NATIONAL COUNCIL ON DISABILITY

GENERAL FUND

FINANCIAL STATEMENTS

As of and for the Years Ended September 30, 2009 and 2008

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MARTIN & WALL
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Independent Auditors' Report

Council Members 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 audits of the National Council on Disability. In our audits of the National Council on Disability for the fiscal years ended September 30, 2009 and 2008, 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, however, we did identify a significant deficiency in internal control over financial reporting,
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management Discussion and Analysis and other supplementary information, (3) our audit objectives, scope and methodology, and (4) agency comments and our evaluation.

Opinion on Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the National Council on Disability's assets, liabilities, and net position as of September 30, 2009 and 2008; and 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 National Council on Disability's internal controls 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 assertion on internal control included in Management's Discussion and Analysis. However, our work identified the need to improve certain internal controls as described below.

09-01: Ineffective Process for Period-End Review of Accounts Payable and Undelivered Orders

Condition: The National Council on Disability lacks formal policies and procedures to facilitate the timely identification and estimation of accruals related to accounts payable, and the validation of outstanding obligations at period-end.

Criteria: Statement of Federal Financial Accounting Standards (SFFAS) Number 1, *Accounting for Selected Assets and Liabilities*, defines accounts payable as "amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities." SFFAS No. 1 further indicates, "[i]f invoices for those goods [or services] are not available when financial statements are prepared, the amounts owed should be estimated.

The Federal Manager's Financial Integrity Act of 1982 (FMFIA) required the Government Accountability Office (GAO) to establish standards for internal control. GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, provides, "[t]ransactions should be promptly recorded to maintain their relevance and value to management…This applies to the entire process or life cycle of a transaction…In addition, control activities help to ensure that all transactions are completely and accurately recorded…Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form."

Cause: The National Council on Disability has not developed formal policies and procedures to facilitate the timely identification and estimation of accruals related to accounts payable, and the validation of outstanding obligations at period-end.

Effect: The National Council on Disability failed to identify goods and services received prior to year-end, which should have been accrued as of September 30, 2009. This oversight led to a material understatement of accounts payable and expenses that was identified in the course of conducting the audit.

This deficiency in internal control, although not considered a material weakness, represents a significant deficiency in the design or operation of internal control, which adversely affects the entity's ability to meet the internal control objectives listed in the objectives, scope, and methodology, or meet OMB criteria for reporting matters under FMFIA.

A material weakness is a control deficiency that results in more than a 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 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 2009 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The National Council on Disability's Management's Discussion and Analysis, required supplementary information (including stewardship information), and other accompanying information contain a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with National Council on Disability officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB 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, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

In order to fulfill these 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 presentation of the financial statements;
- 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 the following laws and regulations: the Anti-Deficiency Act; Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E), including the Debt Collection Improvement Act of 1996 (DCIA), the Prompt Payment Act; the Pay and Allowance System for Civilian Employees as provided primarily in Chapters 51-59 of title 5, United States Code; the Civil Service Retirement Act, 5 U.S.C. Chapter 83; Federal Employee Health Benefits Act, 5 U.S.C. Chapter 89; Federal Employees Compensation Act (FECA), 5 U.S.C. Chapter 81; Federal Employee's Retirement System (FERS) Act of 1986, 5 U.S.C. Chapter 84; and Rehabilitation Act Amendments of 1984, Public Law 98-221.

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 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. In addition, we caution that our internal control testing may not be sufficient for other purposes.

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, 2009. 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

In commenting on a draft of this report (see Appendix A), the National Council on Disability concurred with the facts and conclusions in our report.

Martin & Wall, P.C.

Washington, DC
October 14, 2010

NATIONAL COUNCIL ON DISABILITY

BALANCE SHEET

As Of September 30, 2009 and 2008

			2009		2008
Assets:					
Intragovernmental:					
Fund Balance With Treasury	(Note 2)	$	1,569,815	$	1,340,070
Total Intragovernmental			1,569,815		1,340,070
Accounts Receivable, net					
Total Assets		$	1,569,815	$	1,340,070
Liabilities:	(Note 3)				
Intragovernmental:					
Accounts Payable		$	27,385	$	
Other	(Note 4)		12,512		
Total Intragovernmental			39,897		
Accounts Payable			87,812		39,518
Other	(Note 4)		154,152		145,056
Total Liabilities			281,860		184,574
Net Position:					
Unexpended Appropriations - Earmarked Funds	(Note 5)		157,762.3		
Unexpended Appropriations - Other Funds			1,225,602		1,236,871
Cumulative Results of Operations - Other Funds			(95,410)		(81,375)
Cumulative Results of Operations					
Total Net Position			1,287,954		1,155,495
Total Liabilities and Net Position		$	1,569,815	$	1,340,070

*Amounts may be off by a dollar due to rounding.

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, 2009 and 2008

		2009	2008
Program Costs:			
Program A:	(Note 7)		
Gross Costs		$ 3,113,436	$ 3,052,831
Net Program Costs		3,113,436	3,052,831
Net Cost of Operations		$ 3,113,436	$ 3,052,831

*Amounts may be off by a dollar due to rounding.

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, 2009 and 2008

	2009			
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$	$ (81,375)	$	$ (81,375)
Beginning Balances, as Adjusted	$	$ (81,375)	$	$ (81,375)
Budgetary Financing Sources:				
Appropriations Used	110,827	2,933,800		3,044,627
Other Financing Resources (Non-Exchange):				
Imputed Financing		54,774		54,774
Total Financing Sources	110,827	2,988,574		3,099,401
Net Cost of Operations (+/-)	110,827	3,002,609		3,113,436
Net Change		(14,035)		(14,035)
Cumulative Results of Operations	$	$ (95,410)	$	$ (95,410)
Unexpended Appropriations:				
Beginning Balances	$ 268,590	$ 968,281	$	$ 1,236,871
Beginning Balances, as Adjusted	$ 268,590	$ 968,281	$	$ 1,236,871
Budgetary Financing Sources:				
Appropriations Received		3,206,000		3,206,000
Other Adjustments		(14,879)		(14,879)
Appropriations Used	(110,827)	(2,933,800)		(3,044,627)
Total Budgetary Financing Sources	(110,827)	257,321		146,494
Total Unexpended Appropriations	157,762	1,225,602		1,383,365
Net Position	$ 157,762	$ 1,130,192	$	$ 1,287,954

*Amounts may be off by a dollar due to rounding.

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

NATIONAL COUNCIL ON DISABILITY
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$	$ (77,901)	$	$ (77,901)
Budgetary Financing Sources:				
Appropriations Used		2,995,908		2,995,908
Other Financing Resources (Non-Exchange):				
Imputed Financing		53,449		53,449
Total Financing Sources		3,049,357		3,049,357
Net Cost of Operations (+/-)		3,052,831		3,052,831
Net Change		(3,474)		(3,474)
Cumulative Results of Operations	$	$ (81,375)	$	$ (81,375)
Unexpended Appropriations:				
Beginning Balances	$	$ 1,194,999	$	$ 1,194,999
Budgetary Financing Sources:				
Appropriations Received		3,113,000		3,113,000
Other Adjustments		(75,221)		(75,221)
Appropriations Used		(2,995,908)		(2,995,908)
Total Budgetary Financing Sources		41,871		41,871
Total Unexpended Appropriations		1,236,871		1,236,871
Net Position	$	$ 1,155,495	$	$ 1,155,495

*Amounts may be off by a dollar due to rounding.

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

NATIONAL COUNCIL ON DISABILITY

STATEMENT OF BUDGETARY RESOURCES

For The Years Ended September 30, 2009 and 2008

		2009 Budgetary	2009 Non-Budgetary Credit Program Financing Accounts	2008 Budgetary	2008 Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:					
Unobligated Balance:					
Beginning of Period		$ 415,578	$	$ 498,356	$
Recoveries of Prior Year Obligations		178,168		34,086	
Budget Authority:					
Appropriations Received		3,206,000		3,113,000	
Earned					
Collected		500		2,736	
Subtotal		$ 3,206,500		$ 3,115,736	
Permanently Not Available		(14,879)		(75,221)	
Total Budgetary Resources		$ 3,785,368	$	$ 3,572,957	$
Status of Budgetary Resources:					
Obligations Incurred	(Note 8)				
Direct		$ 3,269,136	$	$ 3,157,379	$
Subtotal		$ 3,269,136		$ 3,157,379	
Unobligated Balances					
Apportioned		257,081		242,092	
Subtotal		$ 257,081		$ 242,092	
Unobligated Balances - Not Available		259,151		173,486	
Total Status of Budgetary Resources		$ 3,785,368	$	$ 3,572,957	$
Change in Obligated Balances:					
Obligated Balance, Net:					
Unpaid Obligations, Brought Forward, October 1		$ 924,491	$	$ 819,039	$
Total, Unpaid Obligated Balance, Brought Forward, Net		$ 924,491		$ 819,039	
Obligations Incurred		3,269,136		3,157,379	
Gross Outlays (-)		(2,961,876)		(3,017,840)	
Recoveries of Prior-Year Unpaid Obligations, Actual (-)		(178,168)		(34,086)	
Obligated Balance, Net, End of Period:					
Unpaid Obligations (+)	(Note 9)	1,053,583		924,491	
Total, Unpaid Obligated Balance, Net, End of Period		$ 1,053,583	$	$ 924,491	$
Net Outlays:					
Gross Outlays (+)		2,961,876		3,017,840	
Offsetting Collections (-)		(500)		(2,736)	
Net Outlays		$ 2,961,376	$	$ 3,015,104	$

*Amounts may be off by a dollar due to rounding.

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

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 15 members appointed by the President and confirmed by the U.S. Senate. 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. Strategic goals established for fiscal year 2009 included:

- Goal 1: Increase Levels of Public Participation and Outreach
- Goal 2: Advise the President and Congress about Issues of Importance to the Disability Community through an Annual Progress Report.
- Goal 3: Review Programs, Practices and Policies of Other Federal Agencies and Provide Recommendations for Improvement.
- Goal 4: Respond to the Needs and Priorities Identified by the Public by Completing Comprehensive Research Reports on Issues of Concern.
- Goal 5: Support the Attendance and Participation of Council Members at Meetings and in Activities Where NCD Accomplishments and Outreach Occur.
- Goal 6: Continue to Be Responsible Stewards of Funding Committed to the Support of NCD and Its Activities.
- Goal 7: Continue to Work with the Federal Emergency Management Agency (FEMA) and Others Responsible for Enhancing the Safety and Security of the Nation's Disability Community As Mandated by the Post-Katrina Emergency Management Reform Act.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in Office of Management and Budget (OMB) Circular 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."

OMB Circular No. A-136 requires agencies to prepare principal statements, which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2009, 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 of accounting in accordance with OMB Circular 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 the 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) 2009 and 2008, 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 program 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 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Personnel Compensation and Benefits (continued)

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.

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 acquired 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or results of operations.

Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of budget authority to include unobligated or obligated balances not rescinded or withdrawn. Cumulative results of operations is 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).

NOTE 2 – FUND BALANCE WITH TREASURY

All of NCD's Fund Balance with Treasury is derived from appropriated funds. No trust, revolving or other fund types are used to fund NCD's activities. NCD operates as an annual fund, receiving a new appropriation each year. This fund balance with treasury is a consolidated balance of one no-year fund and five annual funds (FY 2005, FY 2006, FY 2007, FY 2008, and FY 2009). The annual fund for FY 2004 was cancelled and the remaining fund balance of $14,879 was transferred back to the US Treasury during fiscal year 2009.

A. Fund Balance with Treasury	2009	2008
General Funds	$1,569,815	$1,340,070
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	257,081	242,092
b) Unavailable	259,151	173,486
2) Obligated Balance not yet Disbursed	1,053,583	924,491
Total	$1,569,815	$1,340,070 *

* Rounding

NOTE 3 – GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment is used in NCD's operations and consumed over time. NCD owns certain furniture, computer equipment and software that are not reflected on the balance sheet as of September 30, 2009 and 2008 because either: (1) items were were acquired several years ago, are still in service, but are fully depreciated and have immaterial book values, or (2) purchases were below the capitalization policy stated in Note 1. Therefore, these property, plant and equipment items are not recorded as assets as of September 30, 2009 or 2008.

NOTE 4 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of NCD are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2009, NCD showed liabilities covered by budgetary resources of $186,450 and liabilities not covered by budgetary resources of $95,410. As of September 30, 2008, NCD showed liabilities covered by budgetary resources of $103,199 and liabilities not covered by budgetary resources of $81,375.

As of September 30, 2009, liabilities covered by budgetary resources is composed of Accounts Payable of $115,197*, Accrued Funded Payroll and Leave of $58,742*, and Employer Contributions and Payroll Taxes Payable of $12,512. As of September 30, 2008, liabilities covered by budgetary resources was composed of Accounts Payable of $39,518 Accrued Funded Payroll and Leave of $63,681.

	2009		2008
With the Public			
Other (Unfunded leave liability)	95,410		81,375
Total liabilities not covered by budgetary resources	95,410		81,375
Total liabilities covered by budgetary resources	186,450	*	103,199
Total Liabilities	$281,860		$184,574

*Rounding

NOTE 5 – OTHER LIABILITIES

As of September 30, 2009, other liabilities with the public consisted of Accrued Funded Payroll and Leave of $58,742 and unfunded leave in the amount of $95,410. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of $12,512. As of September 30, 2008, other liabilities with the public consisted of Accrued Funded Payroll and Leave of $63,681 and unfunded leave in the amount of $81,375.

	With the Public	Non-Current	Current	Total
2009	Other Liabilities	$95,410	$58,742	$154,152
2008	Other Liabilities	$81,375	$63,681	$145,056

	Intragovernmental	Non-Current	Current	Total
2009	Other Liabilities	$0	$12,512	$12,512
2008	Other Liabilities	$0	$0	$0

The amounts from the above table are presented in further detail below.

	Non-Current	Current	FY 2009 Total
Intragovernmental			
Employer Contributions & Payroll Taxes Payable	$ -	$ 12,512	$ 12,512
Total Intragovernmental	-	12,512	12,512
Unfunded Leave	95,410	-	95,410
Accrued Funded Payroll & Leave	-	58,742	58,742
Total Other Liabilities	$ 95,410	$ 71,254	$ 166,664

	Non-Current	Current	FY 2008 Total
Unfunded Leave	$ 81,375	$ -	$ 81,375
Accrued Funded Payroll & Leave	-	63,681	63,681
Total Other Liabilities	$ 81,375	$ 63,681	$ 145,056

NOTE 6 – LEASES

Entity as Lessee:

Operating Leases

NCD leases office space at 1331 F Street, NW, Washington, DC. The lease was entered into and became effective December 2007, and expires September 2011. The lease does not contain an option to renew, and the 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:

Fiscal Year Ended	Minimum Lease Payments	
September 30, 2009	$	240,168
September 30, 2010		241,080
September 30, 2011		222,079
	$	703,327

NOTE 7 – EARMARKED FUNDS

Earmarked funds are funds that are financed by specifically identified revenues, 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 or purposes, and must be accounted for separately from the federal government's general revenues, per Statement of Federal Financial Accounting Standard (SFFAS) 27, *Identifying and Reporting 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 7 – EARMARKED FUNDS (CONTINUED)

FY 2009	NCD Earmarked Funds	NCD Other Funds	Total Funds
Balance Sheet as of Sept. 30			
ASSETS			
Fund Balance with Treasury	$ 157,762	$ 1,412,053	$ 1,569,815
Total Assets	$ 157,762	$ 1,412,053	$ 1,569,815
Intragovernmental Liabilities:			
Accounts Payable		$ 27,385	$ 27,385
Other Liabilities		12,512	12,512
Total Intragovenmental Liabilities		$ 39,897	$ 39,897
Liabilities with the Public:			
Accounts Payable		$ 87,812	$ 87,812
Other Liabilities		$ 154,152	$ 154,152
Total Liabilities with the Public		$ 241,964	$ 241,964
Total Liabilites		$ 281,860	$ 281,860
Unexpended Appropriations	$ 157,762	$ 1,225,602	$ 1,383,365
Cumulative Results of Operations		$ (95,410)	$ (95,410)
Total Liabilities and Net Position	$ 157,762	$ 1,412,053	$ 1,569,815
Statement of Net Cost For the Period Ended Sept. 30			
Gross Program Costs	$ 110,827	$ 3,002,609	$ 3,113,436
Net Program Costs	$ 110,827	$ 3,002,609	$ 3,113,436
Net Cost of Operations	$ 110,827	$ 3,002,609	$ 3,113,436
Statement of Changes in Net Position For the Period Ended Sept. 30			
Cumulative Results of Operations:			
Beginning Balances		$ (81,375)	$ (81,375)
Budgetary Financing Sources:			
Appropriations Used	$ 110,827	$ 2,933,800	$ 3,044,627
Other Financing Sources			
Imputed Financing		$ 54,774	$ 54,774
Total Financing Sources	$ 110,827	$ 2,988,574	$ 3,099,401
Net Cost of Operations	$ 110,827	$ 3,002,609	$ 3,113,436
Change in Net Position		$ (14,035)	$ (14,035)
Cumulative Results of Operations		$ (95,410)	$ (95,410)
Unexpended Appropriations:			
Beginning Balances	$ 268,590	$ 968,281	$ 1,236,871
Budgetary Financing Sources:			
Appropriations Received		3,206,000	3,206,000
Other Adjustments		(14,879)	(14,879)
Appropriations Used	(110,827)	(2,933,800)	(3,044,627)
Total Budgetary Financing Sources	$ (110,827)	$ 257,321	$ 146,494
Total Unexpended Appropriations	$ 157,762	$ 1,225,602	$ 1,383,365
Net Position End of Period	$ 157,762	$ 1,130,192	$ 1,287,954

NOTE 7 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	Total 2009		Total 2008	
Program A				
Intragovernmental costs	475,234		550,023	
Public costs	2,638,202		2,502,809	
Total Program A costs	3,113,436	*	3,052,831	*
Total Program A	3,113,436	*	3,052,831	*

* Rounding

NOTE 8 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Apportionment is a plan, approved by OMB, to spend resources provided by one of the annual appropriations acts, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). Resources are apportioned by Treasury Account Fund Symbol (TAFS). The apportionment identifies amounts available for obligation and expenditure. It specifies and limits the obligations that may be incurred and expenditures made (or makes other limitations, as appropriate) for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportioned amount may be further subdivided by an agency into allotments, suballotments, and allocations.

All of NCD's obligations incurred are considered direct. None are reimbursable. Obligations incurred for NCD include both Category A and Category B apportionments, as defined by OMB Circular A-11, and reported on NCD's latest SF 132. Category A apportionments distribute budgetary resources by fiscal quarters. Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories. NCD has no funds exempt from apportionment. The table below presents the distribution of obligations incurred by apportionment category.

	2009	2008
Direct		
Category A	$ 129,080	$ 3,157,379
Category B	3,140,055	-
	$ 3,269,135	$ 3,157,379

NOTE 9 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred. The amount of Unpaid Obligated Balance, Net, End of Period includes obligations relating to Undelivered Orders (goods 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
2009	867,132	186,450	$1,053,582
2008	821,292	103,199	$924,491

NOTE 10 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)

	2009	2008
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 3,269,135	$ 3,157,379
Less: Spending Authority from Offsetting Collections and Recoveries	178,668	36,822
Net Obligations	3,090,467	3,120,557
Other Resources		
Imputed Financing from Costs Absorbed by Others	54,774	53,449
Other Resources (+/-)		
Net Other Resources Used to Finance Activities	54,774	53,449
Total Resources Used to Finance Activities	3,145,241	3,174,007
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods Services and Benefits Ordered But Not Yet Provided	45,840	124,649
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	45,840	124,649
Total Resources Used to Finance the Net Cost of Operations	3,099,401	3,049,357
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	14,035	3,474
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	14,035	3,474
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	14,035	3,474
Net Cost of Operations	$ 3,113,436	$ 3,052,831

Liabilities not covered by budgetary resources total $95,410 and the change in components requiring or generating resources in future period shows $14,035. The $14,035 is the net increase of future funded expenses – leave between appropriations of annual fund 2008 and annual fund 2009. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded 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.

	2009	2008
Liabilities not covered by budgetary resources	$95,410	$81,375
Change in components requiring/generating resources	$14,035	$3,474

NOTE 11 – RESTATEMENT

Unexpended Appropriations Used

A misstatement occurred on the financial statements and accompanying notes for the fiscal year ended September 30, 2009 as part of the audit report issued December 14, 2009. During that audit, an audit adjustment for a likely misstatement of $84,579 was recorded to accrue the costs of goods and services received during fiscal year 2009 that were not recorded. The audit adjustments recorded at that time were:

6100 Operating Expenses/Program Costs	$84,579	
2110 Accounts Payable		$84,579
4610 Allotments – Realized Resources	$30,434	
4801 Undelivered Orders-Unpaid	$54,145	
4901 Expended Authority-Unpaid		$84,579

These adjustments did not capture the full effect on the financial statements. The above audit adjustment should have also included the following adjusting entries, which have now been recorded and are reflected on these financial statements and accompanying notes:

3107 Unexpended Appropriations-Used	$84,579	
5700 Expended Appropriations		$84,579

Recording this entry (3107/5700) has following effects on the financial statements:

Balance Sheet

- Decrease Unexpended Appropriations – Other Funds
- Increase Cumulative Results of Operations – Other Funds

Statement of Changes in Net Position

- Increase Appropriations Used
- Increase Total Financing Sources
- Decrease Net Change
- Increase Cumulative Results of Operations
- Decrease Total Budgetary Financing Sources
- Decrease Total Unexpended Appropriations

The error was discovered during consultations with the accounting service provider. Management communicated with the accounting service provider and the independent auditors, determined that the misstatement was material, and authorized the restatement of the financial statements as presented above.

This error does not alter the audit opinion. This error resulted in a restatement of the financial statements. The reissued audit report is dated October 13, 2010.

NOTE 11 – RESTATEMENT (CONTINUED)

Earmarked Funds

In addition to the information provided above, a misstatement occurred on the financial statements and accompanying notes for the fiscal year ended September 30, 2009 as part of the audit report issued December 14, 2009 pertaining to the designation of Post-Katrina Emergency Management Reform Act of 2006, as enacted by the Department of Homeland Security Appropriations Act, 2007 (Public Law 109-295) as earmarked funds. This had the effect of misstating the financial statements by excluding required note disclosure for reporting earmarked funds separate from other funds. That disclosure is now contained in Note 7 Earmarked Funds.

The cause of the error was management not possessing clear instructions on classification based on appropriation language provided. The error was discovered when additional audit procedures were applied when restating the financial statements for the unexpended appropriations error described above. Management corrected this error by contacting their OMB Examiner and obtaining a definitive statement that Post-Katrina Emergency Management Reform Act of 2006 are earmarked funds.

This error does not alter the audit opinion. This error resulted in a restatement of the financial statements. The reissued audit report is dated October 13, 2010.

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 14, 2010, which is the date the financial statements were available to be issued.

APPENDIX A –

NATIONAL COUNCIL ON DISABILITY COMMENTS ON

DRAFT AUDIT REPORT

October 14, 2010

Martin & Wall, P.C.
Andrew B. Martin, MS, CFE, CFF, CPA
Managing Partner
1633 Q Street, NW
Suite 230
Washington, DC 20009

Dear Mr. Martin:

We have reviewed the draft audit report provided to us relating to your audit of National Council on Disability for the fiscal years ended September 30, 2009 and 2008. We concur with the facts and conclusions in the draft report.

Sincerely,

Linda Wetters

Linda Wetters
Acting Chair