

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Association of Councils on Developmental Disabilities
Washington, D.C.

We have audited the accompanying financial statements of the National Association of Councils on Developmental Disabilities (NACDD), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 NACDD as of September 30, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited NACDD's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

March 8, 2018

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 284,530	\$ 465,690
Investments	176,624	169,416
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$16,343 for September 30, 2017 and 2016, respectively	152,357	130,202
Prepaid expenses	<u>2,175</u>	<u>1,000</u>
Total current assets	<u>615,686</u>	<u>766,308</u>
FIXED ASSETS		
Furniture and equipment	23,379	23,379
Less: Accumulated depreciation	<u>(20,478)</u>	<u>(17,825)</u>
Net fixed assets	<u>2,901</u>	<u>5,554</u>
TOTAL ASSETS	<u>\$ 618,587</u>	<u>\$ 771,862</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 18,141	\$ 51,185
Accrued salaries and related benefits	53,815	41,566
Deferred revenue:		
Membership	168,793	141,980
Conference	6,402	-
Funds held for agencies	<u>117,793</u>	<u>350,555</u>
Total current liabilities	<u>364,944</u>	<u>585,286</u>
NET ASSETS - Unrestricted	<u>253,643</u>	<u>186,576</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 618,587</u>	<u>\$ 771,862</u>

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>Unrestricted</u>	
	<u>2017</u>	<u>2016</u>
REVENUE		
Membership	\$ 495,090	\$ 504,410
Government grants	641,518	489,825
Conference	80,470	72,432
Contributions	89,500	21,213
Other revenue	14,951	20,509
Executive Director Retreat Registrations	1,735	11,720
Investment income	7,508	860
Interest income	<u>-</u>	<u>282</u>
Total revenue	<u>1,330,772</u>	<u>1,121,251</u>
EXPENSES		
Program Services:		
Technical Assistance Contract	500,095	488,232
Public Policy	151,811	145,097
Council Services	<u>46,112</u>	<u>14,359</u>
Total program services	698,018	647,688
General and Administrative	<u>565,687</u>	<u>560,872</u>
Total expenses	<u>1,263,705</u>	<u>1,208,560</u>
Change in net assets	67,067	(87,309)
Net assets at beginning of year	<u>186,576</u>	<u>273,885</u>
NET ASSETS AT END OF YEAR	<u>\$ 253,643</u>	<u>\$ 186,576</u>

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017				2016		
	Program Services						
	Technical Assistance Contract	Public Policy	Council Services	Total Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries	\$ 193,577	\$ 84,690	\$ -	\$ 278,267	\$ 311,934	\$ 590,201	\$ 543,798
Benefits and taxes	39,288	10,735	-	50,023	71,741	121,764	109,964
Printing and production	-	-	-	-	375	375	218
Professional fees	50,226	-	-	50,226	15,937	66,163	68,551
Occupancy	53,010	-	-	53,010	13,252	66,262	67,963
Insurance	1,344	-	-	1,344	632	1,976	3,311
Depreciation	-	-	-	-	2,653	2,653	4,062
Telephone	5,116	-	-	5,116	7,899	13,015	8,965
Travel and entertainment	-	-	-	-	10,556	10,556	-
Consulting fees	994	56,386	42,362	99,742	42,902	142,644	88,681
Postage and delivery	-	-	-	-	470	470	276
Supplies	-	-	-	-	2,843	2,843	4,252
Events and meetings	22,175	-	-	22,175	63,952	86,127	169,185
Grants	-	-	3,750	3,750	-	3,750	-
TA project expenses	131,888	-	-	131,888	19,552	151,440	136,752
Miscellaneous	2,477	-	-	2,477	989	3,466	2,582
TOTAL	\$ 500,095	\$ 151,811	\$ 46,112	\$ 698,018	\$ 565,687	\$ 1,263,705	\$ 1,208,560

See accompanying notes to financial statements.

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 67,067	\$ (87,309)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	2,653	4,062
Change in allowance for doubtful accounts	16,343	(16,058)
Unrealized gain on investments	(5,610)	(350)
(Increase) decrease in:		
Accounts receivable	(38,498)	132,782
Prepaid expenses	(1,175)	(1,000)
(Decrease) increase in:		
Accounts payable	(33,044)	27,765
Accrued salaries and related benefits	12,249	1,622
Deferred revenue	33,215	133,946
Funds held for agencies	<u>(232,762)</u>	<u>255,639</u>
Net cash (used) provided by operating activities	<u>(179,562)</u>	<u>451,099</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(91,598)	(169,066)
Proceeds from the maturity of certificates of deposit	90,000	-
Purchase of furniture and equipment	<u>-</u>	<u>(4,146)</u>
Net cash used by investing activities	<u>(1,598)</u>	<u>(173,212)</u>
Net (decrease) increase in cash and cash equivalents	(181,160)	277,887
Cash and cash equivalents at beginning of year	<u>465,690</u>	<u>187,803</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 284,530</u>	<u>\$ 465,690</u>

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Association of Councils on Developmental Disabilities (NACDD) is a non-profit organization, incorporated in the District of Columbia. National Association of Councils on Developmental Disabilities is the national voice of the Councils on Developmental Disabilities that works for change on behalf of people with developmental disabilities and their families. NACDD's purpose is to support the Councils on Developmental Disabilities in implementing the Developmental Disabilities Assistance and Bill of Rights Act and in promoting the interests and rights of people with developmental disabilities and their families.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NACDD's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Cash and cash equivalents -

NACDD considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year NACDD maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Accounts receivable -

Accounts receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets

Fixed assets -

Fixed assets are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, usually five to seven years. Fixed assets purchased in excess of \$1,000 are capitalized. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended September 30, 2017 totaled \$2,653.

Income taxes -

NACDD is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NACDD is not a private foundation.

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Uncertain tax positions -

For the year ended September 30, 2017, NACDD has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

Deferred revenue consists of membership dues and conference registration received in advance. NACDD recognizes member dues on a pro-rata basis over the annual membership period. Conference registration is recognized at the time that the conference takes place.

Funds held for agencies -

NACDD receives funds from an unrelated not-for-profit organization that are for the benefit of the contributing not-for-profit. These funds are classified by NACDD as an agency transaction and as such are recorded as a liability and are not included in the Statement of Activities and Change in Net Assets. As of September 30, 2017, NACDD owed \$117,793 to these organizations.

Net asset classification -

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of NACDD and include both internally designated and undesignated resources.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

NACDD receives funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Accounts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements.

Use of estimates -

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

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Conference and retreat income -

Conference and retreat income is recognized at the time the conference or retreat takes place. Funds received in advance of the conference or retreat are recorded as deferred income until earned.

Fair value measurements -

In accordance with FASB ASC 820, *Fair Value Measurement*, NACDD has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market NACDD has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NACDD follows the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain entities that Calculate Net Asset per Share* (or its equivalent).

The guidance permits, as a practical expedient, the fair value of investments within its scope to be estimated using net asset value (NAV) or its equivalent. NAV or its equivalent is the value per share or value of ownership interest in partner's capital, as provided by the fund, whose financial statements are prepared in a manner consistent with measurement principles of an investment company or that have the attributes of an investment company. In many instances, NAV will not equal fair value that would be calculated pursuant to the Fair Value Measurement Topic.

For disclosure of inputs and valuation techniques, see Note 2.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions.

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of NACDD's financial statements, it is not expected to alter NACDD's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. NACDD has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

NACDD plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

The table below summarizes the investments measured at fair value on a recurring basis, aggregated by the fair value hierarchy level with the measurement were made. NACDD's investments as of September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total September 30, 2017</u>
Asset Class:				
Money Market Funds	\$ 36,881	\$ -	\$ -	\$ 36,881
Equity Funds	45,373	-	-	45,373
Fixed Income Funds	-	4,350	-	4,350
Certificates of Deposit	-	90,020	-	90,020
TOTAL	<u>\$ 82,254</u>	<u>\$ 94,370</u>	<u>\$ -</u>	<u>\$ 176,624</u>

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

2. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2017.

- *Money market funds* - The fair value is equal to the reported net asset value of the fund.
- *Equity funds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed income funds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

Included in investment income are the following:

Interest and dividends	\$	1,898
Unrealized gain		<u>5,610</u>
TOTAL INVESTMENT INCOME	\$	<u>7,508</u>

3. LEASE COMMITMENT

NACDD entered into a one-year office lease that commenced on October 1, 2015 and expired on September 30, 2016 and was extended to September 30, 2017. On September 14, 2017, NACDD entered into a new lease that will start on October 1, 2017 and expire on September 30, 2022. Base rent is \$69,483 annually and will increase 4% each year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes will be recorded as a deferred rent liability on the Statement of Financial Position.

Rent expense for the year ended September 30, 2017 was \$66,262. The following is a schedule of the future minimum lease payments:

Year Ended September 30,

2018	\$	69,483
2019		72,262
2020		75,153
2021		78,159
2022		<u>81,285</u>
	\$	<u>376,342</u>

4. RETIREMENT PLAN

NACDD participates in a 401(k) Profit Sharing Plan and Trust. Employees are fully vested from the time they enroll in the program. NACDD makes a matching contribution up to five percent of the employee's compensation for the year.

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

4. RETIREMENT PLAN (Continued)

As of September 30, 2017, there were five employees participating in the plan. Plan contribution expense for the year ended September 30, 2017 was \$12,193.

5. SUBSEQUENT EVENTS

In preparing these financial statements, NACDD has evaluated events and transactions for potential recognition or disclosure through date of report March 8, 2018, the date the financial statements were issued.