	189,177	81,450
Prepaid expenses and other assets	38,217	52,967
Property and equipment, net	70,504	67,234
Deposits	13,151	13,151
Total Assets	<u><u>\$ 1,508,147</u></u>	<u><u>\$ 2,739,720</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 410,819	\$ 419,939
Deferred revenue	100,931	125,848
Deferred rent	111,653	105,035
Total Liabilities	<u><u>623,403</u></u>	<u><u>650,822</u></u>
Net Assets		
Without Donor Restrictions	525,424	881,304
With Donor Restrictions	359,320	1,207,594
Total Net Assets	<u><u>884,744</u></u>	<u><u>2,088,898</u></u>
Total Liabilities and Net Assets	<u><u>\$ 1,508,147</u></u>	<u><u>\$ 2,739,720</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL COALITION OF STD DIRECTORS

Statements of Activities and Changes in Net Assets For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Assets without Donor Restrictions		
Revenue and Other Support		
Federal and government grants	\$ 2,017,225	\$ 2,790,276
Membership dues	152,964	124,517
Contract revenue	82,424	2,268
Meeting income	322,149	145,053
Corporate contributions	242,786	144,000
Other income	8,545	5,222
Investment income, net	31,395	51,725
Net assets released from restrictions	1,062,737	174,555
Total Revenue and Other Support	<u>3,920,225</u>	<u>3,437,616</u>
Expenses		
Program services:		
NNECS	1,408,594	1,251,092
Capacity Building Assistance	282,633	492,441
Gilead	611,448	225,020
Annual Meeting	318,533	280,704
MAC Aids	-	83,242
AltaMed	465,077	349,951
Other Programs	370,280	197,336
Total Program Services	<u>3,456,565</u>	<u>2,879,786</u>
General & administrative	741,943	783,635
Fundraising	77,597	69,228
Total Expenses	<u>4,276,105</u>	<u>3,732,649</u>
Change in Net Assets Without Donor Restrictions	<u>(355,880)</u>	<u>(295,033)</u>
Net Assets with Donor Restrictions		
Contributions	214,463	1,189,339
Satisfaction of restrictions	(1,062,737)	(174,555)
Change in Net Assets With Donor Restrictions	<u>(848,274)</u>	<u>1,014,784</u>
Changes in Net Assets	(1,204,154)	719,751
Net assets, beginning of year	2,088,898	1,369,147
Net Assets, End of Year	<u>\$ 884,744</u>	<u>\$ 2,088,898</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL COALITION OF STD DIRECTORS

Statement of Functional Expenses For the Year Ended September 30, 2019, with Comparative Totals for 2018

	2019											2018 Totals
	Program Services						Supporting Services					
	NNECS	Capacity Building Assistance	Gilead	Annual Meeting	AltaMed	Other Programs	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	Total	
Salaries, wages and benefits	\$ 755,994	\$ 175,611	\$ 221,388	\$ -	\$ 778	\$ 68,879	\$ 1,222,650	\$ 307,000	\$ 30,488	\$ 337,488	\$ 1,560,138	\$ 1,257,228
Consultants	356,746	31,500	162,333	101,664	459,530	268,789	1,380,562	71,607	44,200	115,807	1,496,369	1,335,473
Meeting facilities	50,746	-	22,050	159,799	-	-	232,595	6,935	-	6,935	239,530	284,540
Occupancy	60,342	26,310	5,098	-	4,769	4,937	101,456	54,990	2,387	57,377	158,833	148,991
Professional fees	163	-	35,000	-	-	-	35,163	140,280	-	140,280	175,443	182,150
Travel	118,132	44,487	155,232	28,664	-	17,322	363,837	27,025	363	27,388	391,225	281,089
Equipment costs and supplies	-	-	4,643	-	-	887	5,530	51,144	-	51,144	56,674	39,919
Telephone and communications	21,397	-	640	-	-	877	22,914	15,891	-	15,891	38,805	32,303
Office supplies	171	1,009	120	1,298	-	-	2,598	15,465	-	15,465	18,063	25,982
Reproduction	23,525	3,539	2,178	14,360	-	81	43,683	1,897	-	1,897	45,580	33,477
Miscellaneous	879	151	207	8,213	-	507	9,957	18,626	63	18,689	28,646	39,890
Insurance	-	-	-	-	-	-	-	11,795	-	11,795	11,795	7,949
Postage	271	26	275	4,535	-	-	5,107	1,371	96	1,467	6,574	6,365
Dues and subscriptions	20,228	-	2,284	-	-	8,001	30,513	17,917	-	17,917	48,430	57,293
Total	\$ 1,408,594	\$ 282,633	\$ 611,448	\$ 318,533	\$ 465,077	\$ 370,280	\$ 3,456,565	\$ 741,943	\$ 77,597	\$ 819,540	\$ 4,276,105	\$ 3,732,649

The accompanying notes are an integral part of this financial statement.

NATIONAL COALITION OF STD DIRECTORS

Statement of Functional Expenses For the Year Ended September 30, 2018

	Program Services							Supporting Services				Total
	NNECS	Capacity Building Assistance	Gilead	Annual Meeting	MAC Aids	AltaMed	Other Programs	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	
Salaries, wages and benefits	\$ 572,743	\$ 249,426	\$ 48,271	\$ -	\$ 46,347	\$ -	\$ 46,768	\$ 963,555	\$ 272,020	\$ 21,653	\$ 293,673	\$ 1,257,228
Consultants	486,673	111,438	141,070	8,271	21,000	340,781	117,620	1,226,853	63,995	44,625	108,620	1,335,473
Meeting facilities	9,301	5,000	-	232,344	-	-	1,972	248,617	35,923	-	35,923	284,540
Occupancy	56,558	24,660	4,778	-	4,586	-	4,627	95,209	51,545	2,237	53,782	148,991
Professional fees	40	-	-	-	-	2,735	-	2,775	179,375	-	179,375	182,150
Travel	80,675	72,621	28,988	14,679	10,834	6,435	15,966	230,198	50,274	617	50,891	281,089
Equipment costs and supplies	9,160	2,384	67	-	218	-	100	11,929	11,477	32	11,509	23,438
Telephone and communications	10,158	4,118	160	-	-	-	180	14,616	17,687	-	17,687	32,303
Office supplies	-	1,303	189	1,738	-	-	40	3,270	22,712	-	22,712	25,982
Reproduction	5,907	13,626	-	8,486	-	-	424	28,443	5,034	-	5,034	33,477
Miscellaneous	1,321	692	16	15,172	-	-	436	17,637	22,189	64	22,253	39,890
Insurance	-	-	-	-	-	-	-	-	7,949	-	7,949	7,949
Postage	2,961	2,116	249	14	-	-	3	5,343	1,022	-	1,022	6,365
Depreciation	-	-	-	-	-	-	-	-	16,481	-	16,481	16,481
Dues and subscriptions	15,595	5,057	1,232	-	257	-	9,200	31,341	25,952	-	25,952	57,293
Total	1,251,092	492,441	225,020	280,704	83,242	349,951	197,336	2,879,786	783,635	69,228	852,863	3,732,649

The accompanying notes are an integral part of this financial statement.

NATIONAL COALITION OF STD DIRECTORS

Statements of Cash Flows For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (1,204,154)	\$ 719,751
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	20,204	16,481
Unrealized investment gains, net	(6,148)	(35,102)
Effect from changes in non-cash operating assets and liabilities:		
Accounts receivable	(107,727)	829
Prepaid expenses and other assets	14,750	(33,299)
Deposits	-	(6,452)
Accounts payable and accrued expenses	(9,120)	110,162
Deferred revenue	(24,917)	(42,491)
Deferred rent	6,618	8,388
Net Cash from Operating Activities	<u>(1,310,494)</u>	<u>738,267</u>
Cash Flows from Investing Activities		
Purchase of investments	(555,105)	(1,200,729)
Sale of investments	785,083	47,860
Purchases of property and equipment	(23,474)	(18,226)
Net Cash from Investing Activities	<u>206,504</u>	<u>(1,171,095)</u>
Net Change in Cash and Cash Equivalents	(1,103,990)	(432,828)
Cash and cash equivalents, beginning of year	1,336,947	1,769,775
Cash and cash equivalents, End of Year	<u>\$ 232,957</u>	<u>\$ 1,336,947</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

1. BACKGROUND OF THE ORGANIZATION

National Coalition of STD Directors (NCSD) is a District of Columbia not-for-profit organization. The purpose of NCSD is to create a full partnership among sexually transmitted disease (STD) project areas directly funded by NCSDs for Disease Control and Prevention, state and local public health agencies, the Federal government, and private agencies to effectively prevent and control STDs in the United States of America and its territories; to provide a forum for technical assistance for, and dissemination of information about effective STD prevention and control programs among members of NCSD; to network or affiliate with appropriate organizations working toward comparable goals; and to promote adequate and efficient allocation of resources to the prevention and control of STDs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of 90 days or less when purchased. Cash equivalents as of September 30, 2019 and 2018, consisted of money market funds.

Accounts Receivable

Accounts receivable represents amounts due from grants and contracts and are reported at their net realizable value. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and NCSD's historical collection experience. As of September 30, 2019 and 2018, management believes all accounts receivable are fully collectible; thus, no allowance for doubtful accounts was recorded.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment, Net

Property and equipment purchases over \$1,000, with a useful life of over one year, are capitalized at cost. Depreciation is recognized using the straight-line method over the estimated useful life of the assets ranging from three to five years. Repairs and maintenance are expensed as incurred while major replacements and improvements are capitalized and depreciated over the remaining life of the asset.

Fair Value Measurement

Investments are stated at fair value. Fair value is 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.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes NCSA's gains and losses on investments bought and sold as well as held during the year.

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Deferred Revenue

Deferred revenue represents conditional grant funds received in advance of incurring the grant expenses and sponsorships paid in advance of the annual meeting and conferences, and membership fees received in advance.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by NCS D has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Support and Revenue

Revenue from Federal and corporate grants are recognized as services are performed and the related costs are incurred.

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statements of financial position.

Revenue and related costs of the annual conference are recognized in the year in which the conference is held. Accordingly, sponsorships paid by sponsors in advance of the conference year are reported as deferred revenue in the accompanying statements of financial position.

Unrestricted contributions and grants are reported as revenue in the year in which the payments are received and/or unconditional promises are made.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of NCSD. Shared costs are allocated based on time and effort.

Income Taxes

NCSD is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code.

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. NCSD performed an evaluation of uncertain tax positions as of September 30, 2019, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of September 30, 2019, the statute of limitations for fiscal years 2016 through 2019 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which NCSD files tax returns.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources

The following reflects NCSD's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year:

Cash and cash equivalents	\$	232,957
Investments		964,141
Accounts receivable		189,177
Financial assets available to meet cash needs for general expenses within one year	\$	<u>1,386,275</u>

NCSD manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining access to adequate liquid assets to fund near-term operating needs. Additionally, there are long-term investments of \$964,141 as of September 30, 2019 to cover any unexpected liabilities that may not have been provided for in NCSD's budget.

Implemented Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017. NCSD implemented ASU 2016-14 for the year ended September 30, 2019. Due to the adoption of this ASU, the presentation of these financial statements and footnotes were updated accordingly.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require the entity to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU No. 2016-02. These standards will be effective for periods beginning after December 15, 2021.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606)*. The recognition of revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for periods beginning after December 15, 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

NCSD's management has evaluated the accompanying financial statements for subsequent events and transactions through September 22, 2020, the date that these financial statements were available for issue and have determined that other than the paragraph below regarding COVID-19 pandemic, no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events (continued)

In February 2020, an outbreak of a new coronavirus, COVID-19, emerged in the United States. In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, widespread shutdowns of states, cities, schools, and businesses began to take place, impacting the United States as the number of people infected grows at an unprecedented rate. The COVID-19 outbreak is still evolving, and its financial impact remains unknown. There is significant uncertainty around the impact on the global economy, duration of business disruptions, and financial and operating viability of entities in Maryland, D.C. and the United States related to COVID-19. Therefore, NCSD is currently unable to determine the extent of the impact to its future financial condition and operating results.

3. INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of September 30, 2019 and 2018.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while NCSD believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, the fair value hierarchy of NCSD's investments at fair value as of September 30, 2019 and 2018:

	As of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds	\$ 622,346	-	-	\$ 622,346
Fixed income funds	341,795	-	-	341,795
Total	\$ 964,141	\$ -	\$ -	\$ 964,141

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

3. INVESTMENTS (continued)

	As of September 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds	\$ 780,637	-	-	\$ 780,637
Fixed income funds	407,334	-	-	407,334
Total	<u>\$ 1,187,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187,971</u>

Investments, at cost, consisted of the following as of September 30, 2019 and 2018:

	2019	
	Cost	Fair Value
Equity funds	\$ 599,589	\$ 622,346
Fixed income funds	335,815	341,795
	<u>\$ 935,404</u>	<u>\$ 964,141</u>

	2018	
	Cost	Fair Value
Equity funds	\$ 743,003	\$ 780,637
Fixed income funds	421,304	407,334
	<u>\$ 1,164,307</u>	<u>\$ 1,187,971</u>

Activities on investments for the years ended September 30, 2019 and 2018, were as follows:

	2019	2018
Dividends and interest income	\$ 27,544	\$ 26,004
Net unrealized gain	6,148	35,102
Net realized gain (loss)	9,628	(1,373)
Investment expenses	(11,925)	(8,008)
Total	<u>\$ 31,395</u>	<u>\$ 51,725</u>

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

4. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2019 and 2018, consisted of:

	2019	2018	Estimated Useful Life
Website	\$ 23,750	\$ 23,750	3 years
Computer and equipment	30,075	25,189	3 years
Office equipment	93,539	74,951	3-5 years
	<u>147,364</u>	<u>123,890</u>	
Less: accumulated depreciation	76,860	56,656	
Property and Equipment, Net	<u><u>\$ 70,504</u></u>	<u><u>\$ 67,234</u></u>	

Depreciation expense was \$20,204 and \$16,481, for the years ended September 30, 2019 and 2018, respectively.

5. COMMITMENTS AND CONTINGENCIES

Grants

Reimbursed costs under NCSD's government awards are subject to final determination of allowability by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that as of September 30, 2019 and 2018, no material liability will result from such audits.

Operating Leases

NCSD leases office facilities under non-cancelable operating lease. The lease commenced on February 1, 2017 and expires September 30, 2027. The lease provides for annual rent increases of 2.5% over the term of the lease.

In accordance with generally accepted accounting principles in the United States, all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the rent expense and the required lease payment is reflected as deferred rent in the accompanying statements of financial position. Deferred rent liability as of September 30, 2019 and 2018, was \$111,653 and \$105,035, respectively.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

5. COMMITMENTS AND CONTINGENCIES

Operating Leases (continued)

As of September 30, 2019, future minimum lease payments under the operating lease are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2020	\$ 143,087
2021	146,664
2022	152,332
2023	157,141
2024	161,069
Thereafter	507,773
Total Minimum Lease Payments	<u><u>\$ 1,268,066</u></u>

Rent expense was \$158,955 and \$148,991, for the years ended September 30, 2019 and 2018, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

NCSD had net assets with donor restrictions as of September 30, 2019 and 2018, that were provided for a specific purpose by the following grantors as shown below:

	<u>2019</u>	<u>2018</u>
AltaMed	\$ 144,856	\$ 687,058
Gilead Clinic	165,764	252,281
Engage Sponsorships	48,700	-
Gilead BHOC	-	268,255
Total Temporarily Restricted Net Assets	<u><u>\$ 359,320</u></u>	<u><u>\$ 1,207,594</u></u>

7. MAJOR SUPPORTER

During the years ended September 30, 2019 and 2018, approximately 62% and 57%, respectively, of NCSD's revenue was provided by Department of Health and Human Services. As of September 30, 2019 and 2018, there was a receivable due from the Department of Health and Human Services in the amount of \$174,177 and \$81,450, which represents 92% and 100% of total receivables, respectively.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Financial Statements September 30, 2019 and 2018

8. RETIREMENT PLAN

NCSD has a defined contribution 403(b) Plan (the Plan) covering all employees who have completed six months of service. Under the Plan, NCSD makes contributions based on a percentage of the annual salary of eligible employees. The employer contribution rate for the years ended September 30, 2019 and 2018, was 6% of each eligible participant's salary. Contributions to the Plan totaled \$68,596 and \$45,678, for the years ended September 30, 2019 and 2018, respectively.

SUPPLEMENTARY INFORMATION



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
National Coalition of STD Directors

Report on the Financial Statements

We have audited in accordance with the auditing standards generally 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 Coalition of STD Directors (NCSA), which comprise the statements of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated September 22, 2020.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered NCSA's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NCSA's internal controls. Accordingly, we do not express an opinion on the effectiveness of NCSA's internal controls.

A deficiency in internal controls 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 a combination of deficiencies, in internal controls, 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 a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether NCSD's financial statements are free from material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our 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 our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NCSD's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCSD's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, DC
September 22, 2020

SB & Company, LLC



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROLS OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors
National Coalition of STD Directors

Report on Compliance for Each Major Federal Program

We have audited National Coalition of STD Directors' (NCSD) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on NCSD's major Federal program for the year ended September 30, 2019. NCSD's major Federal program is identified in the summary of the independent public accountant'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

Our responsibility is to express an opinion on compliance for each of NCSD's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 NCSD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of NCSD's compliance.



Opinion on Each Major Federal Program

In our opinion, NCSD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended September 30, 2019.

Report on Internal Controls Over Compliance

Management of NCSD is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NCSD's internal controls over compliance with the types of requirements that could have a direct and material effect on its major Federal program as a basis for designing 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 controls over compliance. Accordingly, we do not express an opinion on the effectiveness of NCSD's internal controls over compliance.

A deficiency in internal controls 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 controls over compliance* is a deficiency, or combination of deficiencies in internal controls 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 controls 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.

Our consideration of internal controls 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. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls 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.

Washington, DC
September 22, 2020

NATIONAL COALITION OF STD DIRECTORS

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity/ Identifying Number Grant Number	Federal Expenditures	Amount Passed through to Subrecipients
Direct Award				
<u>U.S. Department of Health and Human Services, Centers for Disease Control and Prevention</u>				
National Network to Enhance Capacity of State and Local Sexually Transmitted Disease Prevention Programs	93.977	1 NH25PS005125-01-00	\$ 1,595,335	-
Capacity Building Assistance for State Health Agencies to Strengthen Agencies	93.079	6 NU87PS004368-02-01	44,069	-
Capacity Building Assistance for State Health Agencies to Strengthen Agencies	93.079	6 NU87PS004368-01-01	247,170	-
Total Department of Health and Human Services, Centers for Disease Control and Prevention			<u>1,886,574</u>	<u>-</u>
Total Direct Awards			<u>1,886,574</u>	<u>-</u>
Pass-Through Programs				
<u>U.S. Department of Health and Human Services, Centers for Disease Control and Prevention</u>				
<u>Pass-Through National Alliance of State & Territorial AIDS Directors</u>				
Capacity Building Assist for High-Impact HIV Prevention	93.834	5 NU65PS923675	12,424	-
Total Expenditures of Federal Awards			<u>\$ 1,898,998</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

NATIONAL COALITION OF STD DIRECTORS

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the National Coalition of STD Directors (NCSD) are included in the scope of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit or Uniform Guidance). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. This program on the Schedule of Expenditures of Federal awards represent all Federal award programs for fiscal year 2019, with cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs to ensure coverage of at least 20% of Federally granted funds. Our actual coverage was 84%.

<u>Major Federal Award Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services		
National Network to Enhance Capacity of State and Local Sexually Transmitted Disease Prevention Programs	93.977	\$ 1,595,335

Expenditures reported on the Schedule of Expenditures of Federal awards (the Schedule) are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. NCSD has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal awards has been accounted for on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NATIONAL COALITION OF STD DIRECTORS

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019**

2. BASIS OF PRESENTATION *(continued)*

Section I - Summary of Independent Public Accountant's Results

Financial Statements

Type of Independent Public Accountant's Report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to the financial statements?	No

Federal Awards

Type of Independent Public Accountant's Report issued	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance:	Yes

<u>Major Federal Award Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services		
National Network to Enhance Capacity of State and Local Sexually Transmitted Disease Prevention Programs	93.977	\$ 1,595,335
Threshold for distinguishing between Type A and B programs		\$ 750,000
Did the NCSD qualify as a low risk auditee?		Yes

Section II - Financial Statement Findings

None Noted.

Section III - Federal Award Findings

Finding No.	Title of Finding
2019-001	Significant Deficiency – Cash Management

NATIONAL COALITION OF STD DIRECTORS

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2019

Finding 2019 - 001

U.S. Department of Health and Human Services, Centers for Disease Control and Prevention CFDA No. 93.077 National Network to Enhance Capacity of State and Local Sexually Transmitted Disease Prevention Programs

Type of Finding: Significant Deficiency Compliance Requirement: Cash Management

Condition:

During our testing of the cash management compliance requirement, we noted that NCSD requested cash payments more than the actual expenditures incurred. We selected 3 cash drawdown payments, and one of the selections is a finding, where the actual expenditures are lower than the cash drawdown request as of 7/9/2019.

Criteria:

Per CFR Part 3, when entities are funded on a reimbursement basis, program costs must be paid for by entity before reimbursement is requested from the Federal Government.

Cause:

NCSD did not have the proper controls in place to ensure that drawdown requests were based on actual expenditures incurred. In addition, no reconciliation was performed to ensure that cash drawdown request was more than expenditures incurred to date. The drawdowns were based on estimated expenditures to be expensed in the future.

Effect:

NCSD could potentially drawdown cash that is not used in a reasonable period of time, which would cause NCSD to be noncompliant with grant provisions.

Questioned Costs:

None.

Recommendation:

We recommend that NCSD establish procedures to determine the amount and timing of the cash drawdowns to ensure they are based on actual expenditures incurred.

Management Response:

Management agrees with the finding. See Schedule of Corrective Action



Promoting Sexual Health
Through STD Prevention

NCSDDC.ORG

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202.842.4660
202.842.4542 (Fax)

Finding 2019 –001

Type of Finding: Significant Deficiency
Compliance Requirement: Cash Management

Recommendation:

We recommend that NCSDDC establish procedures to determine the amount and timing of the cash drawdowns to ensure they are based on actual expenditures incurred.

Responsible Official's Response and Corrective Action Plan

We agree with the finding. As a result, before we request reimbursement from the PMS, we will close the books and produce a monthly financial statement that will provide a basis for our reimbursement request.

Planned Implementation Date of Corrective Action

8/1/2020

Person Responsible for Corrective Action

Chuck Windle, Director of Finance

NATIONAL COALITION OF STD DIRECTORS

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019**

There were no findings for the year ended September 30, 2018.