



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2013

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

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FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012**

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Association of State Directors of
Developmental Disabilities Services, Inc.
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the National Association of State Directors of Developmental Disabilities Services, Inc. (NASDDDS), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 NASDDDS as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I (18 - 20), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of NASDDDS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NASDDDS' internal control over financial reporting and compliance.

**NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.**

**STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 688,725	\$ 433,335
Investments (Notes 2 and 6)	1,216,318	1,093,673
Accounts receivable	584,525	426,416
Prepaid expenses	<u>4,977</u>	<u>4,430</u>
Total current assets	<u>2,494,545</u>	<u>1,957,854</u>
FIXED ASSETS		
Land and building	282,019	251,058
Furniture and equipment	<u>105,003</u>	<u>76,904</u>
	387,022	327,962
Less: Accumulated depreciation and amortization	<u>(129,118)</u>	<u>(119,397)</u>
Net fixed assets	<u>257,904</u>	<u>208,565</u>
TOTAL ASSETS	<u>\$ 2,752,449</u>	<u>\$ 2,166,419</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 743,959	\$ 578,863
Accrued salaries and related benefits	138,894	100,805
Deferred dues	383,051	292,844
Refundable advance	<u>-</u>	<u>17,032</u>
Total current liabilities	<u>1,265,904</u>	<u>989,544</u>
NET ASSETS		
Unrestricted	<u>1,486,543</u>	<u>1,176,875</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,752,447</u>	<u>\$ 2,166,419</u>

**NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
REVENUE		
Contracts and grants	\$ 1,558,033	\$ 1,130,164
Government contracts and grants	1,050,299	504,610
Membership	760,666	696,908
Investment income (Note 2)	135,121	52,385
Registration income	98,800	49,638
Other revenue	26,373	16,567
Professional fees	20,120	15,002
Publications	<u>13,667</u>	<u>20,593</u>
Total revenue	<u>3,663,079</u>	<u>2,485,867</u>
EXPENSES		
Program Services:		
Membership	389,689	320,373
Virginia Commonwealth University Project	-	50,080
University of Minnesota / National Institute on Disability and Rehabilitation Research	421	30,155
Technical Assistance	36,889	93,049
Other Programs	2,034,999	1,469,612
Community of Practice	167,185	-
National Quality Data Measurement Project	<u>366,175</u>	<u>128,901</u>
Total program services	<u>2,995,358</u>	<u>2,092,170</u>
Supporting Services:		
Management and General	<u>358,053</u>	<u>304,784</u>
Total expenses	<u>3,353,411</u>	<u>2,396,954</u>
Changes in net assets	309,668	88,913
Net assets at beginning of year	<u>1,176,875</u>	<u>1,087,963</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,486,543</u>	<u>\$ 1,176,876</u>

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>		
	<u>Membership</u>	<u>University of Minnesota / National Institute on Disability and Rehabilitation Research</u>	<u>Technical Assistance</u>
Salaries	\$ 233,646	\$ 321	\$ 23,158
Benefits (Note 4)	58,085	100	5,757
Printing and production	1,428	-	-
Professional fees	-	-	-
Depreciation and amortization	-	-	-
Communication and utilities	-	-	-
Travel and entertainment	79,382	-	7,974
Contractual services	-	-	-
Postage and delivery	911	-	-
Repairs and maintenance	-	-	-
Supplies	1,798	-	-
Subscriptions and publications	30	-	-
Meetings and conventions	13,709	-	-
Other	<u>700</u>	<u>-</u>	<u>-</u>
Sub-total	389,689	421	36,889
Allocation of management and general	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 389,689</u>	<u>\$ 421</u>	<u>\$ 36,889</u>

				Supporting Services
Other Programs	Total Program Services	Management and General	Total Expenses	
\$ 387,270	\$ 710,881	\$ 221,662	\$	932,543
96,908	177,121	16,394		193,515
467	1,895	463		2,358
8,818	11,329	76,762		88,091
-	-	9,721		9,721
2,144	2,144	23,051		25,195
106,716	218,652	1,294		219,946
1,364,102	1,765,328	-		1,765,328
20	931	1,166		2,097
160	160	26,847		27,007
1,517	5,280	4,583		9,863
2,740	3,477	18,002		21,479
3,509	17,218	-		17,218
<u>6,624</u>	<u>13,938</u>	<u>25,112</u>		<u>39,050</u>
1,980,995	2,928,354	425,057		3,353,411
<u>54,004</u>	<u>67,004</u>	<u>(67,004)</u>		<u>-</u>
<u>\$ 2,034,999</u>	<u>\$ 2,995,358</u>	<u>\$ 358,053</u>	<u>\$</u>	<u>3,353,411</u>

**NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Program Services</u>			
	<u>Membership</u>	<u>Virginia Commonwealth University Project</u>	<u>University of Minnesota / National Institute on Disability and Rehabilitation Research</u>	<u>Technical Assistance</u>
Salaries	\$ 188,085	\$ 3,234	\$ 18,274	\$ 59,632
Benefits (Note 4)	46,758	906	5,665	14,825
Printing and production	2,285	-	-	-
Professional fees	-	-	-	-
Depreciation and amortization	-	-	-	-
Communication and utilities	10	-	-	-
Travel and entertainment	74,148	-	-	17,992
Contractual services	5,400	45,940	-	-
Postage and delivery	564	-	-	-
Repairs and maintenance	-	-	-	-
Supplies	1,559	-	-	29
Subscriptions and publications	1,564	-	-	150
Interest expense	-	-	-	-
Other	-	-	-	-
	<u>320,373</u>	<u>50,080</u>	<u>23,939</u>	<u>92,628</u>
Sub-total				
Allocation of management and general	<u>-</u>	<u>-</u>	<u>6,216</u>	<u>421</u>
TOTAL	<u>\$ 320,373</u>	<u>\$ 50,080</u>	<u>\$ 30,155</u>	<u>\$ 93,049</u>

				Supporting Services
Other Programs	Total Program Services	Management and General	Total Expenses	
\$ 324,346	\$ 616,403	\$ 139,629	\$	756,032
83,991	157,821	31,095		188,916
651	2,936	655		3,591
-	-	69,645		69,645
-	-	7,967		7,967
265	275	24,895		25,170
93,620	189,429	(13)		189,416
926,530	1,068,391	750		1,069,141
5	569	2,392		2,961
-	-	21,747		21,747
1,084	2,672	5,238		7,910
7,028	8,867	9,143		18,010
-	-	894		894
<u>1,000</u>	<u>2,810</u>	<u>32,744</u>		<u>35,554</u>
1,438,520	2,050,173	346,781		2,396,954
<u>31,092</u>	<u>41,997</u>	<u>(41,997)</u>		<u>-</u>
<u>\$ 1,469,612</u>	<u>\$ 2,092,170</u>	<u>\$ 304,784</u>	<u>\$</u>	<u>2,396,954</u>

**NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 309,668	\$ 88,913
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,721	7,967
Unrealized gain	(98,563)	(17,310)
Realized gain	-	(3,618)
(Increase) decrease in:		
Accounts receivable	(158,109)	(26,527)
Prepaid expenses	(547)	14,079
Increase (decrease) in:		
Accounts payable and accrued liabilities	165,096	191,665
Accrued salaries and related benefits	38,089	11,041
Deferred dues	90,207	(91,530)
Refundable advance	<u>(17,032)</u>	<u>4,267</u>
Net cash provided by operating activities	<u>338,530</u>	<u>178,947</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(59,060)	(9,227)
Purchase of investments, net of maturities	(24,082)	(167,322)
Sale of investments	<u>-</u>	<u>146,382</u>
Net cash used by investing activities	<u>(83,142)</u>	<u>(30,167)</u>
Net increase in cash and cash equivalents	255,388	148,780
Cash and cash equivalents at beginning of year	<u>433,336</u>	<u>284,556</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 688,724</u>	<u>\$ 433,336</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ -</u>	<u>\$ 894</u>

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Association of State Directors of Developmental Disabilities Services, Inc. (NASDDDS) is a non-profit organization, incorporated in the State of Washington and located in Virginia. NASDDDS' mission is to assist member state agencies in building systems of services and supports for people with developmental disabilities and their families.

NASDDDS strives to: provide member state agencies with timely analyses of Federal statutory and regulatory policies that affect people with disabilities; disseminate cutting edge information on state-of-the-art programs and service delivery practices; provide technical assistance and support to member states; and offer a forum for the development of state and national policy initiatives.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

NASDDDS considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NASDDDS maintains cash balances at financial institutions in excess of the FDIC limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to thirty-five years. Building is amortized over thirty-five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

NASDDDS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NASDDDS is not a private foundation.

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Uncertain tax positions -

For the years ended June 30, 2013 and 2012, NASDDDS has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Deferred revenue -

Deferred revenue consists of member dues. NASDDDS recognizes member dues on a pro-rata basis over the annual membership period.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of NASDDDS and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of NASDDDS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. There were no temporarily restricted net assets as of June 30, 2013 and 2012.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by NASDDDS. There were no permanently restricted net assets as of June 30, 2013 and 2012.

Contracts and grants -

NASDDDS receives funding under contracts and grants from the U.S. Government and other organizations for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, they are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the agreements.

Accounts receivable includes amounts due from funding organizations for reimbursable expenses incurred in accordance with the agreements. Contract and grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

NASDDDS invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

NASDDDS adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. NASDDDS accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. INVESTMENTS

Investments consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Money market	\$ 54,239	\$ 57,677
Fixed income (mutual funds)	331,221	314,815
Equities	<u>830,858</u>	<u>721,181</u>
TOTAL INVESTMENTS	<u>\$1,216,318</u>	<u>\$1,093,673</u>

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

2. INVESTMENTS (Continued)

Included in investment income are the following at June 30, 2013 and 2011:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 36,558	\$ 31,457
Unrealized gain	98,563	17,310
Realized gain	<u>-</u>	<u>3,618</u>
TOTAL INVESTMENT INCOME	<u>\$ 135,121</u>	<u>\$ 52,385</u>

3. LINE OF CREDIT

NASDDDS has a \$350,000 bank line of credit. Amounts borrowed under this agreement bear interest at the bank's prime rate, minus 3.25% as of June 30, 2013 and 2012. As of June 30, 2013 and 2012, there was no outstanding balance on the line of credit.

4. RETIREMENT PLAN

NASDDDS provides retirement benefits to its employees through a 401(a) plan covering all full-time employees with one year of eligible experience. NASDDDS contributed 6% of gross wages in fiscal year ended June 30, 2013 and 2012. Contributions to the plan during the years ended June 30, 2013 and 2012 totaled \$46,322 and \$42,563, respectively.

5. CONTINGENCY

NASDDDS receives contracts and grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government contracts and grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2013. For the year ended June 30, 2012, NASDDDS was not required to have an audit in accordance with OMB Circular A-133. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

6. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, NASDDDS has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

6. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market NASDDDS has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012.

- *Money market* - Fair value is equal to the reported net asset value of the fund.
- *Fixed income (mutual funds)* - Valued at quoted market prices on active markets. These funds calculate net asset value per share and are marked to market on a daily basis.
- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, NASDDDS' investments as of June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2013</u>
Asset Class:				
Money market	\$ 54,239	\$ -	\$ -	\$ 54,239
Fixed income (mutual funds)	331,221	-	-	331,221
Equities	<u>830,858</u>	<u>-</u>	<u>-</u>	<u>830,858</u>
TOTAL	<u>\$1,216,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,216,318</u>

The table below summarizes, by level within the fair value hierarchy, NASDDDS' investments as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2012</u>
Asset Class:				
Money market	\$ 57,677	\$ -	\$ -	\$ 57,677
Fixed income (mutual funds)	314,815	-	-	314,815
Equities	<u>721,181</u>	<u>-</u>	<u>-</u>	<u>721,181</u>
TOTAL	<u>\$1,093,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,673</u>

**NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

7. SUBSEQUENT EVENTS

In preparing these financial statements, NASDDDS has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

**NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Granting Agency</u>	<u>CFDA or Award Number</u>	<u>Pass-Through Entity</u>	<u>Program Title</u>	<u>Expenditures</u>
Department of Health and Human Services (DHHS)	93.631	The Administration on Intellectual and Developmental Disabilities	Community of Practice: Focusing on Life Span Supports for Self-Advocates and their Families	\$ 162,365
DHHS	93.631	University of Massachusetts	Access to Integrated Employment: National Data Collection on Day and Employment Services for Citizens with Developmental Disabilities	58,982
DHHS	93.631	Regents of University of Minnesota	National Residential Information Systems Project	51,192
DHHS	93.631	University of Massachusetts	NCI Data Analysis	<u>10,000</u>
Subtotal 93.631				<u>282,539</u>
DHHS	93.000 (HHS P233 2011 0014YC)	N/A	National Quality Data Measurement Project	366,260
DHHS	93.000 (HHS P233 2009 2920YC)	The Administration on Intellectual and Developmental Disabilities	Assess Psychometrics of the National Core Indicators Performance Measurement System	10,002
DHHS	93.000 (HF-2013-004)	Wyoming	N/A	5,510
DHHS	93.000 (90DN029901)	University of Massachusetts	Community of Practice for Supporting Competitive Integrated Employment for Individuals with I/DD	2,644
DHHS-Centers for Disease Control and Prevention	93.000 (200-2007- 22644 to 12)	Research Triangle Institute International	Health Surveillance of People with Intellectual Disabilities: Pilot Project for Health Surveillance of People with Intellectual Disabilities	<u>1,316</u>
Subtotal 93.000				<u>385,732</u>
DHHS	93.630	Illinois	Evaluation of PUNS and Improve Individual Service Planning, Service Implementation and Monitoring, and Partnership for Self-Directed Support	<u>71,277</u>
Department of Behavioral Health and Developmental Disabilities	44100-907- 0000032409	Georgia	Georgia Developmental Disability Quality System	<u>65,296</u>
DHHS	93.768	Iowa	Iowa Medicaid Infrastructure Grant Project	<u>57,000</u>
National Council on Disability	NCD11182	N/A	Managed Care/Self Direction	<u>49,570</u>
Department of Education	90DN029101	University of Minnesota	N/A	<u>22,489</u>

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Granting Agency</u>	<u>CFDA or Award Number</u>	<u>Pass-Through Entity</u>	<u>Program Title</u>	<u>Expenditures</u>
Department of Labor-Office of Disability Employment Policy	17.720 (DOLU1294 34155 and DOLU12943 4072)	Economic Systems Inc.	Technical Assistance Project for the Employment First Leadership State Mentoring Program Evaluation, and Data Collection and Policy Analysis Related to the Olmstead Compliance and Integrated Employment of Persons with Significant Disabilities	\$ <u>15,968</u>
Centers for Medicare and Medicaid Services	N/A	New Editions	Family or Individual Directed Community Services/ HCBS-TA	<u>14,280</u>
Department of Economic Security	ADEQ13-036214	Arizona	Arizona Development Project	<u>6,785</u>
DHHS	93.778	Maine	Waiver Research	<u>4,939</u>
Department of Human Services	141150	Oregon	Technical Assistance	<u>3,199</u>
Department of Human Services	SWIFT 3000015209	University of Minnesota	N/A	<u>1,863</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ <u>980,937</u>

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of NASDDDS under programs of the Federal government for the year ended June 30, 2013. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of NASDDDS, it is not intended to and does not present the financial position, changes in net assets or cash flows of NASDDDS.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Revenue Reconciliation

Included in government contracts and grants revenue are the following:

Federal assistance awards	\$ 980,937
Federal purchase orders not subject to OMB Circular A-133	<u>69,362</u>
TOTAL U.S. GOVERNMENT GRANTS AND CONTRACT REVENUE	<u>\$ 1,050,299</u>

Note 4. Subrecipients

Of the Federal expenditures presented in the schedule, NASDDDS provided Federal awards to subrecipients as follows:

<u>Program Name</u>	<u>CFDA or Award Number</u>	<u>Amount Provided to Subrecipients</u>
	93.000 (HHS P233 2011 0014YC)	
Human Services Research Inc.		\$ 24,080
University of Missouri-Kansas City, Institute for Human Development	93.631	\$ 40,884
Human Services Research Inc.	93.631	\$ 32,882

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

- 1). Type of auditor's report issued: **Unmodified**
- 2). Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 3). Noncompliance material to financial statements noted? Yes No

Federal Awards

- 4). Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 5). Type of auditor's report issued on compliance for major programs: **Unmodified**
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No
- 7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA or Award Number</u>	<u>Pass-Through Entity</u>	<u>Program Title</u>	<u>Expenditures</u>
Department of Health and Human Services (DHHS)	93.631	The Administration on Intellectual and Developmental Disabilities	Community of Practice: Focusing on Life Span Supports for Self-Advocates and their Families	\$ 162,365
DHHS	93.631	University of Massachusetts	Access to Integrated Employment: National Data Collection on Day and Employment Services for Citizens with Developmental Disabilities	58,982
DHHS	93.631	Regents of University of Minnesota	National Residential Information Systems Project	51,192
DHHS	93.631	University of Massachusetts	NCI Data Analysis	<u>10,000</u>
Subtotal 93.631				<u>282,539</u>

NATIONAL ASSOCIATION OF STATE DIRECTORS OF
DEVELOPMENTAL DISABILITIES SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results (Continued)

7). Identification of major programs (continued):

<u>Federal Program Title</u>	<u>CFDA or Award Number</u>	<u>Pass-Through Entity</u>	<u>Award Number</u>	<u>Expenditures</u>
DHHS	93.000 (HHS P233 2011 0014YC)	N/A	National Quality Data Measurement Project	\$ 366,260
DHHS	93.000 (HHS P233 2009 2920YC)	The Administration on Intellectual and Developmental Disabilities	Assess Psychometrics of the National Core Indicators Performance Measurement System	10,002
DHHS	93.000 (HF-2013-004)	Wyoming	N/A	5,510
DHHS	93.000 (90DN029901)	University of Massachusetts	Community of Practice for Supporting Competitive Integrated Employment for Individuals with I/DD	<u>2,644</u>
Subtotal 93.000				<u>384,416</u>
				<u>\$ 666,955</u>

8). Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

9). Auditee qualified as a low-risk auditee?

Yes No

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)

There were no reportable findings.

Section IV - Prior Year Findings

There were no prior year audit findings.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
National Association of State Directors of
Developmental Disabilities Services, Inc.
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Association of State Directors of Developmental Disabilities Services, Inc. (NASDDDS) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise NASDDDS' basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NASDDDS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NASDDDS' internal control. Accordingly, we do not express an opinion on the effectiveness of NASDDDS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NASDDDS' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NASDDDS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of NASDDDS in a separate letter dated .

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditor's Report

To the Board of Directors
National Association of State Directors of
Developmental Disabilities Services, Inc.
Alexandria, Virginia

Report on Compliance for Each Major Federal Program

We have audited the National Association of State Directors of Developmental Disabilities Services, Inc.'s (NASDDDS) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NASDDDS' major federal programs for the year ended June 30, 2013. NASDDDS' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NASDDDS' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NASDDDS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NASDDDS' compliance.

Opinion on Each Major Federal Program

In our opinion, NASDDDS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of NASDDDS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NASDDDS' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NASDDDS' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.