



**NATIONAL WIC ASSOCIATION**

**FINANCIAL REPORT**

**December 31, 2016 and 2015**



## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6 to 12
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenses for the Year Ended December 31, 2016 with Comparative Totals for 2015 .....	13
Schedule of Direct Annual Conference Expenses .....	14
Schedule of Expenditures of Federal Awards .....	15
Notes to Schedule of Expenditures of Federal Awards .....	16
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 <i>Government</i> <i>Auditing Standards</i> .....	17 and 18
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance .....	19 and 20
Schedule of Findings and Questioned Costs .....	21 and 22





## 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, 2016 and 2015, 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, 2016 and 2015, 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 October 18, 2017, 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.

*Anderson Zurmuehlen & Co., P.C.*  
Helena, Montana  
October 18, 2017

## FINANCIAL STATEMENTS





NATIONAL WIC ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 656,902	\$ 381,533
Certificates of deposit	801,305	801,500
Prepaid expenses	43,634	53,245
Security and other deposits	2,667	2,667
Interest receivable	1,189	1,927
Accounts receivable	<u>450,505</u>	<u>271,273</u>
Total current assets	<u>1,956,202</u>	<u>1,512,145</u>
DESIGNATED ASSETS		
Cash and cash equivalents	96,631	86,452
Investments	<u>5,461,653</u>	<u>4,964,320</u>
	<u>5,558,284</u>	<u>5,050,772</u>
PROPERTY AND EQUIPMENT		
Furniture, fixtures, and equipment	283,671	283,671
Less: accumulated depreciation	<u>(199,215)</u>	<u>(161,730)</u>
	<u>84,456</u>	<u>121,941</u>
Total assets	<u>\$ 7,598,942</u>	<u>\$ 6,684,858</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 186,050	\$ 50,066
Current portion of capital lease obligation	9,745	9,308
Wages and payroll taxes payable	20,447	14,925
Accrued expenses	82,874	72,456
Deferred revenues - conference fees	19,398	20,196
Deferred revenues - membership dues	<u>280,335</u>	<u>72,649</u>
Total current liabilities	<u>598,849</u>	<u>239,600</u>
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	26,273	35,983
Deferred compensation payable	<u>145,809</u>	<u>88,770</u>
Total long-term liabilities	<u>172,082</u>	<u>124,753</u>
Total liabilities	<u>770,931</u>	<u>364,353</u>
NET ASSETS		
Unrestricted		
Undesignated	1,269,727	1,269,733
Designated	<u>5,558,284</u>	<u>5,050,772</u>
Total unrestricted net assets	<u>6,828,011</u>	<u>6,320,505</u>
Total liabilities and net assets	<u>\$ 7,598,942</u>	<u>\$ 6,684,858</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS</b>		
Sales		
Calendar and related product royalties	\$ 409,403	\$ 387,747
Publications, directory and miscellaneous items	<u>59,198</u>	<u>37,242</u>
Net sales	<u>468,601</u>	<u>424,989</u>
Cost of sales		
Calendars and related products	77,660	70,207
Publications, directory and miscellaneous items	<u>1,000</u>	<u>-</u>
Total cost of sales	<u>78,660</u>	<u>70,207</u>
Gross profit on sales	<u>389,941</u>	<u>354,782</u>
Other support and revenue		
Membership dues	664,091	601,675
Conference revenue	1,206,182	813,045
Management fee	111,979	9,450
Contributions	1,202,113	5,025
Special event	2,675	3,727
Grants and contracts	3,704,694	2,362,838
Interest, dividends and capital gain distributions	173,797	279,270
Net realized and unrealized gain (loss) on investments, net of fees	217,742	(452,677)
Miscellaneous	<u>21,651</u>	<u>1,790</u>
Total other support and revenue	<u>7,304,924</u>	<u>3,624,143</u>
Total unrestricted revenue and support, net of cost of sales	<u>7,694,865</u>	<u>3,978,925</u>
Program services		
Conferences and events	867,222	726,737
Newsletter and publications	192,742	188,226
Lobbying	197,696	159,347
Recruitment and retention campaign	1,030,701	-
CDC Grant	3,696,130	2,285,093
Supporting services		
Management and general	569,778	467,343
Governance	166,060	155,613
Outreach	174,957	213,294
Membership services and development	132,792	135,174
Fundraising	<u>159,281</u>	<u>148,103</u>
Total expenses	<u>7,187,359</u>	<u>4,478,930</u>
Change in unrestricted net assets	507,506	(500,005)
Net assets, beginning of year	<u>6,320,505</u>	<u>6,820,510</u>
Net assets, end of year	<u>\$ 6,828,011</u>	<u>\$ 6,320,505</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 507,506	\$ (500,005)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	37,485	43,110
Net realized and unrealized (gain) loss on investments	(253,509)	417,931
Changes in operating assets and liabilities:		
Prepaid expenses and deposits	9,612	(6,391)
Interest receivable	738	(177)
Accounts receivable	(179,232)	43,271
Payables and accrued expenses	208,962	23,677
Deferred revenue	<u>206,888</u>	<u>11,734</u>
Net cash flows from operating activities	<u>538,450</u>	<u>33,150</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(299,805)	(900,000)
Maturity of certificates of deposits	300,000	1,200,034
Purchase of marketable securities	(1,324,255)	(381,504)
Proceeds from sale of marketable securities	<u>1,080,431</u>	<u>78,707</u>
Net cash flows from investing activities	<u>(243,629)</u>	<u>(2,763)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease	<u>(9,273)</u>	<u>(8,289)</u>
Net cash flows from financing activities	<u>(9,273)</u>	<u>(8,289)</u>
Net change in cash and cash equivalents	285,548	22,098
Cash and cash equivalents, beginning of year	<u>467,985</u>	<u>445,887</u>
Cash and cash equivalents, end of year	<u>\$ 753,533</u>	<u>\$ 467,985</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest expense	<u>\$ 1,914</u>	<u>\$ 1,312</u>
Equipment acquired through issuance of debt	<u>\$ -</u>	<u>\$ 49,770</u>
Cash and cash equivalents above are reported on the statements of financial position as follows:		
Current	\$ 656,902	\$ 381,533
Designated	<u>96,631</u>	<u>86,452</u>
	<u>\$ 753,533</u>	<u>\$ 467,985</u>

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



NATIONAL WIC ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

**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, 2016 and 2015 there was \$263,933 and \$-0- in financial institutions in excess of federally insured amounts, respectively.

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, 2016 and 2015

**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, 2016 and 2015, 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
------------------------------------	-----------

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. If restricted, these assets are depreciated in the same manner as other property and equipment and the amount of depreciation shown as a release from restriction.

**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, 2016 and 2015.

**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, 2016 and 2015

**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.

**Subsequent Events**

Management has evaluated subsequent events through \_\_\_\_\_, 2017, 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, 2016 and 2015.

*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, 2016 and 2015

**NOTE 2. INVESTMENTS (CONTINUED)**

Investment securities at December 31, 2016 and 2015, consist of the following assets, all of which are held by third-party money managers.

Investments	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Level 1 inputs				
Mutual funds:				
Mutual funds - world bond funds	\$ 540,718	\$ 461,250	\$ 697,870	\$ 544,281
Mutual funds - mid-cap growth funds	190,907	185,294	107,671	102,739
Mutual funds - mid-cap blend funds	476,639	516,866	442,203	458,306
Mutual funds - large blend funds	1,390,808	1,425,111	1,787,837	1,740,825
Mutual funds - large growth funds	513,433	480,718	494,043	444,003
Mutual funds - int'l small/mid-cap value funds	219,055	252,078	207,803	162,418
Mutual funds - mid-cap value funds	426,571	419,270	409,600	356,874
Mutual funds - exchange traded funds	639,479	662,751	-	-
Mutual funds - short-term bond funds	226,110	224,548	221,000	219,703
Mutual funds - intermediate-term bond funds	497,850	482,108	642,297	620,441
Total mutual funds	<u>5,121,570</u>	<u>5,109,994</u>	<u>5,010,324</u>	<u>4,649,590</u>
Common stock:				
Basic materials	38,471	39,437	33,777	29,405
Consumer goods	105,443	106,720	70,721	66,254
Financial	72,066	83,205	71,950	70,545
Healthcare	12,070	10,181	40,105	40,124
Industrial goods	8,928	10,148	14,353	13,628
Services	32,246	41,725	27,979	32,488
Specialty Retail	9,132	10,538	-	-
Technology	43,151	49,705	63,541	62,286
Total common stock	<u>321,507</u>	<u>351,659</u>	<u>322,426</u>	<u>314,730</u>
Total Level 1 inputs	<u>5,443,077</u>	<u>5,461,653</u>	<u>5,332,750</u>	<u>4,964,320</u>
Total investments	<u>\$ 5,443,077</u>	<u>\$ 5,461,653</u>	<u>\$ 5,332,750</u>	<u>\$ 4,964,320</u>

Investment return for the years ended December 31, 2016 and 2015 consists of the following:

**2016:**

Dividend and interest income	\$ 173,797
Net realized and unrealized gain	253,509
Investment fees	(35,317)
	<u>\$ 391,989</u>

**2015:**

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

**NATIONAL WIC ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2016 and 2015

**NOTE 2. INVESTMENTS (CONTINUED)**

Investments with an unrealized loss position at December 31, 2016 and 2015, 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>2016:</u>						
Description of securities:						
Stocks	\$ 765,372	\$ (22,396)	\$ 1,080,372	\$ (96,262)	\$ 1,845,744	\$ (118,658)
Bonds	548,310	(23,857)	975,635	(86,417)	1,523,945	(110,274)
	<u>\$ 1,313,682</u>	<u>\$ (46,253)</u>	<u>\$ 2,056,007</u>	<u>\$ (182,679)</u>	<u>\$ 3,369,689</u>	<u>\$ (228,932)</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>

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 forty-eight securities are in an unrealized loss position as of December 31, 2016 and 2015, 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, 2016.

**NOTE 3. CAPITAL LEASE OBLIGATION**

	<u>2016</u>	<u>2015</u>
RICOH Business Systems;		
Payable in monthly installments of \$930,		
including interest at 4.595%, through		
June 2020, secured by copier	\$ 36,018	\$ 45,291
Less: current maturities	<u>9,745</u>	<u>9,308</u>
Long term maturity	<u>\$ 26,273</u>	<u>\$ 35,983</u>

The cost of the capital lease equipment was \$49,770 as of December 31, 2016 and 2015. Accumulated depreciation on equipment under capital lease totaled \$14,397 and \$4,799 as of December 31, 2016 and 2015, respectively.

NATIONAL WIC ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
December 31, 2016 and 2015

**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, 2016:

2017	\$ 11,160
2018	11,160
2019	11,160
2020	5,444
Less amount representing interest	(2,904)
Net minimum lease payment	<u>\$ 36,018</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 \$114,241 and \$104,113 for the years ended December 31, 2016 and 2015, respectively.

The following is a schedule of future minimum lease payments as of December 31, 2016 under the revised lease:

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, 2016 and 2015 of \$4,281 and \$4,255, 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, 2016 and 2015

**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. The investments are kept in a separate brokerage account.

Deferred compensation amounts as of and for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Designated investments	<u>\$ 145,809</u>	<u>\$ 87,318</u>
Deferred compensation payable	<u>\$ 145,809</u>	<u>\$ 88,770</u>
Deferred compensation expense	<u>\$ 44,225</u>	<u>\$ 40,500</u>

SUPPLEMENTAL INFORMATION





**NATIONAL WIC ASSOCIATION**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2016, with  
Comparative Totals for 2015

	Program Services					Supporting Services					Totals			
	Conferences and Events	Publications	Lobbying	Recruitment and retention campaign	CDC Grant	Total	Management and General	Governance	Outreach	Membership Services and Development		Fundraising	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	2016	2015
Accounting and legal	-	-	-	-	2,450	2,450	77,782	-	-	-	-	77,782	80,232	66,219
Meeting room rental	372,548	-	-	-	2,987	375,535	31,573	-	-	-	-	31,573	407,108	338,494
Consultants	174,314	-	-	-	6,871	181,185	61,156	-	-	-	-	61,156	242,341	214,628
Bank and finance charges	19,837	-	-	-	100	19,937	6,271	-	-	-	-	6,271	26,208	17,235
Depreciation	4,420	4,490	4,705	-	-	13,615	8,802	3,952	4,164	3,161	3,791	23,870	37,485	43,110
Education	-	-	-	-	500	500	835	-	-	-	-	835	1,335	3,321
Equipment rent and maintenance	-	-	-	-	-	-	6,483	-	-	-	-	6,483	6,483	5,102
Health, life, and disability insurance	12,001	12,189	12,774	-	11,458	48,422	23,895	10,730	11,305	8,580	10,292	64,802	113,224	87,001
Insurance	331	336	352	-	-	1,019	660	296	312	237	284	1,789	2,808	8,610
Interest	-	-	-	-	-	-	1,914	-	-	-	-	1,914	1,914	1,312
Miscellaneous	-	-	-	-	5	5	15,351	-	-	-	-	15,351	15,356	7,181
Occupancy	18,686	18,979	19,890	-	19,577	77,132	37,205	16,707	17,602	13,360	16,025	100,899	178,031	171,152
Conference supplies	50,006	-	-	-	-	50,006	290	-	-	-	-	290	50,296	20,217
Office and computer supplies	1,794	1,822	1,910	-	1,435	6,961	3,572	1,604	1,690	1,283	1,539	9,688	16,649	32,173
Payroll taxes and benefits	8,597	8,732	9,151	-	6,632	33,112	17,117	7,687	8,099	6,147	7,373	46,423	79,535	65,885
Postage and delivery	10,417	-	-	-	-	10,417	7,949	-	-	-	-	7,949	18,366	15,576
Printing and duplicating	22,569	4,099	-	-	338	27,006	-	-	-	-	-	-	27,006	34,032
Recruitment and retention campaign	-	-	-	1,030,701	-	1,030,701	-	-	-	-	-	-	1,030,701	-
Salaries, wages, and bonuses	128,075	130,089	136,331	-	117,721	512,216	231,809	114,515	120,650	91,572	109,839	668,385	1,180,601	1,003,019
Subaward contract	-	-	-	-	3,459,536	3,459,536	-	-	-	-	-	-	3,459,536	2,112,249
Subscriptions and dues	11,821	12,006	12,583	-	5,472	41,882	23,534	10,569	11,135	8,452	10,138	63,828	105,710	7,730
Telephone	31,806	-	-	-	61,048	92,854	8,113	-	-	-	-	8,113	100,967	101,383
Travel	867,222	192,742	197,696	1,030,701	3,696,130	5,984,491	569,778	166,060	174,957	132,792	159,281	1,202,868	7,187,359	123,301
Total expenses														
Total expenses year ended December 31, 2015	\$ 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

NATIONAL WIC ASSOCIATION  
 SCHEDULE OF DIRECT ANNUAL CONFERENCE EXPENSES  
 Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Meeting room rental	\$ 179,301	\$ 192,494
Consultants	49,546	66,904
Bank and finance charges	9,386	8,511
Miscellaneous	16,773	1,739
Postage & delivery	5,941	6,539
Printing & duplicating	9,558	9,435
Supplies	13,655	6,853
Travel	<u>13,843</u>	<u>22,552</u>
	<u>\$ 298,003</u>	<u>\$ 315,027</u>

NATIONAL WIC ASSOCIATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2016

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	\$ 3,704,694	\$ 3,459,536
Total expenditure of federal awards			<u>\$ 3,704,694</u>	<u>\$ 3,459,536</u>

NATIONAL WIC ASSOCIATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2016

**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, the cost principles 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, 2016.

**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, 2016, 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 October 18, 2017.

**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  
October 18, 2017



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, 2016. 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, 2016.

### **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  
October 18, 2017



NATIONAL WIC ASSOCIATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2016

**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, 2016, 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

