



**REPORT ON
FINANCIAL STATEMENTS AUDIT
OF NATIONAL COUNCIL ON DISABILITY
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2012 and 2011**

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INDEPENDENT AUDITORS' REPORT

To the Chairman and Executive Director
National Council on Disability
Washington, DC

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting the audit of the National Council on Disability's financial statements for the year ended September 30, 2012. In our audit of the National Council on Disability's financial statements for fiscal year ended September 30, 2012, 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 (including safeguarding assets), and compliance with laws and regulations; and
- no reportable noncompliance with the laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions; (2) our audit objectives, scope, and methodology; and (3) our evaluation and agency comments.

Opinion on Financial Statements

In our opinion, the financial statements, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, and net position of the National Council on Disability as of September 30, 2012; and the related net cost, changes in statements of net position, and budgetary resources for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Consideration of Internal Control

In planning and performing our audit, we considered the National Council on Disability's internal control over financial reporting and compliance. We did this to determine our procedures for auditing the financial statements, and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance, or on management's assertions on internal control. However, for the controls we tested, we found no material weakness in internal control over financial reporting (including safeguarding assets) and compliance.

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 control deficiency, or combination of control deficiencies, that adversely affects the National Council on Disability's ability to initiate, authorize, record, process, or report financial data reliably in accordance with Generally Accepted Accounting Principles, such that there is more than a remote likelihood that a misstatement of the National Council on Disability's financial statements that is more than inconsequential will not be prevented or detected by the National Council on Disability's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the National Council on Disability's internal control.

Our consideration of internal control over financial reporting and 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.

Compliance with Laws and Regulations

Our tests of the National Council on Disability's compliance with selected provisions of laws and regulations for fiscal year 2012 disclosed no instances of noncompliance that would be reportable under U.S. Generally Accepted Government Auditing Standards, or OMB audit guidance. 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 U.S. Generally Accepted Government Auditing Standards, or OMB audit guidance.

Objectives, Scope, and Methodology

The National Council on Disability's management is responsible for (1) preparing the financial statements in conformity with U.S. Generally Accepted Accounting Principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met; and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, (3) performing limited procedures with respect to certain other information appearing in the

Annual Financial Statements, and (4) expressing an opinion on these financial statements based on our audit.

In order to fulfill the above responsibilities, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used, and significant estimates made by management;
- evaluated the overall financial statement presentation;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act; and
- tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal controls relevant to operating objectives, as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We caution that our internal control testing may not be sufficient for other purposes. In addition, we also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to the National Council on Disability. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements, and those required by OMB audit guidance that we deemed applicable to the National Council on Disability's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance may occur and not be detected by these tests, and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with U.S. Generally Accepted Government Auditing Standards and OMB audit guidance.

Agency Comments and Our Evaluation

The National Council on Disability concurred with the facts and conclusions in our report. See Appendix A.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC

November 9, 2012

NATIONAL COUNCIL ON DISABILITY

BALANCE SHEET
As of September 30, 2012 and 2011

	2012	2011
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 942,523	\$ 1,086,477
Total Intragovernmental	\$ 942,523	\$ 1,086,477
Assets With the Public:		
Accounts Receivable, net (Note 3)	201	236
Loans Receivable (Note 4)	1,883	2,962
Other (Other)	0	28,285
Total Assets	\$ 944,607	\$ 1,117,960
Liabilities: (Note 6)		
Intragovernmental:		
Accounts Payable	\$ 9,549	\$ 28,548
Other (Note 7)	5,692	5,644
Total Intragovernmental	\$ 15,241	\$ 34,192
Liabilities With the Public:		
Accounts Payable	\$ 556,710	\$ 211,393
Other (Note 7)	127,967	127,985
Total Liabilities With the Public	684,677	339,378
Total Liabilities	\$ 699,918	\$ 373,570
Net Position:		
Unexpended Appropriations - Earmarked Funds (Note 9)	\$ 5,960	\$ 70,267
Unexpended Appropriations - Other Funds	337,106	744,356
Cumulative Results of Operations	(98,377)	(70,233)
Total Net Position	\$ 244,689	\$ 44,390
Total Liabilities and Net Position	\$ 944,607	\$ 1,117,960

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON DISABILITY

**STATEMENT OF NET COST
For The Years Ended September 30, 2012 and 2011**

		<u>2012</u>	<u>2011</u>
Program Costs:			
Program A:			
Gross Costs	(Note 10)	\$ 3,768,519	\$ 3,673,458
Less: Earned Revenue		<u>0</u>	<u>0</u>
Net Program Costs		\$ 3,768,519	\$ 3,673,458
Net Cost of Operations		<u>\$ 3,768,519</u>	<u>\$ 3,673,458</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON DISABILITY

**STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2012 and 2011**

	Earmarked Funds	2012 All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances	\$	\$ (70,233)	\$ (70,233)
Adjustments:			
(A) Corrections of Errors (+/-)	(Note 11)	<u>(27,785)</u>	<u>(27,785)</u>
Beginning Balances, as Adjusted	\$	\$ (98,018)	\$ (98,018)
Budgetary Financing Sources:			
Appropriations Used	64,308	3,630,076	3,694,384
Imputed Financing		<u>73,776</u>	<u>73,776</u>
Total Financing Sources	\$ 64,308	\$ 3,703,852	\$ 3,768,159
Net Cost of Operations (+/-)	64,308	3,704,211	3,768,519
Net Change		<u>(359)</u>	<u>(359)</u>
Cumulative Results of Operations	<u>\$</u>	<u>\$ (98,377)</u>	<u>\$ (98,377)</u>
All Other Funds:			
Beginning Balances	\$ 70,267	\$ 744,355	\$ 814,623
Adjustments:			
Corrections of Errors (+/-)	(Note 11)	<u>27,785</u>	<u>27,785</u>
Beginning Balances, as Adjusted	\$ 70,267	\$ 772,140	\$ 842,408
Budgetary Financing Sources:			
Appropriations Received		3,264,000	3,264,000
Other Adjustments		(68,958)	(68,958)
Appropriations Used	(64,308)	(3,630,076)	(3,694,384)
Total Budgetary Financing Sources	<u>(64,308)</u>	<u>(435,035)</u>	<u>(499,342)</u>
Total Unexpended Appropriations	<u>5,960</u>	<u>337,106</u>	<u>343,066</u>
Net Position	<u>\$ 5,960</u>	<u>\$ 238,729</u>	<u>\$ 244,689</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON DISABILITY

**STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2012 and 2011**

	2011		
	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations:			
Beginning Balances	\$	\$ (93,626)	\$ (93,626)
Beginning Balances, as Adjusted	\$	\$ (93,626)	\$ (93,626)
Budgetary Financing Sources:			
Other Adjustments			
Appropriations Used	\$ 522	\$ 3,621,227	\$ 3,621,749
Other Financing Resources (Non-Exchange):			
Imputed Financing		75,102	75,102
Total Financing Sources	\$ 522	\$ 3,696,329	\$ 3,696,851
Net Cost of Operations (+/-)	\$ 522	\$ 3,672,936	\$ 3,673,458
Net Change		23,393	23,393
Cumulative Results of Operations	\$	\$ (70,233)	\$ (70,233)
Unexpended Appropriations:			
Beginning Balances	\$ 70,789	\$ 1,300,189	\$ 1,370,978
Budgetary Financing Sources:			
Appropriations Received		\$ 3,271,000	\$ 3,271,000
Other Adjustments		(205,606)	(205,606)
Appropriations Used	\$ (522)	(3,621,227)	(3,621,749)
Total Budgetary Financing Sources	(522)	(555,833)	(556,355)
Total Unexpended Appropriations	70,267	744,356	814,623
Net Position	\$ 70,267	\$ 674,123	\$ 744,390

The accompanying notes are an integral part of these financial statements.

NATIONAL COUNCIL ON DISABILITY
STATEMENT OF BUDGETARY RESOURCES
For The Year Ended September 30, 2012

	2012	2011
	Budgetary	Budgetary
BUDGETARY RESOURCES		
Unobligated Balance brought forward, October 1:	\$ 241,909	\$ 587,382
Recoveries of Prior Year unpaid Obligations (unobligated bal)	148,560	192,468
Other charges in unobligated balance	(62,789)	(205,606)
Unobligated balance from prior year budget authority, net	\$ 327,680	\$ 574,244
Appropriations (discretionary and mandatory)	3,257,831	3,271,000
Spending authority from offsetting collections	8,291	51,758
Total Budgetary Resources	\$ 3,593,802	\$ 3,897,002
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred (Note 12)	\$ 3,346,600	\$ 3,655,093
Apportioned	\$ 15,873	\$ 82,543
Unapportioned	231,329	159,366
Unobligated Balance brought forward, end of year	\$ 247,202	\$ 241,909
Total Budgetary Resources:	\$ 3,593,802	\$ 3,897,002
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations, Brought Forward, October 1	\$ 844,568	\$ 1,123,831
Obligations Incurred	3,346,600	3,655,093
Gross Outlays (-)	(3,347,287)	(3,741,888)
Recoveries of Prior-Year Unpaid Obligations, Actual (-)	(148,560)	(192,468)
Unpaid Obligations, end of year (gross) (note 13)	\$ 695,321	\$ 844,568
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, gross (discretionary and mandatory)	\$ 3,266,122	\$ 3,322,759
Actual offsetting collections (discretionary and mandatory)	(8,291)	(51,759)
Budget Authority, net (discretionary and mandatory)	\$ 3,257,831	\$ 3,271,000
Outlays, gross (discretionary and mandatory)	\$ 3,347,287	3,741,888
Actual offsetting collections (discretionary and mandatory)	(8,291)	(51,759)
Outlays, net (discretionary and mandatory)	\$ 3,338,996	\$ 3,690,129

The accompanying notes are an integral part of these financial statements.

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 fifteen members appointed by the President and confirmed by the U.S. Senate (as of October 10, 2012, NCD members are no longer confirmed by Senate per the Presidential Appointment Efficiency and Streamlining Act of 2011). In consultation with the Executive Director, 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, 2012, 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 2008. 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) 2012 and 2011, 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, within statutory limits, for operating and capital expenditures. Appropriations are recognized as revenues as the related programs or administrative expenses are incurred.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Revenues and Other Financing Sources – (Continued)

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 11.2% 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.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Personnel Compensation and Benefits – (Continued)

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fund Balance with Treasury – (Continued)

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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 expenses, unobligated or obligated balances not rescinded or withdrawn. Cumulative results of operations are comprised of the following: (1) the difference between revenues and (2) the net amount of transfers of assets in and out without reimbursement, and (3) donations, all since inception of the fund(s).

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 2008, FY 2009, FY 2010, FY 2011, and FY 2012). The annual fund for FY 2007 is cancelled and the remaining fund balance of \$62,789 is given back to US Treasury during fiscal year 2012.

A. Fund Balance with Treasury	<u>2012</u>	<u>2011</u>
Appropriated Fund	\$942,523	\$1,086,477
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	15,873	82,543
b) Unavailable	231,328	159,366
2) Obligated Balance not yet Disbursed	<u>695,321</u>	<u>844,568</u>
Total	<u><u>\$942,523</u></u>	<u><u>\$1,086,477</u></u>

NOTE 3 – ACCOUNTS RECEIVABLE, NET

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

	<u>2012</u>	<u>2011</u>
Accounts Receivable - With the Public	\$201	\$236

NOTE 4 – LOANS RECEIVABLE, NET

Loans Receivable, Net from the Public represents a Loan Receivable from a current employee.

	<u>2012</u>	<u>2011</u>
Loans Receivable - With the Public	\$1,883	\$2,962

NOTE 5 – OTHER ASSETS WITH THE PUBLIC

NCD has an obligation that involves the advancement of funds for a current employee and with other non-federal entities.

	<u>2012</u>	<u>2011</u>
Assets with the Public - Other Assets	\$ -	\$ 28,285

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of NCD are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2012, NCD showed liabilities covered by budgetary resources of \$599,457 and liabilities not covered by budgetary resources of \$100,461. As of September 30, 2011, NCD showed liabilities covered by budgetary resources of \$272,354 and liabilities not covered by budgetary resources of \$101,216.

As of September 30, 2012, liabilities covered by budgetary resources are composed of Accounts Payable of \$566,259, Accrued Funded Payroll and Leave of \$26,571, and Employer Contributions and Payroll Taxes Payable of \$6,627. As of September 30, 2011, liabilities covered by budgetary resources are composed of Accounts Payable of \$239,941, Accrued Funded Payroll and Leave of \$25,915, and Employer Contributions and Payroll Taxes Payable of \$6,498.

	<u>2012</u>	<u>2011</u>
With the Public		
Other (Unfunded leave liability)	<u>\$100,461</u>	<u>\$101,216</u>
Total liabilities not covered by budgetary resources	100,461	101,216
Total liabilities covered by budgetary resources	<u>599,457</u>	<u>272,354</u>
Total Liabilities	<u><u>\$699,918</u></u>	<u><u>\$373,570</u></u>

NOTE 7 – OTHER LIABILITIES

As of September 30, 2012, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$26,571, unfunded leave in the amount of \$100,461, and employer contributions and payroll taxes payable – TSP of \$935. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of \$5,692. As of September 30, 2011, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$25,915, unfunded leave in the amount of \$101,216, and employer contributions and payroll taxes payable – TSP of \$855. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of \$5,644.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2012	Other Liabilities	\$100,461	\$27,506	\$127,967
2011	Other Liabilities	\$101,216	\$26,770	\$127,985

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2012	Other Liabilities	\$0	\$5,692	\$5,692
2011	Other Liabilities	\$0	\$5,644	\$5,644

NOTE 8 - 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, 2012	252,132
September 30, 2013	254,665
September 30, 2014	257,238
September 30, 2015	259,961
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/>
	2,680,189

NOTE 9 – EARMARKED FUNDS

In 2007, \$300,000 was appropriated to remain available until expended, for necessary expenses related to the requirements of the Post-Katrina Emergency Management Reform Act of 2006, as enacted by the Department of Homeland Security Appropriations Act, 2007 (Public Law 109-295. It was determined during the FY09 audit that these funds should be considered earmarked, therefore, it was at this time that we began to reflect the funds as earmarked.

NOTE 9 – EARMARKED FUNDS, CONTINUED

2012	NCD Earmarked Funds	NCD Other Funds	Total Funds
Balance Sheet as of Sept. 30			
ASSETS			
Fund Balance with Treasury	\$ 35,960	\$ 906,563	\$ 942,523
Assets with the Public:			
Accounts Receivable		201	201
Loans Receivable		1,883	1,883
Total Assets	<u>\$ 35,960</u>	<u>\$ 908,647</u>	<u>\$ 944,607</u>
Intragovernmental Liabilities:			
Accounts Payable	\$	\$ 9,549	\$ 9,549
Other Liabilities		5,692	5,692
Total Intragovernmental Liabilities	<u>\$</u>	<u>\$ 15,241</u>	<u>\$ 15,241</u>
Liabilities with the Public:			
Accounts Payable	\$ 30,000	\$ 526,710	\$ 556,710
Other Liabilities		127,967	127,967
Total Liabilities with the Public	<u>\$ 30,000</u>	<u>\$ 654,677</u>	<u>\$ 684,677</u>
Total Liabilities	<u>\$ 30,000</u>	<u>\$ 669,918</u>	<u>\$ 699,918</u>
Unexpended Appropriations	\$ 5,960	\$ 337,106	\$ 343,066
Cumulative Results of Operations		<u>(98,377)</u>	<u>(98,377)</u>
Total Liabilities and Net Position	<u>\$ 35,960</u>	<u>\$ 908,647</u>	<u>\$ 944,607</u>
Statement of Net Cost For the Period Ended Sept. 30			
Gross Program Costs	\$ 64,308	\$ 3,704,211	\$ 3,768,519
Net Program Costs	\$ 64,308	\$ 3,704,211	\$ 3,768,519
Net Cost of Operations	<u>\$ 64,308</u>	<u>\$ 3,704,211</u>	<u>\$ 3,768,519</u>
Statement of Changes in Net Position For the Period Ended Sept. 30			
Cumulative Results of Operations:			
Beginning Balances	\$	\$ (70,233)	\$ (70,233)
Adjustments, Corrections of Errors		<u>(27,785)</u>	<u>(27,785)</u>
Beginning Balances, As Adjusted	<u>\$</u>	<u>\$ (98,018)</u>	<u>\$ (98,018)</u>
Budgetary Financing Sources:			
Appropriations Used	\$ 64,308	\$ 3,630,076	\$ 3,694,384
Other Financing Sources		73,776	73,776
Imputed Financing		<u>73,776</u>	<u>73,776</u>
Total Financing Sources	<u>\$ 64,308</u>	<u>\$ 3,703,852</u>	<u>\$ 3,768,159</u>
Net Cost of Operations	<u>\$ 64,308</u>	<u>\$ 3,704,211</u>	<u>\$ 3,768,519</u>
Change in Net Position	<u>\$</u>	<u>\$ (359)</u>	<u>\$ (359)</u>
Cumulative Results of Operations	\$	\$ (98,377)	\$ (98,377)
Unexpended Appropriations:			
Beginning Balances	\$ 70,267	\$ 744,355	\$ 814,623
Adjustments, Corrections of Errors		27,785	27,785
Beginning Balances, As Adjusted	<u>\$ 70,267</u>	<u>\$ 772,140</u>	<u>\$ 842,408</u>
Budgetary Financing Sources:			
Appropriations Received		3,264,000	3,264,000
Other Adjustments		(68,958)	(68,958)
Appropriations Used	(64,308)	(3,630,076)	(3,694,384)
Total Budgetary Financing Sources	<u>\$ (64,308)</u>	<u>\$ (435,035)</u>	<u>\$ (499,342)</u>
Total Unexpended Appropriations	<u>\$ 5,960</u>	<u>\$ 337,106</u>	<u>\$ 343,066</u>
Net Position End of Period	<u>\$ 5,960</u>	<u>\$ 238,729</u>	<u>\$ 244,689</u>

NOTE 9 – EARMARKED FUNDS, CONTINUED

FY 2011	NCD Earmarked Funds	NCD Other Funds	Total Funds
Balance Sheet as of Sept. 30			
ASSETS			
Fund Balance with Treasury	\$ 78,110	\$ 1,008,367	\$ 1,086,477
Assets with the Public:			
Accounts Receivable		236	236
Loans Receivable		2,962	2,962
Other Assets		28,285	28,285
Total Assets	\$ 78,110	\$ 1,039,850	\$ 1,117,960
Intragovernmental Liabilities:			
Accounts Payable		\$ 28,548	\$ 28,548
Other Liabilities		5,644	5,644
Total Intragovernmental Liabilities		\$ 34,192	\$ 34,192
Liabilities with the Public:			
Accounts Payable	\$ 35,000	\$ 176,393	\$ 211,393
Other Liabilities		127,985	127,985
Total Liabilities with the Public	\$ 35,000	\$ 304,378	\$ 339,378
Total Liabilities	\$ 35,000	\$ 338,570	\$ 373,570
Unexpended Appropriations	\$ 70,267	\$ 744,355	\$ 814,623
Cumulative Results of Operations		\$ (70,233)	\$ (70,233)
Total Liabilities and Net Position	\$ 105,267	\$ 1,012,693	\$ 1,117,960
Statement of Net Cost For the Period Ended Sept. 30			
Gross Program Costs	\$ 522	\$ 3,672,936	\$ 3,673,458
Net Program Costs	\$ 522	\$ 3,672,936	\$ 3,673,458
Net Cost of Operations	\$ 522	\$ 3,672,936	\$ 3,673,458
Statement of Changes in Net Position For the Period Ended Sept. 30			
Cumulative Results of Operations:			
Beginning Balances		\$ (93,626)	\$ (93,626)
Budgetary Financing Sources:			
Appropriations Used	\$ 522	\$ 3,621,227	\$ 3,621,749
Other Financing Sources			
Imputed Financing		\$ 75,102	\$ 75,102
Total Financing Sources	\$ 522	\$ 3,696,329	\$ 3,696,851
Net Cost of Operations	\$ 522	\$ 3,672,936	\$ 3,673,458
Change in Net Position		\$ 23,393	\$ 23,393
Cumulative Results of Operations		\$ (70,233)	\$ (70,233)
Unexpended Appropriations:			
Beginning Balances	\$ 70,789	\$ 1,300,189	\$ 1,370,978
Budgetary Financing Sources:			
Appropriations Received		3,271,000	3,271,000
Other Adjustments		(205,606)	(205,606)
Appropriations Used	(522)	(3,621,227)	(3,621,749)
Total Budgetary Financing Sources	\$ (522)	\$ (555,833)	\$ (556,356)
Total Unexpended Appropriations	\$ 70,267	\$ 744,355	\$ 814,623
Net Position End of Period	\$ 70,267	\$ 674,123	\$ 744,390

NOTE 10 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	Total 2012	Total 2011
Program A		
Intragovernmental costs	\$ 834,655	\$ 843,738
Public costs	2,933,863	2,829,721
Total Program A costs	<u>\$ 3,768,519</u>	<u>\$ 3,673,458</u>
Total Program A	<u>\$ 3,768,519</u>	<u>\$ 3,673,458</u>

NOTE 11 – CORRECTION TO BEGINNING BALANCES IN STATEMENTS OF CHANGES IN NET POSITION

There is a misstatement within Cumulative Results of Operations and Unexpended Appropriations related to the recognition of advances made as a requested worksheet adjustment at the end of fiscal year 2011. The correction was made during this fiscal year. There is no impact on the NCD's overall Net Position in current or prior years.

NOTE 12 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

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

	FY 2012	FY 2011
Direct	\$ 0	\$ 1,782
Category A	3,346,600	3,655,093
Category A	<u>\$ 3,346,600</u>	<u>\$ 3,655,093</u>

NOTE 13 – 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).

Year	Undelivered Orders	Accounts Payable	Unpaid Obligated Balance Net
2012	\$ 95,864	\$ 599,457	\$ 695,321
2011	\$ 572,214	\$ 272,354	\$ 844,568

NOTE 14 – 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 2012			
	FY 2012	FY 2011	Change
Unfunded Annual Leave	\$100,461	\$101,216	(\$755)
FY 2011			
	FY 2011	FY 2010	Change
Unfunded Annual Leave	\$101,216	\$93,626	\$7,590

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 increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

**NOTE 15 – 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)):

	FY 2012	FY 2011
Budgetary Resources Obligated	\$3,346,600	\$3,655,093
Spending Authority from Recoveries and Offsetting Collections	(156,851)	(244,226)
Imputed Financing from Costs Absorbed by Others	73,776	75,102
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	504,635	183,098
Resources that Finance the Acquisition of Assets	1,114	(3,198)
Financing Sources Yet to be Provided (see Note 14)	(755)	7,590
Net Cost of Operations	\$3,768,519	\$3,673,458

NOTE 16 – SUBSEQUENT EVENTS

In preparing these financial statements for Fiscal Year 2012, management has evaluated events and transactions for potential recognition or disclosure through November 9, 2012, which is the date the financial statements were available to be issued.

**APPENDIX A -
NATIONAL COUNCIL ON DISABILITY
COMMENTS ON DRAFT AUDIT REPORT**



National Council on Disability

An independent federal agency making recommendations to the President and Congress to enhance the quality of life for all Americans with disabilities and their families.

November 15, 2012

Regis & Associates, PC
Mr. Lateef Abassi
1400 Eye Street, NW
Suite 425
Washington, DC 20005

Dear Mr. Abassi:

We have reviewed the draft audit report provided to us relating to your audit of the National Council on Disability for the fiscal years ended September 30, 2012, and 2011. We concur with the facts and conclusions in the draft report.

Sincerely,

Aaron Bishop, M.S.S.W.
Executive Director