

Audited Financial Statements
NATIONAL ORGANIZATION ON DISABILITY
DECEMBER 31, 2018

National Organization on Disability

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Independent Auditor’s Report

To the Board of Directors
National Organization on Disability

We have audited the accompanying financial statements of National Organization on Disability (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization’s 2017 financial statements and in our report dated July 9, 2018, we expressed an unmodified opinion on those financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

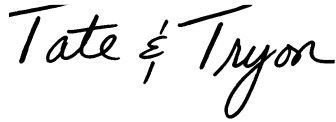
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Organization on Disability as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, the Organization adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Organization's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.



Washington, DC
June 4, 2019

National Organization on Disability

Statements of Financial Position

December 31,	2018	2017
Assets		
Cash and cash equivalents	\$ 3,075,959	\$ 3,865,231
Grants and contracts receivable, net	1,180,720	1,554,796
Furniture, equipment, and software, net	68,889	60,487
Deposits	11,450	9,421
Total assets	\$ 4,337,018	\$ 5,489,935
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	158,952	\$ 158,013
Deferred revenue	31,339	16,339
Total liabilities	190,291	174,352
Net assets		
Without donor restrictions - Note B	1,737,255	1,737,255
With donor restrictions:		
Enterprise Capital	2,213,000	2,890,111
Other programs	196,472	688,217
Total net assets with donor restrictions	2,409,472	3,578,328
Total net assets	4,146,727	5,315,583
Total liabilities and net assets	\$ 4,337,018	\$ 5,489,935

See notes to financial statements.

National Organization on Disability

Statement of Activities Year ended December 31, 2018 with comparative totals for 2017

	2018			Total 2017
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support				
Grants and gifts	\$ 1,200,047	\$ 445,000	\$ 1,645,047	\$ 3,492,782
Corporate Leadership Council memberships	645,000		645,000	510,000
Professional services fees	89,200		89,200	221,762
Campus to Careers Employer fees	37,500		37,500	35,000
Net investment income	2,390		2,390	2,256
Other income	900		900	300
Sponsorships	35,240		35,240	-
Net assets released from restriction:				
Enterprise Capital	677,111	(677,111)	-	-
Other programs	346,053	(346,053)	-	-
Look Closer (The Compact)	590,692	(590,692)	-	-
Total revenue and support	3,624,133	(1,168,856)	2,455,277	4,262,100
Expenses				
Program services				
Professional Services	275,617	-	275,617	528,945
Corporate Leadership Council	640,347	-	640,347	465,249
Thought Leadership	410,228	-	410,228	433,935
Campus to Careers	413,445	-	413,445	346,371
The Disability Employment Tracker	141,731	-	141,731	142,158
Look Closer (The Compact)	590,692	-	590,692	-
Policy	53,893	-	53,893	-
Total program services	2,525,953	-	2,525,953	1,916,658
Supporting services				
Management and general	793,208	-	793,208	822,975
Fundraising	304,972	-	304,972	255,802
Total supporting services	1,098,180	-	1,098,180	1,078,777
Total expenses	3,624,133	-	3,624,133	2,995,435
Change in net assets	-	(1,168,856)	(1,168,856)	1,266,665
Net assets, beginning of year	1,737,255	3,578,328	5,315,583	4,048,918
Net assets, end of year	\$ 1,737,255	\$ 2,409,472	\$ 4,146,727	\$ 5,315,583

See notes to financial statements.

National Organization on Disability

Statement of Functional Expenses For the year ended December 31, 2018

With comparative totals for the year ended December 31, 2017

	Program Services							Supporting Services			Total Supporting Services	2018 Total	Comparative 2017 Total	
	Professional Services	Corporate Leadership Council	Campus to Careers	Disability Employment Tracker	Look Closer (The Compact)	Policy	Thought Leadership	Total Program Services	Management and General	Fundraising				
Expenses														
Salaries, benefits, and related expenses	\$ 183,226	\$ 404,122	\$ 245,819	\$ 75,138	\$ 244,233	\$ -	\$ 178,010	\$ 1,330,548	\$ 363,749	\$ 258,638	\$ 622,387	\$ 1,952,935	\$ 1,654,201	
Contracted program and professional services	40,053	81,683	118,662	52,030	294,585	52,414	148,500	787,927	272,215	15,528	287,743	1,075,670	881,403	
Conferences, conventions, and travel	26,531	52,372	21,299	4,993	10,248	979	47,635	164,057	63,757	3,271	67,028	231,085	162,345	
Technology and office support	12,913	14,754	9,995	3,168	10,736	500	11,492	63,558	28,216	6,607	34,823	98,381	103,225	
Rent and occupancy	8,304	70,899	12,137	4,164	14,232	-	9,755	119,491	26,972	9,161	36,133	155,624	97,380	
Other expenses	3,018	13,574	3,156	1,474	14,152	-	13,107	48,481	34,611	10,074	44,685	93,166	83,134	
Depreciation	1,572	2,943	2,377	764	2,506	-	1,729	11,891	3,688	1,693	5,381	17,272	13,747	
Total Expenses	\$ 275,617	\$ 640,347	\$ 413,445	\$ 141,731	\$ 590,692	\$ 53,893	\$ 410,228	\$ 2,525,953	\$ 793,208	\$ 304,972	\$ 1,098,180	\$ 3,624,133	\$ 2,995,435	

See notes to financial statements.

National Organization on Disability

Statements of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,168,856)	\$ 1,266,665
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	17,272	13,747
Changes in assets and liabilities:		
Grants and contracts receivable	374,076	(809,904)
Deposits	(2,029)	(1,301)
Accounts payable and accrued expenses	939	45,985
Deferred revenue	15,000	(47,699)
Total adjustments	405,258	(799,172)
Net cash (used in) provided by operating activities	(763,598)	467,493
Cash flows from investing activities		
Purchases of furniture, equipment, and software	(25,674)	(30,384)
Net cash used in investing activities	(25,674)	(30,384)
Net (decrease) increase in cash and cash equivalents	(789,272)	437,109
Cash and cash equivalents, beginning of year	3,865,231	3,428,122
Cash and cash equivalents, end of year	\$ 3,075,959	\$ 3,865,231

National Organization on Disability

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The National Organization on Disability (“the Organization” or “NOD”) is a District of Columbia not-for-profit corporation formed in 1982. Its mission is to promote the acceptance and full participation of men, women, and children with physical and intellectual disabilities in all aspects of life. Since 2006, the Organization has devoted itself to increasing employment opportunities for people with disabilities.

Income taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Use of estimates: Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Organization considers all demand accounts held at commercial banks to be cash and cash equivalents.

Grants and contracts receivable: Unconditional promises to give are recorded at their net realizable values as of each balance sheet date. Amounts due for work performed under cost-reimbursement contracts for program services are also recorded as a component of receivables as of each balance sheet date.

Furniture and equipment: Acquisitions of furniture and equipment greater than \$1,000 are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the furniture and equipment, generally 5 years.

Revenue recognition: The Organization reports contributions in accordance with GAAP. Under GAAP, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified in the statement of activities as net assets released from restrictions.

In-kind contributions meeting the recognition requirements of GAAP are recorded as revenue and expense in the accompanying financial statements. Such items consist primarily of marketing and legal services. In-kind contributions of \$73,200 and \$91,503 were recognized for the years ended December 31, 2018 and 2017, respectively.

Functional allocation of expenses: Certain costs are allocated among multiple program services or supporting services activities. Allocable costs include facilities, general office, executive office, and information technology support. The costs are allocated among program services and supporting services activities based on the estimated amount of labor costs utilized by each area.

National Organization on Disability

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Program services:

Since the launch of the Bridges to Business program in 2010, NOD has worked to increase employment opportunities for people with disabilities by forging more effective links between employers and organizations that serve jobseekers with disabilities. The program has now evolved into a suite of services designed to help companies develop the culture, systems and practices they need to better recruit, hire, and retain employees with disabilities. With a multi-pronged approach, NOD is able to serve companies in their journey to developing a more disability-inclusive workplace, regardless of where along that road they may be. These services include:

The Disability Employment Tracker: The Disability Employment Tracker, a free, confidential self-assessment tool for benchmarking performance in disability and veterans' inclusion as well as tracking progress over time. For many companies, using the Disability Employment Tracker represents the first time they evaluate their disability employment practices on par with inclusion strategies for other diversity segments. In addition to its objective of helping employers assess their own disability-inclusion efforts, the data collected from the Tracker also allows NOD to measure overall progress in the field and helps NOD to better address the challenges companies face in their disability inclusion efforts.

Corporate Leadership Council: Membership in the Corporate Leadership Council provides companies with opportunities to engage with NOD's disability employment experts, to network and learn from their corporate peers, and to gain visibility for their commitment to diversity. By providing knowledge sharing opportunities, the Corporate Leadership Council encourages and empowers all members to take on best practices in including people with disabilities in their workforce.

Professional Services: For companies seeking expert assistance in advancing their disability employment initiatives, NOD offers an array of customized professional services from the Accelerator, an in-depth briefing based on the Tracker data, to disability etiquette training to hiring engagements. Services are offered on a consulting basis delivered by NOD staff and an Associate Network with specialized expertise.

Campus to Careers: NOD continues to develop innovative models to address current gaps in disability employment. One such example is the Campus to Careers program, a 3-year pilot project in the Boston area, designed to create a campus to employment pipeline of talented college students with disabilities. Through the program, NOD works with participating employers to adjust their recruitment and hiring practices to more effectively reach candidates with disabilities on campus. In parallel, NOD also works with universities to help them better serve the needs of their students with disabilities through training of personnel in career-services and disabilities-services offices, as well as working with students to provide guidance on and support in their career search process.

National Organization on Disability

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Look Closer (The Compact): Look Closer, originally called The Compact, is a public awareness campaign launched in October of 2018 in response to existing bias and stigma that prevents employers from hiring people with disabilities. It is an important tool for engaging companies and putting NOD's work in the context of personal stories. As the campaign continues to gain traction, it is helping fight persistent stigma that keeps employers from hiring people with disabilities, and people with disabilities from disclosing their disability. This bolsters NOD's work to accelerate changes in public opinion and helps drive employers to NOD's website where they can take steps to becoming more disability inclusive.

Policy: In 2018, NOD convened the two meetings of over a dozen disability organizations to align on key policy initiatives that would significantly impact employment and earning rates: the phase-out of Section 14(c) of the Fair Labor Standards Act of 1938, which allows people with disabilities to work for less than minimum wage; and enforcement of the Section 503 rule change signed in 2013, requiring federal contractors to take steps to meet a 7% disability hiring goals. In a meeting in December 2018 with US Department of Labor officials, NOD's Chairman of the Board, Gov. Tom Ridge, along with these allied disability organizations put forth this agenda. In February 2019, NOD hosted a congressional briefing with 5-10 members of the House and Senate, as well as key staffers.

Thought Leadership: Informed by Tracker data and NOD's more hands-on work with employers, the Organization's Thought Leadership agenda aims to increase employment opportunities for people with disabilities nationwide by changing how corporate America thinks about disability employment. Through PR, social media, email marketing, speaking engagements, webinars, and the Leading Disability Employer Seal, NOD promotes awareness of people with disabilities as a valuable talent pool by highlighting the unique strengths they bring to the workforce, identifying and promoting best practices in disability employment, and highlighting the efforts of leading employers in disability inclusion.

Change in accounting policies: The Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended December 31, 2018. ASU No. 2016-04 refreshes current accounting standards by simplifying the presentation of net assets on the face of the financial statements and enhancing disclosures related to liquidity. Accounting and reporting changes related to ASU No. 2016-14 have been retrospectively applied as if the policy had always been in effect. There was no change in the Organization's previously reported changes in net assets as a result of the adoption the ASU. As permitted by the ASU, the Organization's liquidity and functional expense disclosures are not reported on a comparative basis during the initial year of the ASU's adoption.

Comparative financial information: The financial statements include certain summarized comparative information in total, but not by net asset class, for the year ended December 31, 2017. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information is derived.

Subsequent events: Subsequent events have been evaluated through June 4, 2019, which is the date the financial statements were available to be issued.

National Organization on Disability

Notes to the Financial Statements

B. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Enterprise Capital: In order to fund the start-up of NOD's sustainable social enterprise, known as Bridges to a Better Workforce, the Organization raised money through the Bridges Capital Campaign (the Campaign). In 2017 additional capital funding known as Round B, was raised and combined with the original Campaign funds. The sum of these combined funds is hereafter referred to as Enterprise Capital.

Enterprise Capital funds are utilized to the extent needed to offset any excess of expenses over revenues from the Organization's activities without donor restrictions. As a result, the Organization is able to maintain its level of net assets without donor restrictions as resources are expended to advance the Organization's programmatic efforts.

Net assets with donor restrictions at December 31, 2018 and 2017 are available for the following purposes:

	2018	2017
Enterprise Capital	\$ 2,213,000	\$ 2,890,111
Look Closer (The Compact)	196,472	387,164
Campus to Careers	-	208,629
Board Development	-	92,424
	<u>\$ 2,409,472</u>	<u>\$ 3,578,328</u>

Net assets released from restrictions during 2018 and 2017 consist of the following:

	2018	2017
Enterprise Capital	\$ 677,111	\$ 1,121,552
Campus to Careers	253,629	311,371
Look Closer (The Compact)	590,692	188,036
Board Development	92,424	55,076
	<u>\$ 1,613,856</u>	<u>\$ 1,676,035</u>

C. CONCENTRATION OF CREDIT RISK

Cash: The Organization maintains demand deposits with a commercial bank. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. Therefore, the failure of the underlying institution could result in financial loss to the Organization.

D. GRANTS AND CONTRACTS RECEIVABLE

As of December 31, 2018, all of the Organization's grants and contracts receivable are expected to be paid in 2019. Based on the current low interest rate environment and short-term nature of the grants and contracts receivable, the Organization has determined that the gross amounts due approximate the present value of the anticipated future receipts. As such, as of December 31, 2018 and 2017, the grants and contracts receivable are presented at the gross amount, less an allowance for doubtful accounts, due to the Organization. The allowance for doubtful accounts as of December 31, 2018 and 2017 was zero.

National Organization on Disability

Notes to the Financial Statements

E. FURNITURE, EQUIPMENT, AND SOFTWARE

Furniture, equipment, and software consists of the following at December 31, 2018 and 2017:

	2018	2017
Furniture, equipment, and software	\$ 447,199	\$ 421,525
Less accumulated depreciation	<u>(378,310)</u>	<u>(361,038)</u>
Furniture, equipment, and software, net	<u>\$ 68,889</u>	<u>\$ 60,487</u>

F. COMMITMENTS AND CONTINGENCIES

Effective July 1, 2012, the Organization entered into a lease agreement for office space in New York, New York that expired in June 2017. On March 27, 2017, the Organization extended the office lease until March 31, 2021. The Organization also leases equipment under a lease that expires in October 2023. The leases are being accounted for as operating leases. Rental expense under the Organization's leases for the years ended December 31, 2018 and 2017 was \$91,335 and \$92,585, respectively. As of December 31, 2018, the total future minimum payments to be made under the Organization's leases are as follows for the years ended December 31:

2019	\$ 95,549
2020	95,549
2021	28,360
2022	5,964
2023	<u>4,970</u>
	<u>\$ 230,392</u>

The Organization has entered into a consulting agreement with a corporation (the Corporation) that provides general management services to the Organization. Under the terms of the agreement, the Corporation is to provide the Organization with the services of the individual currently serving as the Organization's President. The Corporation is owned by the Organization's President. (The President receives no compensation or fringe benefits from the Organization other than what is derived from payments to the Corporation.) The agreement is scheduled to expire on September 30, 2021 but it may be extended or terminated sooner under certain circumstances. Expenses under this contract were \$497,560 and \$381,881 for the years ended December 31, 2018 and 2017, respectively. Payments under the contract are currently scheduled to be made at an annual rate of approximately \$397,560.

Litigation: From time to time, the Organization may be involved in litigation related to business matters. Management believes that the outcome of any litigation would not have a material impact on the Organization's financial statements.

G. DEFINED CONTRIBUTION PLAN

The Organization sponsors a 401(k) Profit Sharing Plan (the "Plan") for the benefit of its employees. Employees 21 years of age and older are eligible to participate. Eligible participants may elect to contribute a portion of their compensation to the Plan. Employer matching is discretionary. The Organization contributed \$40,086 and \$41,120 to the Plan in 2018 and 2017, respectively.

National Organization on Disability

Notes to the Financial Statements

H. PROFESSIONAL EMPLOYER ORGANIZATION FEES

Beginning in 2013, the Organization entered into an agreement with ADP TotalSource, a professional employer organization (PEO), to provide personnel, benefit, and administrative services for the staff of the Organization. Total cash payments to the PEO for staff salary and benefits, and administrative services rendered, for the years ended December 31, 2018 and 2017 equaled \$1,456,729 and \$1,262,577, respectively.

I. LIQUIDITY

The Organization's process of liquidity management calls for the organization to maintain sufficient liquid financial assets in order to readily meet general expenditures and obligations as they become due. The policy of the Association is to maintain sufficient cash to meet obligations in a timely manner and to meet expenses occurring as a result of unanticipated activities.

Management of the Organization periodically reviews the Organization's liquid asset needs and assesses the adequacy of the cash and cash equivalent balances.

The following provides a summary of financial assets available for general expenditures within one year at December 31, 2018:

Cash and cash equivalents	\$ 3,075,959
Grants and contracts receivable, net	1,180,720
<i>Less, net assets with donor restrictions:</i>	
Enterprise Capital	(2,213,000)
Other Programs	<u>(196,472)</u>
	<u>\$ 1,847,207</u>

As discussed in Note B, NOD's Enterprise Capital fund is available to be utilized to offset shortfalls in revenues from activities without donor restrictions. Thus, although not included within the total presented above, the Enterprise Capital fund can provide additional liquidity on an as needed basis.