



NATIONAL COUNCIL ON DISABILITY

GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2017 and 2016

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, 2017 and 2016, 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, 2017, 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).
- One instance of non-compliance that is detailed in the Compliance with Applicable Laws and Regulations section of this report, the following finding was identified:
 - The Council did not comply with the Prompt Payment Act. During our audit we noted one instance where payments to a vendor was 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, 2017 and 2016, 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 2017. 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. Specifically, we noted a violation of the Prompt Payment Act, the details of which 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 Council.

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. 17-03, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 17-03 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 such 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 instance of noncompliance or other matters identified in our audit is 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.

A handwritten signature in cursive script that reads "Rocha & Company PC".

*Gaithersburg, Maryland
January 30, 2018*

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

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 one instance where payment to the vendor was 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 contracts certain accounting services to a third party service provider, those services include remitting payments to vendors. Although the invoice was submitted to the third party service provider within the allowed 30-day time frame, it was not soon enough to enable compliance. The delay in processing the invoice resulted in a violation of the Prompt Payment Act.

Recommendations: We recommend that the Council continue to work with the third party service 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 strengthen internal control procedures to monitor the third party payment for timeliness.

Management's Response:

The Council concurs that there was one prompt payment violation in fiscal year 2017. The Council received and processed the payable within the prompt payment timeline; however, the time it took to process the payment through our financial provider extended beyond the 30-day time frame. The Council's management believes this is an isolated incident given our processing rate for fiscal year 2017 was 99.99% in compliance with the Prompt Payment Act.

The Council will continue to work with our financial services provider to ensure invoices are remitted in sufficient time to allow the provider to process vendor payments to ensure compliance.

THE NATIONAL COUNCIL ON DISABILITY

BALANCE SHEET

As Of September 30, 2017 and 2016

		2017	2016
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 1,056,279.10	\$ 1,378,117.07
Other:			
Advances and Prepayments	(Note 3)	93,356.98	118,838.55
Total Intragovernmental		1,149,636.08	1,496,955.62
Assets With The Public:			
Accounts Receivable, net	(Note 4)	2,086.28	293.23
Direct Loan and Loan Guarantees, Net	(Note 5)		11,959.01
General Property, Plant and Equipment, Net	(Note 6)	11,676.74	14,881.32
Total Assets		\$ 1,163,399.10	\$ 1,524,089.18
Liabilities:			
Intragovernmental:			
Accounts Payable	(Note 7)	2,000.00	
Other:			
Employer Contributions and Payroll Taxes Payable	(Note 8)	11,098.73	13,383.81
Total Intragovernmental		13,098.73	13,383.81
Liabilities With the Public:			
Accounts Payable		334,831.13	132,730.46
Other:			
Accrued Funded Payroll and Leave	(Note 8)	51,118.40	47,260.80
Employer Contributions and Payroll Taxes Payable		1,546.79	1,922.36
Unfunded Leave		83,941.25	88,710.58
Total Liabilities		\$ 484,536.30	\$ 284,008.01
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		749,041.03	1,301,658.19
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		(70,178.23)	(61,577.02)
Total Net Position - All Other Funds (Consolidated Totals)		678,862.80	1,240,081.17
Total Net Position		\$ 678,862.80	\$ 1,240,081.17
Total Liabilities and Net Position		\$ 1,163,399.10	\$ 1,524,089.18

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, 2017 and 2016

	2017	2016
Program Costs:		
NCD:		
Gross Costs	(Note 10) \$ 3,818,512.37	\$ 3,045,306.93
Net Program Costs	3,818,512.37	3,045,306.93
Net Cost of Operations	\$ 3,818,512.37	\$ 3,045,306.93

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, 2017 and 2016

FY 2017 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results from Operations:				
Beginning Balances		\$ (61,577.02)		\$ (61,577.02)
Beginning balance, as adjusted		(61,577.02)		(61,577.02)
Budgetary Financing Sources:				
Appropriations used		\$ 3,761,177.70		\$ 3,761,177.70
Other Financing Sources (Non-Exchange):				
Imputed financing		48,733.46		48,733.46
Total Financing Sources		3,809,911.16		3,809,911.16
Net Cost of Operations		3,818,512.37		3,818,512.37
Net Change		\$ (8,601.21)		\$ (8,601.21)
Cumulative Results of Operations		\$ (70,178.23)		\$ (70,178.23)
Unexpended Appropriations:				
Beginning Balance		\$ 1,301,658.19		\$ 1,301,658.19
Budgetary Financing Sources:				
Appropriations received		3,250,000.00		3,250,000.00
Other adjustments	-	(41,439.46)		(41,439.46)
Appropriations used		(3,761,177.70)		(3,761,177.70)
Total Budgetary Financing Sources		(552,617.16)		(552,617.16)
Total Unexpended Appropriations		749,041.03		749,041.03
Net Position		\$ 678,862.80		\$ 678,862.80

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, 2017 and 2016

FY 2016 (PY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Cumulative Results from Operations:				
Beginning Balances	\$	\$ (70,864.09)		\$ (70,864.09)
Beginning balance, as adjusted		(70,864.09)		(70,864.09)
Budgetary Financing Sources:				
Appropriations used		\$ 2,981,561.70		\$ 2,981,561.70
Other Financing Sources (Non-Exchange):				
Imputed financing		73,032.30		73,032.30
Total Financing Sources		3,054,594.00		3,054,594.00
Net Cost of Operations		3,045,306.93		3,045,306.93
Net Change	\$	\$ 9,287.07		\$ 9,287.07
Cumulative Results of Operations	\$	\$ (61,577.02)		\$ (61,577.02)
Unexpended Appropriations:				
Beginning Balance		\$ 1,084,176.92		\$ 1,084,176.92
Budgetary Financing Sources:				
Appropriations received		3,250,000.00		3,250,000.00
Other adjustments		(50,957.03)		(50,957)
Appropriations used		(2,981,561.70)		(2,981,561.70)
Total Budgetary Financing Sources		217,481.27		217,481.27
Total Unexpended Appropriations		1,301,658.19		1,301,658.19
Net Position	\$	\$ 1,240,081.17		\$ 1,240,081.17

The accompanying notes are an integral part of these statements.

THE NATIONAL COUNCIL ON DISABILITY
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2017 and 2016

	<u>2017</u> <u>Budgetary</u>	<u>2016</u> <u>Budgetary</u>
BUDGETARY RESOURCES		
Unobligated balance brought forward, Oct 1	\$ 184,507.59	\$ 253,092.31
Unobligated balance brought forward, Oct 1, adjusted	184,507.59	253,092.31
Recoveries of prior year unpaid obligations	241,727.75	388,156.33
Other changes in unobligated balance (+ or -)	<u>(28,633.58)</u>	<u>(30,946.51)</u>
Unobligated balance from prior year budget authority, net	397,601.76	610,302.13
Appropriations (discretionary and mandatory)	3,250,000.00	3,250,000.00
Total budgetary resources	<u>\$ 3,647,601.76</u>	<u>\$ 3,860,302.13</u>
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	(Note 11) \$ 3,441,808.48	\$ 3,675,794.54
Unobligated balance, end of year:		
Apportioned, unexpired account	12,278.81	52,825.94
Unapportioned, unexpired accounts	135.53	135.53
Unexpired unobligated balance, end of year	<u>12,414.34</u>	<u>52,961.47</u>
Expired unobligated balance, end of year	193,378.94	131,546.12
Unobligated balance, end of year (total)	<u>205,793.28</u>	<u>184,507.59</u>
Total budgetary resources	<u>\$ 3,647,601.76</u>	<u>\$ 3,860,302.13</u>
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations:		
Unpaid obligations, brought forward, Oct 1	\$ 1,193,609.48	\$ 958,197.56
New obligations and upward adjustments	3,441,808.48	3,675,794.54
Outlays (gross) (-)	(3,543,204.39)	(3,052,226.29)
Recoveries of prior year unpaid obligations (-)	<u>(241,727.75)</u>	<u>(388,156.33)</u>
Unpaid obligations, end of year	850,485.82	1,193,609.48
Obligated balance, start of year (+ or -)	1,193,609.48	958,197.56
Obligated balance, end of year (+ or -)	<u>\$ 850,485.82</u>	<u>\$ 1,193,609.48</u>
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 3,250,000.00	\$ 3,250,000.00
Actual offsetting collections (discretionary and mandatory) (-)	(12,805.88)	(20,010.52)
Recoveries of prior year paid obligations (discretionary and mandatory)	12,805.88	20,010.52
Budget authority, net (total) (discretionary and mandatory)	3,250,000.00	3,250,000.00
Outlays, gross (discretionary and mandatory)	3,543,204.39	3,052,226.29
Actual offsetting collections (discretionary and mandatory) (-)	<u>(12,805.88)</u>	<u>(20,010.52)</u>
Outlays, net (discretionary and mandatory)	3,530,398.51	3,032,215.77
Agency outlays, net (discretionary and mandatory)	<u>\$ 3,530,398.51</u>	<u>\$ 3,032,215.77</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 comprised of a team of Presidential and Congressional appointees, an Executive Director appointed by the Chair, and a full-time professional staff. 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, 2017, 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 July 2017. 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) 2017 and 2016, 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 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.

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 7% of the employees' basic pay to the plan. For FERS employees, NCD contributes an amount equal to 13.7% of the employees' basic pay to the plan. For FERS-RAE and FRAE employees, NCD contributes an amount equal to 11.9% 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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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.

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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 2014 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 2013, FY 2014, FY 2015, and FY 2016 and FY 2017). The annual fund for FY 2012 is cancelled and the remaining fund balance of \$41,439.46 is given back to US Treasury during fiscal year 2017.

NOTE 2 – FUND BALANCE WITH TREASURY (CONTINUED)

A. Fund Balance with Treasury	<u>2017</u>	<u>2016</u>
General Fund	<u>1,056,279.10</u>	<u>1,378,117.07</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	72,278.81	52,825.94
b) Unavailable	<u>169,267.47</u>	<u>131,681.65</u>
	241,546.28	184,507.59
2) Obligated Balance not yet Disbursed	<u>814,732.82</u>	<u>1,193,609.48</u>
Total	<u>1,056,279.10</u>	<u>1,378,117.07</u>

NOTE 3 – ADVANCES AND PREPAYMENTS

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

	<u>2017</u>	<u>2016</u>
Deferred	<u>93,356.98</u>	<u>118,838.55</u>
Total	93,356.98	118,838.55

NOTE 4 – ACCOUNTS RECEIVABLE, NET

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees. NCD has historically collected any receivables due and thus has not established an allowance for uncollectible accounts.

	<u>2017</u>	<u>2016</u>
Accounts Receivable - With the Public	<u>2,086.28</u>	<u>293.23</u>

NOTE 5 – LOANS RECEIVABLE, NET

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

	<u>2017</u>	<u>2016</u>
Loans Receivable - With the Public	<u>-</u>	<u>11,959.01</u>

NOTE 6 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

NCD's total cost, accumulated depreciation, and net book value for PPE for the years ending September 30, 2017 and 2016 are as follows.

2017	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	\$15,452.00	\$0.00	\$0.00	\$0.00	\$15,452.00
Accum. Depr.	(\$3,775.26)	\$0.00	\$0.00	\$0.00	(\$3,775.26)
Net Book Value	\$11,676.74	\$0.00	\$0.00	\$0.00	\$11,676.74

2016	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	\$15,452.00	\$0.00	\$0.00	\$0.00	\$15,452.00
Accum. Depr.	(\$570.68)	\$0.00	\$0.00	\$0.00	(\$570.68)
Net Book Value	\$14,881.32	\$0.00	\$0.00	\$0.00	\$14,881.32

NOTE 7 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the NCD are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2017, the NCD had liabilities covered by budgetary resources of \$400,595.05 and liabilities not covered by budgetary resources of \$83,941.25. As of September 30, 2016, the NCD had liabilities covered by budgetary resources of \$195,297.43 and liabilities not covered by budgetary resources of \$88,710.58.

	<u>2017</u>	<u>2016</u>
Intragovernmental		
Accounts Payable	\$ 2,000.00	
Employer Contributions and Payroll Taxes Payable	\$ 11,098.73	\$ 13,383.81
Total Intragovernmental	<u>13,098.73</u>	<u>13,383.81</u>
With the Public		
Accounts Payable	334,831.13	132,730.46
Accrued Funded Payroll and Leave	51,118.40	47,260.80
Employer Contributions and Payroll Taxes Payable	1,546.79	1,922.36
Unfunded Leave	<u>83,941.25</u>	<u>88,710.58</u>
Total With the Public	<u>471,437.57</u>	<u>270,624.20</u>
Total Liabilities	<u>\$ 484,536.30</u>	<u>\$ 284,008.01</u>
Total liabilities not covered by budgetary resources	\$ 83,941.25	\$ 88,710.58
Total liabilities covered by budgetary resources	<u>400,595.05</u>	<u>195,297.43</u>
Total Liabilities	<u>\$ 484,536.30</u>	<u>\$ 284,008.01</u>

NOTE 8 – OTHER LIABILITIES

Other liabilities with the public for the year ended September 30, 2017 and 2016 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable, and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable.

	FY 2017		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 11,098.73	\$ 11,098.73
Total Intragovernmental	-	11,098.73	11,098.73
Liabilities with the Public			
Accrued Funded Payroll & Leave		51,118.40	51,118.40
Employer Contributions and Payroll Taxes Payable	-	1,546.79	1,546.79
Unfunded Leave	83,941.25		83,941.25
Total Liabilities with the Public	83,941.25	52,665.19	136,606.44
Total Other Liabilities	\$ 83,941.25	\$ 63,763.92	\$ 147,705.17

	FY 2016		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 13,383.81	\$ 13,383.81
Total Intragovernmental	-	13,383.81	13,383.81
Liabilities with the Public			
Accrued Funded Payroll & Leave		47,260.80	47,260.80
Employer Contributions and Payroll Taxes Payable	-	1,922.36	1,922.36
Unfunded Leave	88,710.58		88,710.58
Total Liabilities with the Public	88,710.58	49,183.16	137,893.74
Total Other Liabilities	\$ 88,710.58	\$ 62,566.97	\$ 151,277.55

NOTE 9 - LEASES

Entity as Lessee:

Operating Leases

NCD leases office space at 1331 F Street, NW, Washington, DC. The lease was entered 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, 2018	282,076
September 30, 2019	285,100
September 30, 2020	288,215
September 30, 2021	257,804
	<u>1,113,195</u>

NOTE 10 – COSTS AND EXCHANGE REVENUE

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

	<u>Total 2017</u>	<u>Total 2016</u>
Program A		
Intragovernmental costs	816,112.39	775,846.84
Public costs	<u>3,002,399.98</u>	<u>2,269,460.09</u>
Total Program A costs	<u>3,818,512.37</u>	<u>3,045,306.93</u>
Total Program A net costs	<u>3,818,512.37</u>	<u>3,045,306.93</u>

NOTE 11 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS. REIMBURSABLE OBLIGATIONS

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>2017</u>	<u>2016</u>
Direct		
Category B	<u>3,441,808.48</u>	<u>3,675,794.54</u>
	3,441,808.48	3,675,794.54

NOTE 12 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of NCD’s undelivered orders was \$567,494.75 and \$1,117,150.60 as of September 30, 2017 and 2016, respectively.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2017	\$ 449,890.77	\$ 93,356.98	\$ 543,247.75
2016	\$ 998,312.05	\$ 118,838.55	\$ 1,117,150.60

NOTE 13 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2017 actual budgetary execution information is scheduled for publication in February 2018, which will be available through OMB’s website at <http://www.whitehouse.gov/omb>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements. Balances reported in the FY 2016 SBR and the related President’s Budget reflected the following:

FY2016	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 3,860,302.13	\$ 3,675,794.54	\$ -	\$ 3,032,215.77
Budget of the U.S. Government	3,000,000.00	3,000,000.00	\$ -	3,000,000.00
Difference	<u>\$ 860,302.13</u>	<u>\$ 675,794.54</u>	<u>\$ -</u>	<u>\$ 32,215.77</u>

The difference between the Statement of Budgetary Resources and the *Budget of the United States Government* for budgetary resources, obligations incurred and net outlays are primarily due to rounding. A portion of the difference in the budgetary resources is due to expired unobligated balances being reported in the Statement of Budgetary Resources but not in the Budget of the United States Government.

NOTE 14 – RECONCILIATION OF NET COST OF OPERATIONS 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)):

	2017	2016
Budgetary Resources Obligated	3,441,808.48	3,675,794.54
Spending Authority from Recoveries and Offsetting Collections	(254,533.63)	(408,166.85)
Imputed Financing from Costs Absorbed by Others	48,733.46	73,032.30
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	573,902.85	(286,065.99)
Resources that Finance the Acquisition of Assets	10,165.96	(8,738.22)
Increase in Annual Leave Liability	(4,769.33)	(1,119.53)
Depreciation and Amortization	3,204.58	570.68
Net Cost of Operations	3,818,512.37	3,045,306.93

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 30, 2018, which is the date the financial statements were available to be issued.