



NATIONAL COUNCIL ON DISABILITY

GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2015 and 2014

Independent Auditor's Report
Board Members and Executive Director
National Council on Disability

Report on the Financial Statements

We have audited the accompanying balance sheet of the National Council on Disability (the Council) as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended. In our audit of the Council for the fiscal year ended September 30, 2015, we found:

- The financial statements are presented fairly in all material respects, in conformity with U.S. generally accepted accounting principles.
- No material weaknesses in internal control over financial reporting.
- Instances of non-compliance that are detailed in the Compliance with Applicable Laws and Regulations section of this report, the following findings were identified:
 - The Council does not appear to comply with the Prompt Payment Act. During our audit we noted instances where payments to contractors and vendors were not made within the required 30-day stipulation.

The following sections discuss in more detail our opinion, our consideration of internal control over financial reporting, our tests of compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

Opinion on the Financial Statements

In our opinion, the financial statements, including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the financial position of the National Council on Disability as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended.

Consideration of Internal Control

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on internal control and compliance or on management's assertion on internal control included in the Management's Discussion and Analysis (MD&A). Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on the effectiveness of the entity's internal control over financial reporting, or on management's assertion on the internal control included in the MD&A.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A control deficiency 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 misstatements 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. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

Our consideration of internal control over financial reporting was for the purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Council's internal control that might be material weaknesses or significant deficiencies. However, given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness.

We noted other non-reportable matters involving internal control and its operation that we will communicate in a separate management letter to the Council's management.

Compliance With Applicable Laws and Regulations

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of laws and regulations for fiscal year 2015. 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 of compliance disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The details of non-compliance are presented in Exhibit A.

Consistency of Other Information

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Chairman's Message, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Responsibilities

Management's Responsibilities. Management is responsible for the preparation of financial statements, establishing and maintaining effective internal control over financial reporting, and complying with laws, regulations, contracts, and grant agreements applicable to the Foundation.

Auditor's Responsibilities. Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 15-02 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 agency'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 agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 opinion.

The Council's written response to the deficiencies in internal control, instances of noncompliance or other matters identified in our audit is presented attached to our report, and was not subjected to the auditing procedures applied in the audit of the Council's financial statements and, accordingly, we express no opinion on it.

Rocha & Company PC

Gaithersburg, Maryland

February 1, 2016

Independent Auditor's Report

Introduction to Exhibit on Internal Control and Compliance and Other Matters

Our report on internal control over financial reporting and compliance and other matters is presented in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The internal control weaknesses and findings related to compliance with certain laws and regulations presented herein were identified during our audit of the National Council on Disability's (the Council) financial statements as of, and for the year ended, September 30, 2015. Our findings and the status of prior year findings are presented in the following exhibit:

Exhibit A: Instances of non-compliance identified during the audit of the Council.

Independent Auditor's Report
Exhibit A: Instances of Non-Compliance

A-1 Non-Compliance with the Prompt Payment Act

Conditions: The Council does not appear to comply with the Prompt Payment Act. During our audit, we noted six instances where payments to vendors were not made within the required time period.

Criteria: The Prompt Payment Act and 5 CFR Part 1315 require that payments should be made to vendors within 30 days from the time a proper invoice is received.

Cause/Effect: Due to limited resources the Council elects to contract certain accounting services to a third party provider, those services include remitting payments to vendors. Of the six (6) instances we identified as Prompt Payment Act violations, five (5) of the related invoices were submitted to the third party provider within the allowed 30-day time frame, however; by the time the third party remitted payment to the vendor, the 30-day time frame had been exceeded. Management was aware of the issue during the year and has been working with the third party provider to ensure compliance going forward.

Recommendations: We recommend that the Council continue to work with the third party provider to ensure invoices are remitted in sufficient time to allow the third party service provider to process vendor payments to ensure compliance. In addition, we recommend the Council establish internal control procedures to monitor the third party payment for timeliness.

Management's Response:

The Council concurs with the cause/effect and recommendations. It is the Council's responsibility to ensure vendors are paid timely in accordance with the Prompt Pay Act. The Council will enhance internal control procedures to monitor prompt payment compliance by our third party service provider.

The External Services Branch (ESB) that provides the Council with accounting services transferred from the U.S. General Services Administration (GSA) to the U.S. Department of Agriculture (USDA) on March 22, 2015. This transition has brought many challenges to our third party services provider. The Council will continue to monitor the performance of our service provider and will work with the Office of the Chief Financial Officer (OCFO) to improve deficiencies as they continue their transition to USDA.

THE NATIONAL COUNCIL ON DISABILITY
BALANCE SHEET

As Of September 30, 2015 and 2014

		2015	2014
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 1,211,289.87	\$ 1,317,988.67
Other:			
Advances and Prepayments	(Note 3)	87,253.76	89,000.00
Total Intragovernmental		1,298,543.63	1,406,988.67
Assets With The Public:			
Accounts Receivable, net	(Note 4)	18,966.02	17,558.83
Total Assets		\$ 1,317,509.65	\$ 1,424,547.50
Liabilities:	(Note 6)		
Intragovernmental:			
Accounts Payable		81,690.96	9,111.96
Other:			
Employer Contributions and Payroll Taxes Payable	(Note 7)	8,031.53	7,593.62
Total Intragovernmental		89,722.49	16,705.58
Liabilities With the Public:			
Accounts Payable		78,456.88	177,544.25
Other:			
Accrued Funded Payroll and Leave	(Note 7)	35,562.41	32,646.38
Employer Contributions and Payroll Taxes Payable		952.36	918.52
Unfunded Leave		89,830.11	89,975.63
Total Liabilities		\$ 294,524.25	\$ 317,790.36
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		1,093,849.49	1,179,173.94
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		(70,864.09)	(72,416.80)
Total Net Position - All Other Funds (Consolidated Totals)		1,022,985.40	1,106,757.14
Total Net Position		\$ 1,022,985.40	\$ 1,106,757.14
Total Liabilities and Net Position		\$ 1,317,509.65	\$ 1,424,547.50

The accompanying notes are an integral part of these statements.

**THE NATIONAL COUNCIL ON DISABILITY
STATEMENT OF NET COST**

As Of And For The Years Ended September 30, 2015 and 2014

	2015	2014
Program Costs:		
NCD:		
Gross Costs	(Note 9) \$ 3,359,025.32	\$ 2,650,259.42
Net Program Costs	<u>3,359,025.32</u>	<u>2,650,259.42</u>
Net Cost of Operations	<u>\$ 3,359,025.32</u>	<u>\$ 2,650,259.42</u>

The accompanying notes are an integral part of these statements.

THE NATIONAL COUNCIL ON DISABILITY
STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2015 and 2014

FY 2015 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances		\$ (72,416.80)		\$ (72,416.80)
Beginning balance, as adjusted		(72,416.80)		(72,416.80)
Budgetary Financing Sources:				
Appropriations used		\$ 3,292,729.20		\$ 3,292,729.20
Other Financing Sources (Non-Exchange):				
Imputed financing		67,848.83		67,848.83
Total Financing Sources		3,360,578.03		3,360,578.03
Net Cost of Operations		3,359,025.32		3,359,025.32
Net Change		<u>\$ 1,552.71</u>		<u>\$ 1,552.71</u>
Cumulative Results of Operations		\$ (70,864.09)		\$ (70,864.09)
Unexpended Appropriations:				
Beginning Balance		\$ 1,179,173.94		\$ 1,179,173.94
Budgetary Financing Sources:				
Appropriations received		3,250,000.00		3,250,000.00
Other adjustments	-	(42,595.25)		(42,595.25)
Appropriations used		<u>(3,292,729.20)</u>		<u>(3,292,729.20)</u>
Total Budgetary Financing Sources		<u>(85,324.45)</u>		<u>(85,324.45)</u>
Total Unexpended Appropriations		<u>1,093,849.49</u>		<u>1,093,849.49</u>
Net Position		<u><u>\$ 1,022,985.40</u></u>		<u><u>\$ 1,022,985.40</u></u>

THE NATIONAL COUNCIL ON DISABILITY
STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2015 and 2014

FY 2014 (PY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$ -	\$ (91,463.70)		\$ (91,463.70)
Beginning balance, as adjusted	-	(91,463.70)	-	(91,463.70)
Budgetary Financing Sources:				
Appropriations used		\$ 2,599,764.55		\$ 2,599,764.55
Other Financing Sources (Non-Exchange):				
Imputed financing	-	69,541.77		69,541.77
Total Financing Sources		2,669,306.32	-	2,669,306.32
Net Cost of Operations		2,650,259.42		2,650,259.42
Net Change	\$ -	\$ 19,046.90		\$ 19,046.90
Cumulative Results of Operations	\$ -	\$ (72,416.80)		\$ (72,416.80)
Unexpended Appropriations:				
Beginning Balance		\$ 618,489.81		\$ 618,489.81
Budgetary Financing Sources:				
Appropriations received	-	3,186,000.00		3,186,000.00
Other adjustments	-	(25,551)		(25,551)
Appropriations used	-	(2,599,764.55)		(2,599,764.55)
Total Budgetary Financing Sources	-	560,684.13		560,684.13
Total Unexpended Appropriations	-	1,179,173.94		1,179,173.94
Net Position	<u>\$ -</u>	<u>\$ 1,106,757.14</u>		<u>\$ 1,106,757.14</u>

THE NATIONAL COUNCIL ON DISABILITY
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2015 and 2014

	<u>2015</u> <u>Budgetary</u>	<u>2014</u> <u>Budgetary</u>
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 385,020.89	\$ 537,544.61
Unobligated balance brought forward, October 1, adjusted	385,020.89	537,544.61
Recoveries of prior year unpaid obligations (unobligated balances)	19,873.29	157,412.52
Other changes in unobligated balance	<u>(42,595.25)</u>	<u>(25,551.32)</u>
Unobligated balance from prior year budget authority, net	362,298.93	669,405.81
Appropriations (discretionary and mandatory)	3,250,000.00	3,186,000.00
Spending authority from offsetting collections	26,167.41	3,848.50
Total budgetary resources	<u>\$ 3,638,466.34</u>	<u>\$ 3,859,254.31</u>
 STATUS OF BUDGETARY RESOURCES		
Obligations incurred	(Note 10) \$ 3,391,678.04	\$ 3,474,233.42
Apportioned	94,703.11	279,195.57
Unapportioned	<u>152,085.19</u>	<u>105,825.32</u>
Unobligated balance brought forward, end of year	246,788.30	385,020.89
Total budgetary resources	<u>\$ 3,638,466.34</u>	<u>\$ 3,859,254.31</u>
 CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 932,967.78	\$ 465,017.08
Obligations incurred	3,391,678.04	3,474,233.42
Outlays (gross) (-)	(3,340,270.96)	(2,848,870.20)
Recoveries of prior year unpaid obligations (-)	<u>(19,873.29)</u>	<u>(157,412.52)</u>
Unpaid obligations, end of year	(Note 11) 964,501.57	932,967.78
Obligated balance, start of year (net)	932,967.78	465,017.08
Obligated balance, end of year (net)	<u>\$ 964,501.57</u>	<u>\$ 932,967.78</u>
 BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 3,276,167.41	\$ 3,189,848.50
Actual offsetting collections (discretionary and mandatory) (-)	<u>(26,167.41)</u>	<u>(3,848.50)</u>
Budget authority, net (discretionary and mandatory)	3,250,000.00	3,186,000.00
Outlays, gross (discretionary and mandatory)	3,340,270.96	2,848,870.20
Actual offsetting collections (discretionary and mandatory) (-)	<u>(26,167.41)</u>	<u>(3,848.50)</u>
Outlays, net (discretionary and mandatory)	3,314,103.55	2,845,021.70
Agency outlays, net (discretionary and mandatory)	<u>\$ 3,314,103.55</u>	<u>\$ 2,845,021.70</u>

The accompanying notes are an integral part of these statements.

NATIONAL COUNCIL ON DISABILITY

GENERAL FUND

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Council on Disability (NCD) is an independent agency of the Executive Branch of the United States Government that makes recommendations to the President and Congress on issues affecting Americans with disabilities.

NCD was initially established in 1978 as an advisory board within the Department of Education (Public Law 95-602). The Rehabilitation Act Amendments of 1984 (Public Law 98-221) transformed NCD into an independent agency and required NCD to provide expert advice to Congress and the Administration. The Rehabilitation Act Amendments of 1992 and 1998 and the Education of the Deaf Act Technical Amendments of 1993 updated NCD's statutory mandate.

NCD is composed of nine members appointed by the President and Congress. The Council members set the agency budget and establish the parameters for what it will support. The NCD executive director has full responsibility for carrying out the agency's operations as necessary to accomplish the goals and mission of the agency as established by the Council members.

NCD's overall purpose is to promote policies, programs, practices, and procedures that guarantee equal opportunity for all individuals with disabilities, regardless of the nature or severity of the disability; and to empower individuals with disabilities to achieve economic self-sufficiency, independent living, and inclusion and integration into all aspects of society. This mission is accomplished by serving as a policy agency that publishes reports and works with other federal agencies on policy development and implementing best practices.

Basis of Presentation

These financial statements have been prepared from the accounting records of NCD in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, "Financial Reporting Requirements." GAAP for Federal entities is the hierarchy of accounting principles prescribed in Statement of Federal Financial Accounting Standards (SFFAS) 34, "The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards issued by the Financial Accounting Standards Board."

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Basis of Presentation – (Continued)

OMB Circular No. A-136 requires agencies to prepare principal statements, include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2015, amounts of future economic benefits owned or managed by NCD (assets), amounts owed by NCD (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within NCD and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Budgets and Budgetary Accounting

NCD follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," dated June 2015. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. Each year, Congress provides NCD appropriations to incur obligations in support of agency programs. For Fiscal Years (FY) 2015 and 2014, NCD is accountable for general fund appropriations and no-year fund carryover. NCD recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through warrants and when spending authority from the offsetting collections is incurred.

Revenues and Other Financing Sources

NCD receives substantially all of the funding needed to support its programs through appropriations. NCD receives annual and no-year appropriations that may be used,

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Revenues and Other Financing Sources – (Continued)

within statutory limits, for operating and capital expenditures. Appropriations are recognized as revenues as the related programs or administrative expenses are incurred.

Other financing sources for NCD consist of imputed financing sources which are costs financed by other federal entities on behalf of NCD, as required by SFFAS No. 5, “Accounting for Liabilities of the Federal Government.” In certain instances, operating costs of NCD are paid out of funds appropriated to other federal agencies. In accordance with SFFAS 5, all expenses of a federal entity should be reported by that agency regardless of whether the agency will ultimately pay those expenses. Amounts for certain expenses of NCD, which will be paid by other federal agencies, are recorded in the Statement of Net Cost. A related amount is recognized in the Statement of Changes in Net Position as an imputed financing source. NCD records imputed expenses and financing sources for employee retirement plan contributions, group term life insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

Personnel Compensation and Benefits

Salaries and wages of employees are recognized as accrued payroll expenses and related liabilities as earned. These expenses are recognized as a funded liability when accrued. Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when employees use the leave. The amount accrued is based upon current pay rates for employees. Sick leave and other types of leave that are not vested are expensed when used and no future liability is recognized for these amounts.

NCD’s employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. NCD and its employees both contribute to these systems. Although NCD funds a portion of the benefits under CSRS and FERS and makes the necessary payroll withholdings, it does not report assets associated with these benefit plans in accordance with SFFAS 5.

For CSRS employees, NCD contributes an amount equal to 13.2% of the employees’ basic pay to the plan. For FERS employees, NCD contributes an amount equal to 7% of the employees’ basic pay to the plan. For FERS-RAE and FRAE employees, NCD contributes an amount equal to 11.1% of the employees’ basic pay to the plan.

Both CSRS employees and FERS employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan intended to supplement the benefits provided under CSRS and FERS. For FERS employees, NCD contributes an amount equal to 1% of the employee’s basic pay to the TSP and matches

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Personnel Compensation and Benefits – (Continued)

employee contributions up to an additional 4%. CSRS employees receive no matching contribution from NCD.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including NCD's employees. NCD has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by NCD and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and NCD paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers the FEGLI program and is responsible for the reporting of related liabilities. Each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because NCD's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Board has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

Assets and Liabilities

Intra-governmental assets and liabilities arise from transactions between NCD and other Federal entities.

Funds with the U.S. Treasury comprise the majority of assets on NCD's balance sheet. All other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by NCD as a result of transactions that have already occurred. The accounts payable portion of liabilities consists of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid.

Liabilities covered by budgetary or other resources are those liabilities of NCD for which Congress has appropriated funds, or funding is otherwise available to pay amounts due.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fund Balance with Treasury

The U.S. Department of the Treasury (Treasury) processes NCD's receipts and disbursements. Fund Balance with Treasury is the aggregate amount of the agency's accounts with Treasury for which the agency is authorized to liquidate obligations, pay funded liabilities, and make expenditures. The fund balance is increased through the receipt of non-expenditure Treasury warrants for appropriations, positive non-expenditure transfers, and other expenditure inflows of funds. The Fund Balance with Treasury is reduced through non-expenditure Treasury Warrants for recissions, negative non-expenditure transfers, disbursements, and other expenditure cash outflows of funds.

NCD's funds with the U.S. Treasury are cash balances from appropriations as of the fiscal year-end from which NCD is authorized to make expenditures and pay liabilities resulting from operational activity.

General Property, Plant, and Equipment, Net

Property, plant, and equipment (PP&E) have been defined in the Federal Government as tangible items owned by the Federal Government and having an expected useful life of greater than two years. NCD has established the following policies for PP&E:

PP&E is reported at acquisition cost.

The capitalization threshold is \$5,000 for assets with a useful life of two or more years.

For bulk purchases, items will be capitalized when the individual useful lives are at least two years and the property has an aggregate value of \$100,000 or more.

Acquisitions of PP&E that do not meet the capitalization criteria outlined above are recorded as operating expenses. General PP&E consists of items that are used by NCD to support its mission.

Depreciation on assets is calculated using the straight-line method. Depreciation begins the month after the asset is placed in service.

Useful lives are as follows:

Equipment -	4 years
Furniture -	4 years

Maintenance, repairs and minor renovations are expensed as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

General Property, Plant, and Equipment, Net – (Continued)

The costs of any leasehold improvements financed with NCD appropriated funds is capitalized if the total cost exceeds \$25,000. Construction costs are accumulated as “construction in-progress” until completion, at which time they are transferred to “leasehold improvements” and depreciated over 7 years or the remainder of the lease, whichever is less.

Internal use software development and acquisition costs of \$25,000 are capitalized as “software development-in-progress” until the development stage is completed and the software is successfully tested. At acceptance, “software development-in-progress” costs are reclassified as “internal use software” and amortized using the straight-line method over an estimated useful life of 4 years. Purchased commercial software that does not meet the capitalization criteria is expensed. Enhancements that do not add significant new capability or functionality are expensed.

Prepaid and Deferred Charges

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from the offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, and unobligated balances of budgetary resources at the beginning of the year. Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees’ Compensation Act (FECA) payments and annual leave. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

Contingencies

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated). NCD recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and environmental suits that

have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund.

It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions, and claims, will not materially affect the financial position of results of operations.

Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of budgetary authority to include unobligated or obligated balances not rescinded or withdrawn. Cumulative results of operations are comprised of the following: (1) the difference between revenues and expenses, (2) the net amount of transfers of assets in and out without reimbursement, and (3) donations, all since inception of the fund(s).

Funds from Dedicated Collections

SFFAS 43 replaced SFFAS 27 and resulted in a significant change in the definition of what was previously known as "earmarked funding." SFFAS 43 states that funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues.

As of FY 2015 it was determined that NCD funding that previously was designated "earmarked" did not qualify under the new definition for "Funds from Dedicated Collections" and are not presented separately in these financial statements.

NOTE 2 – FUND BALANCE WITH TREASURY

All of NCD's fund balance with treasury is coming from appropriations. No trust, revolving or other fund type are used to fund NCD's activities. NCD operates as an annual fund, where each year is a new appropriation. This fund balance with treasury is a consolidated balance of one no-year fund and five annual funds (FY 2011, FY 2012, FY 2013, and FY 2014 and FY 2015). The annual fund for FY 2010 is cancelled and the remaining fund balance of \$42,595.25 is given back to US Treasury during fiscal year 2014.

A. Fund Balance with Treasury	<u>2015</u>	<u>2014</u>
Appropriated Fund	1,211,289.87	1,317,988.67
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	94,703.11	279,195.57
b) Unavailable	152,085.19	105,825.32
2) Obligated Balance not yet Disbursed	<u>964,501.57</u>	<u>932,967.78</u>
Total	<u><u>1,211,289.87</u></u>	<u><u>1,317,988.67</u></u>

NOTE 3 – ADVANCES AND PREPAYMENTS

Advances and Prepayments represents advances to Government Publishing Office Deposit Accounts.

	<u>2015</u>	<u>2014</u>
Deferred	<u>87,253.76</u>	<u>89,000.00</u>
Total	87,253.76	89,000.00

NOTE 4 – ACCOUNTS RECEIVABLE, NET

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees.

	<u>2015</u>	<u>2014</u>
Accounts Receivable - With the Public	<u>18,966.02</u>	<u>17,558.83</u>

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of NCD are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2015, NCD showed liabilities covered by budgetary resources of \$204,694.14 and liabilities not covered by budgetary resources of \$89,830.11. As of September 30, 2014, NCD showed liabilities covered by budgetary resources of \$227,814.73 and liabilities not covered by budgetary resources of \$89,975.63.

As of September 30, 2015, liabilities covered by budgetary resources are composed of Accounts Payable of \$156,781.29, Accrued Funded Payroll and Leave of \$35,562.41, and Employer Contributions and Payroll Taxes Payable of \$8,983.89. As of September 30, 2014, liabilities covered by budgetary resources are composed of Accounts Payable of \$186,656.21, Accrued Funded Payroll and Leave of \$32,646.38, and Employer Contributions and Payroll Taxes Payable of \$8,512.14.

	<u>2015</u>	<u>2014</u>
With the Public		
Other (Unfunded leave liability)	89,830.11	89,975.63
Total liabilities not covered by budgetary resources	<u>89,830.11</u>	<u>89,975.63</u>
Total liabilities covered by budgetary resources	<u>204,694.14</u>	<u>227,814.73</u>
Total Liabilities	<u><u>294,524.25</u></u>	<u><u>317,790.36</u></u>

NOTE 6 – OTHER LIABILITIES

As of September 30, 2015, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$35,262.41 unfunded leave in the amount of \$89,830.11, and employer contributions and payroll taxes payable – TSP of \$952.36. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of \$8,983.89.

As of September 30, 2014, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$32,646.38, unfunded leave in the amount of \$89,975.63, and employer contributions and payroll taxes payable – TSP of \$918.52. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of \$7,593.62.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2015	Other Liabilities	89,830.11	36,514.77	126,344.88
2014	Other Liabilities	89,975.63	33,564.90	123,540.53

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2015	Other Liabilities	-	8,031.53	8,031.53
2014	Other Liabilities	-	7,593.62	7,593.62

NOTE 7 - LEASES

Entity as Lessee:

Operating Leases

NCD leases office space at 1331 F Street, NW, Washington, DC. The lease was entered into on August 29, 2012 for a period of 10-years retroactive August 22, 2011 continuing through August 21, 2021. The lease and space may be vacated at any time upon four (4) months written notice.

The following is a schedule of future minimum lease payments required by the lease:

<u>Fiscal Year Ended</u>	<u>Minimum Lease Payments</u>
September 30, 2016	263,859
September 30, 2017	279,139
September 30, 2018	282,076
September 30, 2019	285,100
September 30, 2020	288,215
September 30, 2021	257,804
	<hr/> 1,656,193

NOTE 8 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs are those of goods/services purchased from a federal entity.

	<u>Total</u> 2015	<u>Total</u> 2014
Program A		
Intragovernmental costs	884,096.35	730,765.76
Public costs	<u>2,474,928.97</u>	<u>1,919,493.66</u>
Total Program A costs	<u>3,359,025.32</u>	<u>2,650,259.42</u>
Total Program A	<u><u>3,359,025.32</u></u>	<u><u>2,650,259.42</u></u>

NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations for NCD are category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132.

	<u>2015</u>	<u>2014</u>
Direct		
Category B	<u>3,391,678.04</u>	<u>3,474,233.00</u>
	3,391,678.04	3,474,233.00

NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of Unpaid Obligated Balance, Net, End of Period includes obligations relating to Undelivered Orders (good and services contracted for but not yet received at the end of the year) and Accounts Payable (amounts owed at the end of the year for goods and services received).

	Undelivered Orders	Accounts Payable	Unpaid Obligated Balance Net
2015	759,807.43	204,694.14	964,501.57
2014	705,153.05	227,814.73	932,967.78

NOTE 11 – EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The Change in Components Requiring or Generating Resources in Future Periods equals the difference between the opening and ending balances of Liabilities Not Covered by Budgetary Resources (as shown on the Balance Sheet, reference Note 6), shown as follows:

FY 2015

	FY 2014	FY 2015	Change
Unfunded Annual Leave	\$89,975.63	\$89,830.11	(\$145.52)

FY 2014

	FY 2013	FY 2014	Change
Unfunded Annual Leave	\$92,463.10	\$89,975.63	(\$2,487.47)

Note accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations, whereas unfunded annual leave liability includes the expense related to the decrease in annual leave liability for which the budgetary resources will be provided in a subsequent period.

NOTE 12 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the NCD in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the NCD in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred for the NCD employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., good and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated and net cost of operations (i.e., providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	2015	2014
Budgetary Resources Obligated	3,391,678.04	3,474,233.42
Spending Authority from Recoveries and Offsetting Collections	(46,040.70)	(161,261.02)
Distributed Offsetting Receipts	-	-
Imputed Financing from Costs Absorbed by Others	67,848.83	69,541.77
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(52,908.14)	(713,207.85)
Other Resources or adjustments	-	-
Resources that Finance the Acquisition of Assets	(1,407.19)	(16,559.43)
Increase in Annual Leave Liability	(145.52)	(2,487.47)
Net Cost of Operations	3,359,025.32	2,650,259.42

NOTE 13 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 1, 2016, which is the date the financial statements were available to be issued.