

FINANCIAL STATEMENTS



NACDD

National Association of Councils
on Developmental Disabilities

**FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

February 8, 2017

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 465,690	\$ 187,803
Investments	169,416	-
Accounts receivable, net of allowance for doubtful accounts of \$16,343 and \$32,401 for September 30, 2016 and 2015, respectively	130,202	246,926
Prepaid expenses	<u>1,000</u>	<u>-</u>
Total current assets	<u>766,308</u>	<u>434,729</u>
FIXED ASSETS		
Furniture and equipment	23,379	19,234
Less: Accumulated depreciation	<u>(17,825)</u>	<u>(13,764)</u>
Net fixed assets	<u>5,554</u>	<u>5,470</u>
TOTAL ASSETS	<u>\$ 771,862</u>	<u>\$ 440,199</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 51,185	\$ 23,420
Accrued salaries and related benefits	41,566	39,944
Deferred revenue:		
Membership	141,980	8,034
Funds held for agencies	<u>350,555</u>	<u>94,916</u>
Total current liabilities	<u>585,286</u>	<u>166,314</u>
NET ASSETS - Unrestricted	<u>186,576</u>	<u>273,885</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 771,862</u>	<u>\$ 440,199</u>

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>Unrestricted</u>	
	<u>2016</u>	<u>2015</u>
REVENUE		
Membership	\$ 504,410	\$ 488,683
Government grants	489,825	338,407
Conference	72,432	58,129
Contributions	21,213	5,975
Other revenue	20,509	7,461
Executive Director Retreat Registrations	11,720	4,105
Investment income	860	-
Interest income	<u>282</u>	<u>50</u>
Total revenue	<u>1,121,251</u>	<u>902,810</u>
EXPENSES		
Program Services:		
Technical Assistance Contract	488,232	338,407
Public Policy	145,097	138,738
Council Services	<u>14,359</u>	<u>62,093</u>
Total program services	647,688	539,238
General and Administrative	<u>560,872</u>	<u>471,019</u>
Total expenses	<u>1,208,560</u>	<u>1,010,257</u>
Change in net assets	(87,309)	(107,447)
Net assets at beginning of year	<u>273,885</u>	<u>381,332</u>
NET ASSETS AT END OF YEAR	<u>\$ 186,576</u>	<u>\$ 273,885</u>

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016				2015		
	Program Services						
	Technical Assistance Contract	Public Policy	Council Services	Total Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries	\$ 222,513	\$ 86,206	\$ -	\$ 308,719	\$ 235,079	\$ 543,798	\$ 478,505
Benefits and taxes	25,283	9,214	-	34,497	75,467	109,964	108,642
Printing and production	-	-	-	-	218	218	647
Professional fees	36,553	-	-	36,553	31,998	68,551	70,720
Occupancy	39,300	-	-	39,300	28,663	67,963	51,908
Insurance	867	-	-	867	2,444	3,311	3,597
Depreciation	-	-	-	-	4,062	4,062	3,782
Telephone	1,600	-	-	1,600	7,365	8,965	7,573
Consulting fees	2,630	49,677	-	52,307	36,374	88,681	124,324
Postage and delivery	-	-	-	-	276	276	4,038
Supplies	1,205	-	-	1,205	3,047	4,252	7,226
Events and meetings	48,431	-	14,359	62,790	106,395	169,185	77,524
TA project expenses	109,189	-	-	109,189	27,563	136,752	67,087
Miscellaneous	661	-	-	661	1,921	2,582	4,684
TOTAL	\$ 488,232	\$ 145,097	\$ 14,359	\$ 647,688	\$ 560,872	\$ 1,208,560	\$ 1,010,257

See accompanying notes to financial statements.

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (87,309)	\$ (107,447)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,062	3,782
Change in allowance for doubtful accounts	(16,058)	(18,295)
Unrealized gain on investments	(350)	-
(Increase) decrease in:		
Accounts receivable	132,782	194,293
Prepaid expenses	(1,000)	-
Increase (decrease) in:		
Accounts payable	27,765	(71,886)
Accrued salaries and related benefits	1,622	3,458
Deferred revenue	133,946	(102,750)
Funds held for agencies	<u>255,639</u>	<u>54,175</u>
Net cash provided (used) by operating activities	<u>451,099</u>	<u>(44,670)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(169,066)	-
Purchase of furniture and equipment	<u>(4,146)</u>	<u>-</u>
Net cash used by investing activities	<u>(173,212)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	277,887	(44,670)
Cash and cash equivalents at beginning of year	<u>187,803</u>	<u>232,473</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 465,690</u>	<u>\$ 187,803</u>

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2015, from which the summarized information was derived.

Cash and cash equivalents -

NACDD considers all cash and other highly liquid investments, including certificates of deposit, 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 market value. 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, 2016 totaled \$4,062.

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, 2016**

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

Uncertain tax positions -

For the year ended September 30, 2016, 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 received in advance. NACDD recognizes member dues on a pro-rata basis over the annual membership period. Deferred fees will be recognized during the year ended September 30, 2017.

Funds held for agencies -

NACDD receives funds from unrelated not-for-profit organization that are 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, 2016, NACDD owed \$350,555 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, 2016

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 is recorded as deferred income until earned.

Fair value measurements -

NACDD adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. NACDD accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at September 30, 2016:

	<u>Fair Value</u>
Money Market Funds	\$ 4,841
Equity Funds	40,398
Fixed Income Funds	4,392
Certificate of Deposit	<u>119,785</u>
	<u>\$ 169,416</u>

Included in investment income are the following:

Interest and dividends	\$ 510
Unrealized gain	<u>350</u>
TOTAL INVESTMENT INCOME	<u>\$ 860</u>

3. LEASE COMMITMENT

NACDD entered into a one-year office lease that commenced on October 1, 2015 and expired on September 30, 2016. Prior to year-end, NACDD extended its office lease through September 30, 2017.

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

3. LEASE COMMITMENT (Continued)

Rent expense for the year ended September 30, 2016 was \$67,963. The following is a schedule of the future minimum lease payments:

Year Ending September 30, 2017	\$ <u>66,174</u>
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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. As of September 30, 2016, there were five employees participating in the plan. Plan contribution expense for the year ended September 30, 2016 was \$16,650.

5. 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 Statements 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.

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, 2016.

- *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.

NATIONAL ASSOCIATION OF COUNCILS ON DEVELOPMENTAL DISABILITIES

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

5. FAIR VALUE MEASUREMENTS (Continued)

The table below summarizes, by level within the fair value hierarchy, NACDD's investments as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 4,841	\$ -	\$ -	\$ 4,841
Equity Funds	40,398	-	-	40,398
Fixed Income Funds	-	4,392	-	4,392
Certificate of Deposit	<u>-</u>	<u>119,785</u>	<u>-</u>	<u>119,785</u>
TOTAL	<u>\$ 45,239</u>	<u>\$ 124,177</u>	<u>\$ -</u>	<u>\$ 169,416</u>

6. SUBSEQUENT EVENTS

In preparing these financial statements, NACDD has evaluated events and transactions for potential recognition or disclosure through date of report February 8, 2017, the date the financial statements were issued.