

Audited Financial Statements
NATIONAL ORGANIZATION ON DISABILITY
DECEMBER 31, 2017

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, 2017, 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 2016 financial statements and, in our report dated May 9, 2017, 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, 2017, 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.

Washington, DC
July 9, 2018

National Organization on Disability

Statements of Financial Position

<i>December 31,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 3,865,231	\$ 3,428,122
Grants and contracts receivable, net	1,554,796	744,892
Furniture, equipment, and software, net	60,487	43,850
Deposits	9,421	8,120
Total assets	\$ 5,489,935	\$ 4,224,984
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 158,013	\$ 112,028
Deferred revenue	16,339	64,038
Total liabilities	174,352	176,066
Net assets		
Unrestricted - Note B	1,737,255	1,737,255
Temporarily restricted:		
Enterprise Capital	2,890,111	2,111,663
Other programs	688,217	200,000
Total temporarily restricted net assets	3,578,328	2,311,663
Total net assets	5,315,583	4,048,918
Total liabilities and net assets	\$ 5,489,935	\$ 4,224,984

National Organization on Disability

Statement of Activities Year ended December 31, 2017, with comparative totals for 2016

	2017			Total 2016
	Unrestricted	Temporarily Restricted	Total	
Revenues and support				
Grants and gifts	\$ 550,082	\$ 2,942,700	\$ 3,492,782	\$ 1,131,605
Corporate Leadership Council memberships	510,000	-	510,000	415,000
Professional services fees	221,762	-	221,762	155,750
Campus to Careers Employer fees	35,000	-	35,000	-
Net investment income	2,256	-	2,256	2,220
Other income	300	-	300	8,528
COSD Sponsorship and fees	-	-	-	208,100
Net assets released from restriction:				
Enterprise Capital	1,121,552	(1,121,552)	-	-
Other programs	366,447	(366,447)	-	-
Compact	188,036	(188,036)	-	-
Total revenue and support	2,995,435	1,266,665	4,262,100	1,921,203
Expenses				
Program services				
Professional Services	528,945	-	528,945	823,915
Corporate Leadership Council	465,249	-	465,249	275,135
Thought Leadership (including Compact)	433,935	-	433,935	577,925
Professional Talent/Campus to Careers	346,371	-	346,371	330,208
The Disability Employment Tracker	142,158	-	142,158	-
Add Us In	-	-	-	260,787
Wounded Warrior Careers Demonstration	-	-	-	105,898
Total program services	1,916,658	-	1,916,658	2,373,868
Supporting services				
Management and general	822,975	-	822,975	556,550
Fundraising	255,802	-	255,802	195,373
Total supporting services	1,078,777	-	1,078,777	751,923
Total expenses	2,995,435	-	2,995,435	3,125,791
Change in net assets	-	1,266,665	1,266,665	(1,204,588)
Net assets, beginning of year	1,737,255	2,311,663	4,048,918	5,253,506
Net assets, end of year	\$ 1,737,255	\$ 3,578,328	\$ 5,315,583	\$ 4,048,918

National Organization on Disability

Statement of Functional Expenses For the year ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	Program Services					Supporting Services				2017 Total	Comparative 2016 Total
	Professional Services	Corporate Leadership Council	Professional Talent/ Campus to Careers	Disability Employment Tracker	Thought Leadership	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Expenses											
Salaries, benefits, and related expenses	\$ 244,156	\$ 283,142	\$ 209,435	\$ 65,053	\$ 154,748	\$ 956,534	\$ 521,558	\$ 176,109	\$ 697,667	\$ 1,654,201	\$ 1,658,189
Contracted program and professional services	186,693	55,304	90,705	49,921	92,666	475,289	161,934	38,048	199,982	675,271	706,356
Advertising and public relations	17,796	34,423	1,638	13,000	137,817	204,674	1,244	214	1,458	206,132	155,913
Conferences, conventions, and travel	39,908	46,283	15,617	3,699	19,400	124,907	29,854	7,584	37,438	162,345	205,288
Technology and office support	22,356	14,768	11,912	3,680	9,662	62,378	33,644	7,203	40,847	103,225	110,913
Rent and occupancy	13,246	15,791	12,271	4,510	5,985	51,803	36,788	8,789	45,577	97,380	100,386
Other expenses	3,008	13,341	3,012	1,667	12,868	33,896	32,709	16,529	49,238	83,134	96,851
Depreciation	1,782	2,197	1,781	628	789	7,177	5,244	1,326	6,570	13,747	9,695
Program subawards	-	-	-	-	-	-	-	-	-	-	82,200
Total Expenses	\$ 528,945	\$ 465,249	\$ 346,371	\$ 142,158	\$ 433,935	\$ 1,916,658	\$ 822,975	\$ 255,802	\$ 1,078,777	\$ 2,995,435	\$ 3,125,791

See notes to financial statements.

National Organization on Disability

Statements of Cash Flows

<i>Year Ended December 31,</i>	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,266,665	\$ (1,204,588)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,747	9,695
Changes in assets and liabilities:		
Grants and contracts receivable	(809,904)	1,314,942
Deposits	(1,301)	6,183
Accounts payable and accrued expenses	45,985	(39,512)
Deferred revenue	(47,699)	57,038
Total adjustments	(799,172)	1,348,346
Net cash provided by operating activities	467,493	143,758
Cash flows from investing activities		
Purchases of furniture, equipment, and software	(30,384)	(28,658)
Net cash used in investing activities	(30,384)	(28,658)
Net increase in cash and cash equivalents	437,109	115,100
Cash and cash equivalents, beginning of year	3,428,122	3,313,022
Cash and cash equivalents, end of year	\$ 3,865,231	\$ 3,428,122

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 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, temporarily restricted net assets 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 \$91,503 and \$27,849 were recognized for the years ended December 31, 2017 and 2016, respectively.

Functional allocation of expenses: Payroll and related expenses that are not specifically designated to a program or support function are allocated to each program or support function according to the percentage of time spent on that program or support function.

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* is 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.

Professional Talent/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

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. In 2017 NOD laid the groundwork for an awareness campaign called the Compact which will roll out in the 4th quarter of 2018.

Recently discontinued programs:

Add Us In: Funded by a grant from the U.S. Department of Labor's Office of Disability Employment Policy (ODEP), *Add Us In* served small businesses in northern New Jersey and New York City – especially those owned by minorities, women, veterans, people with disabilities and lesbian, gay, bisexual or transgender individuals – seeking to build a more inclusive workplace by hiring and promoting people with disabilities. After 5 years, the *Add Us In* program concluded in 2016.

Wounded Warrior Careers Demonstration: This program promoted the successful integration of veterans with disabilities into the workforce, primarily through regional demonstrations of NOD's proven model for achieving successful career transitions for post 9/11 veterans with severe disabilities. NOD's most recent three-year demonstration served Southwestern Pennsylvania and concluded in 2015. The overall program concluded in 2016.

Subsequent events: Subsequent events have been evaluated through July 9, 2018, which is the date the financial statements were available to be issued.

B. TEMPORARILY RESTRICTED NET ASSETS 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). The funds raised were designed to be spent down over a 5-year period with a projected break-even date of 2020. To date, NOD has been able to use less of the Campaign than originally planned, allowing for a larger cushion as the Organization progresses towards its earned revenue goals. 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 unrestricted activities. As a result, the Organization is able to maintain its level of unrestricted net assets as resources are expended to advance the Organization's programmatic efforts.

National Organization on Disability

Notes to the Financial Statements

B. TEMPORARILY RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS – CONTINUED

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	2017	2016
Enterprise Capital	\$ 2,890,111	\$ 2,111,663
Compact	387,164	-
Professional Talent/Campus to Careers	208,629	200,000
Board Development	92,424	-
	<u>\$ 3,578,328</u>	<u>\$ 2,311,663</u>

Net assets released from restrictions during 2017 and 2016 consist of the following:

	2017	2016
Enterprise Capital	\$ 1,121,552	\$ 1,132,429
Professional Talent/Campus to Careers	311,371	138,739
Compact	188,036	-
Board Development	55,076	-
Professional services	-	172,250
Wounded Warrior Careers Demonstration	-	104,022
Time restricted for subsequent periods	-	47,148
	<u>\$ 1,676,035</u>	<u>\$ 1,594,588</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, 2017, all of the Organization's grants and contracts receivable are expected to be paid by December 31, 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, 2017 and 2016, 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, 2017 and 2016 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, 2017 and 2016:

	2017	2016
Furniture, equipment, and software	\$ 421,525	\$ 391,143
Less accumulated depreciation	<u>(361,038)</u>	<u>(347,293)</u>
Furniture, equipment, and software, net	<u>\$ 60,487</u>	<u>\$ 43,850</u>

F. COMMITMENTS

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 holds various equipment leases that expire through November 2018. All of these leases are being accounted for as operating leases.

Rental expense under the Organization's office leases for the years ended December 31, 2017 and 2016 was \$92,585 and \$97,715, respectively. As of December 31, 2017, the total future minimum payments to be made under the Organization's various leases are as follows for the years ended December 31,:

2018	\$ 95,085
2019	89,585
2020	89,585
2021	<u>22,396</u>
	<u>\$ 296,651</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 \$381,881 and \$377,065 for the years ended December 31, 2017 and 2016, respectively. Payments under the contract for 2018 are anticipated to be approximately \$397,560.

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 \$41,120 and \$21,725 to the Plan in 2017 and 2016, respectively.

National Organization on Disability

Notes to the Financial Statements

H. PROFESSIONAL EMPLOYER ORGANIZATION FEES

Beginning April 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, 2017 and 2016 equaled \$1,262,577 and \$1,236,276, respectively.