



NATIONAL WIC ASSOCIATION
FINANCIAL REPORT
December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National WIC Association
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of National WIC Association (the Association - a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2015 and 2014, 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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and direct annual conference expenses on pages 13 to 14 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 15 to 16, 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 the purpose of additional analysis and is also 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 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*, we have also issued our report dated August 18, 2016, on our consideration of the Association's internal control over financial reporting and 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 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 the Association's internal control over financial reporting and compliance.



Helena, Montana
August 18, 2016

FINANCIAL STATEMENTS

NATIONAL WIC ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 381,533	\$ 353,060
Certificates of deposit	801,500	1,101,534
Prepaid expenses	53,245	46,854
Security and other deposits	2,667	2,667
Interest receivable	1,927	1,750
Accounts receivable	<u>271,273</u>	<u>314,544</u>
Total current assets	<u>1,512,145</u>	<u>1,820,409</u>
DESIGNATED ASSETS		
Cash and cash equivalents	86,452	92,827
Investments	<u>4,964,320</u>	<u>5,079,454</u>
	<u>5,050,772</u>	<u>5,172,281</u>
PROPERTY AND EQUIPMENT		
Furniture, fixtures, and equipment	283,671	259,901
Less: accumulated depreciation	<u>(161,730)</u>	<u>(144,620)</u>
	<u>121,941</u>	<u>115,281</u>
Total assets	<u>\$ 6,684,858</u>	<u>\$ 7,107,971</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 50,066	\$ 41,757
Current portion of capital lease obligation	9,308	3,810
Wages and payroll taxes payable	14,925	43,995
Accrued expenses	72,456	65,774
Deferred revenues - conference fees	20,196	42,425
Deferred revenues - membership dues	<u>72,649</u>	<u>38,686</u>
Total current liabilities	<u>239,600</u>	<u>236,447</u>
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	35,983	-
Deferred compensation payable	<u>88,770</u>	<u>51,014</u>
Total long-term liabilities	<u>124,753</u>	<u>51,014</u>
Total liabilities	<u>364,353</u>	<u>287,461</u>
NET ASSETS		
Unrestricted		
Undesignated	1,269,733	1,648,229
Designated	<u>5,050,772</u>	<u>5,172,281</u>
Total unrestricted net assets	<u>6,320,505</u>	<u>6,820,510</u>
Total liabilities and net assets	<u>\$ 6,684,858</u>	<u>\$ 7,107,971</u>

The Notes to Financial Statements are an integral part of these statements.

NATIONAL WIC ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
Sales		
Calendar and related product royalties	\$ 387,747	\$ 399,878
Publications, directory and miscellaneous items	<u>37,242</u>	<u>78,641</u>
Net sales	<u>424,989</u>	<u>478,519</u>
Cost of sales		
Calendars and related products	70,207	70,973
Publications, directory and miscellaneous items	<u>-</u>	<u>20,000</u>
Total cost of sales	<u>70,207</u>	<u>90,973</u>
Gross profit on sales	<u>354,782</u>	<u>387,546</u>
Other support and revenue		
Membership dues	601,675	692,376
Conference revenue	813,045	879,993
Management fee	9,450	13,425
Contributions	5,025	250
Special event	3,727	50,147
Grants and contracts	2,362,838	94,920
Interest, dividends and capital gain distributions	279,270	366,245
Net realized and unrealized loss on investments, net of fees	(452,677)	(235,803)
Miscellaneous	<u>1,790</u>	<u>969</u>
Total other support and revenue	<u>3,624,143</u>	<u>1,862,522</u>
Total unrestricted revenue and support, net of cost of sales	<u>3,978,925</u>	<u>2,250,068</u>
Program services		
Conferences and events	726,737	730,274
Newsletter and publications	188,226	203,478
Lobbying	159,347	151,265
CDC Grant	2,285,093	20,721
Supporting services		
Management and general	467,343	490,960
Governance	155,613	146,660
Outreach	213,294	114,570
Membership services and development	135,174	137,882
Fundraising	<u>148,103</u>	<u>147,811</u>
Total expenses	<u>4,478,930</u>	<u>2,143,621</u>
Change in unrestricted net assets	(500,005)	106,447
Net assets, beginning of year	<u>6,820,510</u>	<u>6,714,063</u>
Net assets, end of year	<u>\$ 6,320,505</u>	<u>\$ 6,820,510</u>

The Notes to Financial Statements are an integral part of these statements.

NATIONAL WIC ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (500,005)	\$ 106,447
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	43,110	37,693
Net realized and unrealized loss on investments	417,931	204,705
Changes in operating assets and liabilities:		
Prepaid expenses and deposits	(6,391)	(19,970)
Interest receivable	(177)	576
Accounts receivable	43,271	(71,396)
Payables and accrued expenses	23,677	57,568
Deferred revenue	<u>11,734</u>	<u>11,885</u>
Net cash flows from operating activities	<u>33,150</u>	<u>327,508</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(41,514)
Purchase of certificates of deposit	(900,000)	(1,100,139)
Maturity of certificates of deposits	1,200,034	1,200,000
Purchase of marketable securities	(381,504)	(1,650,698)
Proceeds from sale of marketable securities	<u>78,707</u>	<u>1,298,525</u>
Net cash flows from investing activities	<u>(2,763)</u>	<u>(293,826)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease	<u>(8,289)</u>	<u>(6,637)</u>
Net cash flows from financing activities	<u>(8,289)</u>	<u>(6,637)</u>
Net change in cash and cash equivalents	22,098	27,045
Cash and cash equivalents, beginning of year	<u>445,887</u>	<u>418,842</u>
Cash and cash equivalents, end of year	<u>\$ 467,985</u>	<u>\$ 445,887</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest expense	<u>\$ 1,312</u>	<u>\$ 1,513</u>
Equipment acquired through issuance of debt	<u>\$ 49,770</u>	<u>\$ -</u>
Cash and cash equivalents above are reported on the statements of financial position as follows:		
Current	\$ 381,533	\$ 353,060
Designated	<u>86,452</u>	<u>92,827</u>
	<u>\$ 467,985</u>	<u>\$ 445,887</u>

The Notes to Financial Statements are an integral part of these statements.

NATIONAL WIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

Organizational Purpose

The National WIC Association (the Association) was incorporated in the District of Columbia on July 8, 1985. The purpose of the Association is to link state and local directors of the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and others in a national association to act collectively on behalf of the program.

The Association receives membership fees as a significant portion of its revenue. Other major sources of revenue include the sale of calendars and other publications that utilize a WIC theme, and various conferences for its members and other interested parties throughout the year. Beginning in October 2014, the Association received a 3-year award from the Department of Health and Human Services – Centers for Disease Control of approximately \$7.5 million for a Community Partnership for Healthy Mothers and Children in cooperation with its eligible agencies. If funding for the WIC program was significantly reduced or eliminated by the U.S. Congress, the impact to the Association would be significant.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association defines cash and cash equivalents as checking, money market accounts, and all certificates of deposit with an original maturity of three months or less. The Association's accounts are insured by the FDIC. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At December 31, 2015 and 2014, there were no deposits in financial institutions in excess of federally insured amounts.

Designated cash is cash and cash equivalents held by investment managers where the board has designated its use.

Investment Securities

Marketable equity and debt securities are carried at fair value. Interest and dividends are reported as increases in unrestricted net assets. Unless gains and losses on donor-restricted investments are specifically restricted by the donor, they are reported as increases or decreases in unrestricted net assets.

NATIONAL WIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

NOTE 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are comprised of calendar sales and conference registrations. Management believes these are fully collectible and as such, no allowance for doubtful accounts has been included. At December 31, 2015 and 2014, all accounts were current.

Property, Equipment and Depreciation

Property and equipment is valued at cost at the time of purchase or estimated fair value at the date of donation, if received as support. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Furniture, fixtures, and equipment	5-7 years
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The Association capitalizes all fixed assets with an economic benefit longer than one year and cost over \$1,500. All other items are expensed in the year purchased.

Board Designated Unrestricted Net Assets

The Board has designated certain amounts deposited in investment accounts and the income earned on those investments for future operating expenses.

Contributions of Long-Lived Assets

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Unless restricted, these assets are depreciated in the same manner as other property and equipment.

Restricted and Unrestricted Revenue and Support

Support received is recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or the restrictions are met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

There are no temporarily or permanently restricted net assets at December 31, 2015 and 2014.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Association pays for services requiring specific expertise.

NATIONAL WIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

NOTE 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The cost of providing various programs and supporting services have been reported on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates made by management.

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. With few exceptions, the Association is no longer subject to examination by federal tax authorities for years before 2012.

Subsequent Events

Management has evaluated subsequent events through August 18, 2016, the date which the financial statements were available for issue.

NOTE 2. INVESTMENTS

The Association has determined the fair value of its financial instruments through the application of GAAP, which requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association's policy for determining the timing of significant transfers between levels 1 and 2 is at the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

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

Mutual funds: Valued at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares held at year end. The NAV is quoted in an active market.

NATIONAL WIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

NOTE 2. INVESTMENTS (CONTINUED)

Investment securities at December 31, 2015 and 2014, consist of the following assets, all of which are held by third-party money managers.

Investments	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Level 1 inputs				
Mutual funds:				
Mutual funds - world bond funds	\$ 697,870	\$ 544,281	\$ 670,675	\$ 588,211
Mutual funds - mid-cap growth funds	107,671	102,739	98,428	102,916
Mutual funds - mid-cap blend funds	442,203	458,306	411,089	464,266
Mutual funds - large blend funds	1,787,837	1,740,825	1,548,058	1,701,950
Mutual funds - large growth funds	494,043	444,003	467,035	489,423
Mutual funds - int'l small/mid-cap value funds	207,803	162,418	35,801	182,427
Mutual funds - mid-cap value funds	409,600	356,874	395,444	372,057
Mutual funds - short-term bond funds	221,000	219,703	218,039	218,754
Mutual funds - intermediate-term bond funds	642,297	620,441	623,761	614,504
Total mutual funds	<u>5,010,324</u>	<u>4,649,590</u>	<u>4,468,330</u>	<u>4,734,508</u>
Common stock:				
Basic materials	33,777	29,405	44,075	43,683
Consumer goods	70,721	66,254	64,768	64,618
Financial	71,950	70,545	58,188	58,431
Healthcare	40,105	40,124	47,830	48,465
Industrial goods	14,353	13,628	27,949	27,997
Services	27,979	32,488	25,484	25,801
Technology	63,541	62,286	76,460	75,951
Total common stock	<u>322,426</u>	<u>314,730</u>	<u>344,754</u>	<u>344,946</u>
Total Level 1 inputs	<u>5,332,750</u>	<u>4,964,320</u>	<u>4,813,084</u>	<u>5,079,454</u>
Total investments	<u>\$ 5,332,750</u>	<u>\$ 4,964,320</u>	<u>\$ 4,813,084</u>	<u>\$ 5,079,454</u>

Investment income for the years ended December 31, 2015 and 2014 consists of the following:

2015:

Dividend and interest income	\$ 279,270
Net realized and unrealized losses	(417,931)
Investment fees	(34,746)
	<u>\$ (173,407)</u>

2014:

Dividend and interest income	\$ 366,245
Net realized and unrealized gains	(204,705)
Investment fees	(31,098)
	<u>\$ 130,442</u>

NATIONAL WIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

NOTE 2. INVESTMENTS (CONTINUED)

Investments with an unrealized loss position at December 31, 2015 and 2014, respectively, are as follows:

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
<u>2015:</u>						
Description of securities:						
Stocks	\$ 920,022	\$ (54,785)	\$ 1,123,599	\$ (164,017)	\$ 2,043,621	\$ (218,802)
Bonds	225,698	(29,613)	936,008	(156,540)	1,161,706	(186,153)
	<u>\$ 1,145,720</u>	<u>\$ (84,398)</u>	<u>\$ 2,059,607</u>	<u>\$ (320,557)</u>	<u>\$ 3,205,327</u>	<u>\$ (404,955)</u>
<u>2014:</u>						
Description of securities:						
Stocks	\$ 454,555	\$ (7,333)	\$ 636,097	\$ (58,684)	\$ 1,090,652	\$ (66,017)
Bonds	163,184	(8,695)	707,641	(80,852)	870,825	(89,547)
	<u>\$ 617,739</u>	<u>\$ (16,028)</u>	<u>\$ 1,343,738</u>	<u>\$ (139,536)</u>	<u>\$ 1,961,477</u>	<u>\$ (155,564)</u>

The table above shows the investment's gross unrealized losses and fair values, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position. A total of fourteen securities are in an unrealized loss position as of December 31, 2015 and 2014, based upon the total purchase transactions within each individual fund. Based on the Association's ability and intent to hold the investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Association does not consider these investments to be other-than-temporarily impaired at December 31, 2015.

NOTE 3. CAPITAL LEASE OBLIGATION

	<u>2015</u>	<u>2014</u>
RICOH Business Systems; Payable in monthly installments of \$930, including interest at 4.595%, through June 2020, secured by copier	\$ 45,291	\$ -
IKON Business Systems; Payable in monthly installments of \$670, including interest at 18.69%, through June 2015, secured by copier	-	3,810
Less: current maturities	9,308	3,810
Long term maturity	<u>\$ 35,983</u>	<u>\$ -</u>

The cost of the capital lease equipment was \$49,770 and \$26,000 as of December 31, 2015 and 2014, respectively. Accumulated depreciation on equipment under capital lease totaled \$4,799 and \$23,833 as of December 31, 2015 and 2014, respectively.

NATIONAL WIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

NOTE 3. CAPITAL LEASE OBLIGATION (CONTINUED)

The following is a schedule of future minimum lease payments on the capital lease obligation as of December 31, 2015:

2016	\$	11,160
2017		11,160
2018		11,160
2019		11,160
2020		4,106
Less amount representing interest		(4,757)
Net minimum lease payment	\$	<u>45,291</u>

NOTE 4. COMMITMENTS

The Association leases office space under an operating lease. Basic monthly lease expense of \$5,786, effective August 1, 2013, was required, with a 3% increase each August 1 through July 31, 2015, when the lease expired. The lease was renewed for the period August 1, 2015 through July 31, 2020. Basic monthly lease expense effective August 1, 2015, was \$9,356, with a 3% increase each August thereafter. Rent expense was \$104,113 and \$79,903 for the years ended December 31, 2015 and 2014, respectively.

The following is a schedule of future minimum lease payments as of December 31, 2015 under the revised lease:

2016	\$	114,241
2017	\$	117,668
2018	\$	121,198
2019	\$	124,834
2020	\$	73,715

NOTE 5. EMPLOYEE BENEFITS

403(b) Defined Contribution

The Association sponsors a 403(b) defined contribution plan for its employees. The Association does not contribute to the plan. The Association's paid the plan expense for the years ended December 31, 2015 and 2014 of \$4,255 and \$4,781, respectively. There are no other eligibility requirements or limitations for salary deferrals other than those imposed by IRC 403(b).

NATIONAL WIC ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015 and 2014

NOTE 5. EMPLOYEE BENEFITS (CONTINUED)

Deferred Compensation

The Association has a 457(b) deferred compensation plan for certain members of management. The Association contributes an amount equal to ten percent of the participant compensation for the plan year, not to exceed the IRS maximum annual contribution plus any catch-up provision. The deferred compensation accounts are shown as both assets and liabilities on the Association's financial statements and are available to creditors in the event of the Association's liquidation.

Deferred compensation amounts as of and for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Designated investments	<u>\$ 87,318</u>	<u>\$ 50,237</u>
Deferred compensation payable	<u>\$ 88,770</u>	<u>\$ 51,014</u>
Deferred compensation expense	<u>\$ 40,500</u>	<u>\$ 23,000</u>

SUPPLEMENTAL INFORMATION

NATIONAL WIC ASSOCIATION
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015, with
Comparative Totals for 2014

	Program Services					Supporting Services					Totals		
	Conferences and Events	Publications	Lobbying	CDC Grant	Total	Management and General	Governance	Outreach	Membership Services and Development	Fundraising	Total	2015	2014
\$	-	\$ -	\$ -	\$ -	\$ 2,450	\$ 63,769	\$ -	\$ -	\$ -	\$ -	\$ 63,769	\$ 66,219	\$ 69,684
Accounting and legal	305,265	-	-	2,987	308,252	30,242	-	-	-	-	30,242	338,494	379,506
Meeting room rental	132,792	-	-	6,871	139,663	74,965	-	-	-	-	74,965	214,628	252,869
Consultants	13,856	-	-	100	13,956	3,279	-	-	-	-	3,279	17,235	18,352
Bank and finance charges	5,379	5,365	4,671	-	15,415	10,444	4,562	4,384	3,963	4,342	27,695	43,110	37,693
Depreciation	453	-	-	500	953	2,368	-	-	-	-	2,368	3,321	750
Education	-	-	-	-	-	5,102	-	-	-	-	5,102	5,102	3,066
Equipment rent and maintenance	9,245	9,401	8,186	11,704	38,536	18,237	7,994	7,682	6,944	7,608	48,465	87,001	71,075
Health, life, and disability insurance	1,074	1,071	933	-	3,078	2,087	911	876	791	867	5,532	8,610	7,920
Insurance	-	-	-	-	-	1,312	-	-	-	-	1,312	1,513	1,513
Interest	-	-	-	-	-	7,176	-	-	-	-	7,176	7,181	7,759
Miscellaneous	-	-	-	5	5	-	-	-	-	-	-	-	-
Occupancy	18,912	18,862	16,425	19,577	73,776	36,723	16,040	15,414	13,933	15,266	97,376	171,152	119,221
Conference supplies	20,217	-	-	-	20,217	-	-	-	-	-	-	20,217	26,820
Office and computer supplies	3,835	3,825	3,331	1,435	12,426	7,446	3,253	3,126	2,826	3,096	19,747	32,173	23,800
Payroll taxes and benefits	7,393	7,373	6,421	6,386	27,573	14,601	6,270	6,026	5,447	5,968	38,312	65,885	51,140
Postage and delivery	8,556	-	-	-	8,556	7,020	-	-	-	-	7,020	15,576	23,314
Printing and duplicating	28,461	5,233	-	338	34,032	-	-	-	-	-	-	34,032	24,308
Salaries, wages, and bonuses	125,488	125,161	108,987	117,721	477,357	123,197	106,433	102,282	92,454	101,296	525,662	1,003,019	814,069
Subaward contract	-	-	-	2,048,499	2,048,499	-	-	63,750	-	-	63,750	2,112,249	62,500
Subscriptions and dues	-	-	-	-	-	7,730	-	-	-	-	7,730	7,730	7,041
Telephone	11,967	11,935	10,393	5,472	39,767	23,236	10,150	9,754	8,816	9,660	61,616	101,383	78,738
Travel	33,844	-	-	61,048	94,892	28,409	-	-	-	-	-	123,301	62,483
Total expenses	\$ 726,737	\$ 188,226	\$ 159,347	\$ 2,285,093	\$ 3,359,403	\$ 467,343	\$ 155,613	\$ 213,294	\$ 135,174	\$ 148,103	\$ 1,119,527	\$ 4,478,930	
Total expenses year ended December 31, 2014	\$ 730,274	\$ 203,478	\$ 151,265	\$ 20,721	\$ 1,105,738	\$ 490,960	\$ 146,660	\$ 114,570	\$ 137,882	\$ 147,811	\$ 1,037,883	\$ 2,143,621	\$ 2,143,621

See Independent Auditor's Report

NATIONAL WIC ASSOCIATION
SCHEDULE OF DIRECT ANNUAL CONFERENCE EXPENSES
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Meeting room rental	\$ 192,494	\$ 133,905
Consultants	66,904	60,317
Bank and finance charges	8,511	7,877
Miscellaneous	1,739	746
Postage & delivery	6,539	1,614
Printing & duplicating	9,435	8,477
Supplies	6,853	12,176
Travel	<u>22,552</u>	<u>19,371</u>
	<u>\$ 315,027</u>	<u>\$ 244,483</u>

See Independent Auditor's Report

NATIONAL WIC ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

Award	Grant Number	CFDA Number	Total Amount Expended	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Center for Disease Control and Prevention				
Community Partnerships for Healthy				
Mothers and Children	1U58DP005645-01	93.328	<u>\$ 2,285,093</u>	<u>\$ 1,927,380</u>
Total expenditure of federal awards			<u>\$ 2,285,093</u>	<u>\$ 1,927,380</u>

NATIONAL WIC ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of federal awards (the Schedule) includes the federal award activity of the Association under programs of the federal government for the year ended December 31, 2015. 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 Association, it is not intended and does not present the financial position, change in net assets, or cash flows of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting which is the method of accounting used for the financial statements. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulation's Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

NOTE 3. PROGRAM DESCRIPTION

National WIC Association (the Association) is a nonprofit organization that provides public health nutrition programs under the USDA providing nutrition, education, nutritious foods, breastfeeding support, and healthcare referrals for income-eligible woman who are pregnant or post-partum, infants, and children up to age five. The Association also administers a cooperative agreement, the Community Partnerships for Healthy Mothers and Children, as provided by the Department of Health and Human Services, Centers for Disease Control and Prevention, which was a major program for the year ended December 31, 2015.

NOTE 4. INDIRECT COST RATE

The Association has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S 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

To the Board of Directors
National WIC Association
Washington, D.C.

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 National WIC Association (the Association) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) 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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 a 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.

Our 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that may not have been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana
August 18, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH UNIFORM GUIDANCE

To the Board of Directors
National WIC Association
Washington DC

Report on Compliance for Each Major Federal Program

We have audited National WIC Association's (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal programs for the year ended December 31, 2015. The Association's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the Association'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 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 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 the Association'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 the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association 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 December 31, 2015.

Report on Internal Control Over Compliance

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

Our 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. We did not identify any deficiencies in internal control 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 control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana
August 18, 2016

NATIONAL WIC ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?	No

The major program for the year ended December 31, 2015, was as follows:

The Community Partnerships for Healthy Mothers and Children granted by the Department of Health and Human Services Center for Disease Control and Prevention. The CFDA number for this program is 93.238.

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

To the Board of Directors
National WIC Association
2001 S Street NW, Suite 580
Washington D.C.

We have completed our audit of the financial statements of the National WIC Association (the Association) for the years ended December 31, 2015 and 2014. During the course of our audit, the following items came to our attention which we believe could improve the operational efficiency of the Association.

CURRENT YEAR COMMENTS

**Subrecipient
Monitoring:**

Observation: During our testing, we noted that the Association is conducting monitoring of subrecipient activities through report requests. The information requested from the subrecipients does not include copies of vendor invoices, receipts or other supporting documentation.

Recommendation: We recommend as a best practice that documentation, including vendor invoice and receipts, are requested from subrecipients to support the activities being reported to the Association as part of its monitoring process.

STANDARDS UPDATE

NEW GRANT ADMINISTRATION GUIDANCE

New federal grant administration guidance is now effective. The Uniform Guidance consolidates eight separate grant circulars into one that applies to governmental, nonprofit, higher education and tribal federal grant recipients. Following is a brief summary of some of the key elements of the new guidance.

One of the more significant changes pertains to requirements for entities that pass-through grant funds to other subrecipients. The organization passing through the federal funds to another entity must determine whether it is entering into a grant or contract arrangement. If it is determined to be a grant rather than a contract for services, the subaward document must clearly communicate this, along with other required information about the subrecipient's responsibilities for compliance with federal regulations, as outlined 2 CFR 200.331. Additional guidance regarding the characteristics of a subaward and a contract can be found at 2 CFR 200.330.

The pass-through entity must also assess the risk that its subrecipient will fail to comply with program regulations and statutes, and develop a monitoring plan based on this risk. This plan must include review of program and financial reports, following up on deficiencies that have been observed or reported, and issue management decisions based on the monitoring, such as requiring corrective action plans and considering the need for any sanctions.

This is a significantly more detailed approach than what was previously required under OMB Circular A-133. As the Association subgrants its federal Center for Disease Control (CDC) funds, we recommend that management review the Uniform Guidance, ensure its grant agreements include all required elements, document its risk assessment and the resulting monitoring plan as well as the results of monitoring activities. Subrecipients may also find it helpful to review this guidance in preparation for monitoring by pass-through grantors.

Another significant change contained in the Uniform Guidance relates to the procurement standards. The new regulations better define the different types of procurement and required elements for each of five types:

- micro-purchases (less than \$3,000),
- small purchases (items greater than \$3,000 but less than the simplified acquisition threshold (\$150,000),
- sealed bids (specific requirements apply),
- competitive proposals (when sealed bids are not appropriate – must meet specific requirements),
- noncompetitive proposals (must meet one of five criteria for this option).

In addition, all entities must have a procurement policy in place that address five general requirements: conflict of interest, necessity, open competition, compliance with internal policies and proper documentation. For the first two full years after the effective date of the Uniform Guidance (December 26, 2014), grant recipients need only state whether they are following old requirements or the new Uniform Guidance (the Association's year ending December 31, 2016). The new regulations are effective the following year (the Association's year ending December 31, 2017). We recommend the Association utilize this grace period to review the new standards and modify its procurement policy as necessary. These standards can be found beginning at 2 CFR 200.318.

The Uniform Guidance also provides for a 10% de minimis indirect cost rate that does not require an application and approval process. This can be used indefinitely and if elected, it must be used for all federal grants. This does not increase the funds available under a grant but does allow nonprofits to recover at least some of their overhead costs. Additional information about the 10% rate can be found at 2 CFR 200.414 (f). As this is a new provision, we recommend discussion with grantors on the use of the rate as part of the grant application or award process.

The updated Guidance also places greater emphasis on internal controls (see 2 CFR 200.303) but does not mandate specific controls. Rather, references to the "Standards for Internal Control in the Federal Government" (the "Green Book") and other guidance are offered as a resource and as best practices. As the Association obtains new grants or as processes change, the internal control process should be reviewed and updated. A key control in any internal control system is monitoring it to ensure it addresses relevant issues.

Finally, the following is a link to a "frequently asked questions" document prepared by the Council on Financial Assistance Reform (COFAR). It has been updated and is useful in interpreting the new rules. See <https://cfo.gov/wp-content/uploads/2014/08/2014-08-29-Frequently-Asked-Questions.pdf>.

Management should also be aware that awards issued prior to December 26, 2014, are subject to the former grant guidance unless new conditions are attached to incremental funding after that date. If the grantee is a subrecipient, the original grant date by the federal agency will determine what regulations govern. It is possible that an entity may have grants subject to both old and new standards. It is also considered acceptable to establish system-wide policies based on the new regulations.

NEW LEASE STANDARD

The Financial Accounting Standards Board (FASB) issued the final Accounting Standard Update related to Accounting for Leases in February 2016. The effective dates for public business entities is fiscal years beginning after December 15, 2018 and for all other entities, fiscal years beginning after December 15, 2019. Although this seems far into the future, early planning for this new standard will help with implementation.

The new standard applies a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases longer than 12 months. Leases will be classified as either finance or operating, with classification affecting how the expense is recognized on the income statement. Finance leases will result in a "front-loaded" expense by amortizing the payments and recording interest over the lease term, while operating leases will result in a straight-line expense over the lease term.

This new treatment could take many of your current leases that can be considered operating, and require that they be added to your balance sheet as both an asset and a liability. Only those leases noted above that are under 12 months can be recorded as a "short-term lease", similar to how operating leases were recorded under the old methodology (not requiring the recognition of an asset and liability).

Anderson Zurmuehlen & Co., P.C.

Helena, Montana
August 18, 2016