

DISABILITY RIGHTS TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended September 30, 2022 and 2021

And Report of Independent Auditor

DISABILITY RIGHTS TENNESSEE
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Report of Independent Auditor

To the Board of Directors
Disability Rights Tennessee
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Disability Rights Tennessee (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards 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 June 22, 2023, on our consideration of the Organization's 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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
June 22, 2023

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 383,807	\$ 612,862
Investments	98,953	121,954
Grant and contract receivables	239,941	293,293
Pledges receivable	-	63,456
Prepaid expenses and advances	37,524	35,605
Total Current Assets	<u>760,225</u>	<u>1,127,170</u>
Property and equipment, net	<u>72,578</u>	<u>92,975</u>
Total Assets	<u><u>\$ 832,803</u></u>	<u><u>\$ 1,220,145</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,650	\$ 2,197
Accrued wages and benefits	126,795	256,626
Deferred revenue	2,325	50,220
Total Liabilities	<u>139,770</u>	<u>309,043</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	404,927	497,134
Designated	<u>288,106</u>	<u>350,512</u>
Total Net Assets Without Donor Restrictions	693,033	847,646
With Donor Restrictions	<u>-</u>	<u>63,456</u>
Total Net Assets	<u>693,033</u>	<u>911,102</u>
Total Liabilities and Net Assets	<u><u>\$ 832,803</u></u>	<u><u>\$ 1,220,145</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions:		
Revenues and Support:		
Government grants	\$ 3,101,217	\$ 3,014,329
Government fees and other	392,215	385,236
Contributions	5,612	17,014
Donated professional services	103,803	177,467
Other income	15,294	13,366
Investment (loss) income	(22,884)	17,126
Net assets released from restrictions	63,456	19,021
Total Net Assets Without Donor Restrictions	<u>3,658,713</u>	<u>3,643,559</u>
Expenses:		
Program services	3,404,382	3,481,537
Supporting services	343,365	281,898
Fundraising	65,579	3,105
Total Expenses	<u>3,813,326</u>	<u>3,766,540</u>
Change in Net Assets Without Donor Restrictions	<u>(154,613)</u>	<u>(122,981)</u>
Net Assets with Donor Restrictions:		
Contributions	-	10,500
Released from restrictions	(63,456)	(19,021)
Change in Net Assets With Donor Restrictions	<u>(63,456)</u>	<u>(8,521)</u>
Change in net assets	(218,069)	(131,502)
Net assets at beginning of year	911,102	1,042,604
Net assets at end of year	<u>\$ 693,033</u>	<u>\$ 911,102</u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 2,102,434	\$ 249,264	\$ 1,026	\$ 2,352,724
Payroll taxes and employee benefits	572,129	61,022	51	633,202
Occupancy	168,547	-	-	168,547
Donated professional services	103,803	-	-	103,803
Travel and automobile	96,230	405	-	96,635
Contracted and professional services	64,042	23,774	-	87,816
Rental and maintenance of equipment	86,603	22	-	86,625
Bad debt expense	-	-	63,456	63,456
Printing and publications	57,739	-	1,046	58,785
Telephone	37,475	88	-	37,563
Supplies	32,684	2,674	-	35,358
Training, seminars, and conferences	19,067	6,019	-	25,086
Insurance	22,416	-	-	22,416
Miscellaneous	5,122	97	-	5,219
Participant support	3,000	-	-	3,000
Postage	2,797	-	-	2,797
Client cases	679	-	-	679
Total Expenses Before Depreciation	<u>3,374,767</u>	<u>343,365</u>	<u>65,579</u>	<u>3,783,711</u>
Depreciation	29,615	-	-	29,615
Total Expenses	<u><u>\$ 3,404,382</u></u>	<u><u>\$ 343,365</u></u>	<u><u>\$ 65,579</u></u>	<u><u>\$ 3,813,326</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 2,264,485	\$ 202,126	\$ 1,525	\$ 2,468,136
Payroll taxes and employee benefits	546,158	57,340	146	603,644
Donated professional services	177,467	-	-	177,467
Occupancy	173,522	-	-	173,522
Rental and maintenance of equipment	77,662	-	-	77,662
Printing and publications	52,604	-	555	53,159
Contracted and professional services	24,942	18,466	240	43,648
Telephone	32,246	-	139	32,385
Supplies	31,545	494	-	32,039
Travel and automobile	25,721	853	-	26,574
Training, seminars, and conferences	25,362	939	-	26,301
Insurance	20,935	-	-	20,935
Miscellaneous	2,215	1,676	500	4,391
Postage	2,313	4	-	2,317
Client cases	675	-	-	675
Total Expenses Before Depreciation	<u>3,457,852</u>	<u>281,898</u>	<u>3,105</u>	<u>3,742,855</u>
Depreciation	23,685	-	-	23,685
Total Expenses	<u><u>\$ 3,481,537</u></u>	<u><u>\$ 281,898</u></u>	<u><u>\$ 3,105</u></u>	<u><u>\$ 3,766,540</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (218,069)	\$ (131,502)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	29,615	23,685
Unrealized and realized loss (gain) on investments	22,948	(17,126)
Changes in operating assets and liabilities:		
Grant and contract receivables	53,352	(237,362)
Pledges receivable	63,456	8,521
Prepaid expenses and advances	(1,919)	1,547
Accounts payable	8,453	(473)
Accrued wages and benefits	(129,831)	52,928
Deferred revenue	(47,895)	(31,139)
Net cash flows from operating activities	<u>(219,890)</u>	<u>(330,921)</u>
Cash flows from investing activities:		
Purchase of investments	(1,439)	(46)
Sale of investments	1,492	1,447
Purchase of property and equipment	(9,218)	(47,241)
Net cash flows from investing activities	<u>(9,165)</u>	<u>(45,840)</u>
Change in cash and cash equivalents	(229,055)	(376,761)
Cash and cash equivalents at beginning of year	612,862	989,623
Cash and cash equivalents at end of year	<u>\$ 383,807</u>	<u>\$ 612,862</u>

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

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 1—Nature of activities and summary of significant accounting policies

Nature of Activities – Disability Rights Tennessee (the “Organization”), was incorporated in 1978 as a Tennessee not-for-profit corporation. The primary purposes of the Organization are to promote the education of persons with disabilities, including, where appropriate, legal assistance and litigation, to provide training to make advocates more effective, and to establish standards by which the effectiveness of advocates for persons with disabilities may be evaluated. Substantially all support is received from federal government grants. A description of the Organization’s programs is as follows:

Client Assistance Program (“CAP”) – Serves clients or client applicants of vocational rehabilitation through individual case advocacy and by improving policies and/or procedures that affect directly or indirectly the quality of the Rehabilitation Act service delivery system.

Protection and Advocacy for Persons with Developmental Disabilities (“PADD”) – Serves individuals who meet the eligibility criteria under the Developmental Disabilities Act. In this role, the Organization’s priorities include investigation of abuse and neglect, enforcement of public education rights, and networking with other organizations, including organizations representing racial and ethnic minorities and other historically unserved or underserved groups.

Protection and Advocacy Program for Individuals with Mental Illness (“PAIMI”) – Serves individuals by individual case advocacy and by advocating efforts to implement changes in policies and practices of systems that impact persons with mental illness. Such systems include state agencies, residential facilities, and other service providers.

Protection and Advocacy for Individual Rights (“PAIR”) – Serves individuals with disabilities who are not eligible for services under the CAP, PADD, or PAIMI programs through individual case advocacy, systems advocacy, and class action legal services.

Protection and Advocacy for Users of Assistive Technologies (“AT”) – Serves to reduce or to eliminate barriers faced by individuals with disabilities who require technology related assistance.

Protection and Advocacy for Beneficiaries of Social Security (“PABSS”) – Serves beneficiaries of Social Security by protecting their rights to obtain, maintain, or regain substantial gainful employment.

Traumatic Brain Injury Grant Program (“TBI”) – Serves to improve access to health and other services for individuals with traumatic brain injuries and their families previously served under the PADD program.

Protection and Advocacy for Voter Access (“PAVA”) – Provides services to ensure the full participation in the electoral process for individuals with disabilities.

Protection and Advocacy for Beneficiaries with Representative Payees (“PABRP”) – Provides funding for performance reviews and monitoring of representative payees.

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 1—Nature of activities and summary of significant accounting policies (continued)

Basis of Presentation – The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the net assets without donor restrictions class since the use of the restricted contributions in accordance with the donors’ stipulations results in the release of the restriction. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors (see Note 7).

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors are included in this classification. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions to be held in perpetuity as of September 30, 2022 or 2021.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income and realized and unrealized gains and losses are reported as changes in net assets without donor restrictions unless the use of income has been restricted by the donor. See Note 3 for additional information on fair value measurements.

Pledges Receivable – Pledges receivable are reviewed annually as to their collectability. Based on collection experience and management’s review, no allowance for doubtful amounts is considered necessary at September 30, 2022 or 2021.

Property and Equipment – Property and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all major asset classes are as follows:

Furniture and fixtures	3 to 5 years
Office equipment	3 to 5 years

Revenue Recognition – Grant and contract revenue is recognized as revenue without donor restrictions to the extent and in the period that applicable expenditures are made. The excess of such revenues received over applicable expenditures is recorded as deferred revenue until applicable expenditures are made.

Attorney Fees – From time to time, the Organization is awarded attorney fees by the courts for their legal representation of certain clients. Such funds are treated as designated net assets to be used to further the Organization’s programs (see Note 7).

Contributions – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire during the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 1—Nature of activities and summary of significant accounting policies (continued)

Donated Goods and Services – The Organization’s policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor at the fair value of services received. The Organization received \$103,803 and \$177,467 of contributed support and services meeting the criteria to record during the years ended September 30, 2022 and 2021, respectively. These amounts are included in donated professional services in the statements of activities and functional expenses. Donated professional services represent services provided by legal interns and attorneys providing pro bono services at no charge to the Organization. In valuing professional services, the Organization estimated the fair value of such services at market value if performed by its legal interns or attorneys.

Functional Expenses – The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimates by management. While most costs have been directly assigned to a functional category, certain personnel costs have been allocated to program and management and general based on time and effort estimates made by management.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification guidance concerning the accounting for income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – The Organization evaluated subsequent events through June 22, 2023, when these financial statements were available to be issued.

Recently Adopted Accounting Pronouncements – In September 2020, FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ended September 30, 2022. There have been no donor restrictions placed on such contributions.

Forthcoming Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases on the statements of financial position. This guidance is effective for the year ending September 30, 2023. The Organization is evaluating the impact this guidance may have on its financial statements.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 2—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of the services undertaken to support those activities to be general expenditures. Financial assets available for general expenditures, that is, without donor restrictions limiting their use within one year of the statement of financial position date comprise the following at September 30:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 383,807	\$ 612,862
Investments	98,953	121,954
Grant and contract receivables	239,941	293,293
Total financial assets	<u>722,701</u>	<u>1,028,109</u>
Less amounts not available to be used for general expenditures within one year:		
Designated	<u>288,106</u>	<u>350,512</u>
Financial assets not available to be used within one year	<u>288,106</u>	<u>350,512</u>
Financial assets available to meet general expenditures within one year	<u>\$ 434,595</u>	<u>\$ 677,597</u>

In addition, a line of credit arrangement is available for short-term borrowing of up to \$125,000 (see Note 6).

Note 3—Investments and fair value measurements

U.S. GAAP establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 3—Investments and fair value measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at September 30, 2022.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. In general, fair value is based on quoted market prices, where available. If such quoted market prices are not available, fair value is based on internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and valuation adjustments are applied consistently over time. The Organization's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair value after the statements of financial position date may differ significantly from the amounts presented herein.

Fair values for investments in money market accounts are valued at the net asset value of shares held by the Organization at year-end. Fair values for investments in exchange-traded funds and mutual funds are valued at the closing price reported on the active market on which the securities are traded.

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of September 30:

	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Money market accounts	\$ 1,110	\$ -	\$ -	\$ 1,110
Exchange-traded funds:				
Large blend	35,777	-	-	35,777
Foreign large blend	10,091	-	-	10,091
Precious metals	4,761	-	-	4,761
Real estate	5,259	-	-	5,259
Mutual funds:				
Mid cap blend	8,809	-	-	8,809
Foreign large blend	8,018	-	-	8,018
Diversified emerging markets	6,109	-	-	6,109
Intermediate core-plus bond	6,482	-	-	6,482
High yield bond	4,975	-	-	4,975
Nontraditional bond	5,034	-	-	5,034
Small growth	2,528	-	-	2,528
Total investments	<u>\$ 98,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,953</u>

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 3—Investments and fair value measurements (continued)

	2021			Total
	Level 1	Level 2	Level 3	
Investments:				
Money market accounts	\$ 1,536	\$ -	\$ -	\$ 1,536
Exchange-traded funds:				
Large blend	41,831	-	-	41,831
Foreign large blend	13,335	-	-	13,335
Precious metals	5,045	-	-	5,045
Real estate	6,411	-	-	6,411
Mutual funds:				
Mid cap blend	11,192	-	-	11,192
Foreign large blend	9,566	-	-	9,566
Diversified emerging markets	9,613	-	-	9,613
Intermediate core-plus bond	8,259	-	-	8,259
High yield bond	5,809	-	-	5,809
Nontraditional bond	5,437	-	-	5,437
Small growth	3,920	-	-	3,920
Total investments	<u>\$ 121,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,954</u>

Note 4—Pledges receivable

Pledges receivable are due in less than one year and consist of the following at September 30:

	2022	2021
Foundation, corporate, and other	\$ -	\$ 63,456
	<u>\$ -</u>	<u>\$ 63,456</u>

Note 5—Property and equipment

Property and equipment consists of the following at September 30:

	2022	2021
Furniture and fixtures	\$ 240,184	\$ 240,184
Office equipment	106,226	96,990
	346,410	337,174
Less accumulated depreciation	(273,832)	(244,199)
	<u>\$ 72,578</u>	<u>\$ 92,975</u>

Depreciation expense totaled \$29,615 and \$23,685 for the years ended September 30, 2022 and 2021, respectively. Substantially all property and equipment has been acquired with government funds and as such, is to be used to further the respective programs of the Organization.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 6—Line of credit

The Organization maintains a bank line of credit arrangement allowing for maximum borrowings of \$125,000, with interest computed at the bank's national lending rate plus two percent (5.25% as of September 30, 2022) on outstanding balances. There were no outstanding balances as of September 30, 2022 or 2021. The note evidencing the arrangement was renewed during September 2021 for substantially the same terms, including certain negative financial covenants, and matures September 30, 2023.

Note 7—Net assets

Certain amounts of the Organization's net assets are designated to further the goals of its government grants. Such net assets generally arise from program income relating to the receipt of attorney fees.

Cash available to expend under such program income is as follows as of September 30:

	<u>2022</u>	<u>2021</u>
Developmental Disabilities Basic Support and Advocacy	\$ 241,563	\$ 303,970
Protection and Advocacy for Mentally Ill	43,615	43,614
Protection and Advocacy for Beneficiaries of Social Security	1,768	1,768
Protection and Advocacy for Individual Rights	1,097	1,097
Advocacy Services for Assistive Technology	63	63
	<u>\$ 288,106</u>	<u>\$ 350,512</u>

Net assets with donor restrictions are available for the following purposes or periods as of September 30:

	<u>2022</u>	<u>2021</u>
Pledges receivable to be received in the next fiscal year	\$ -	\$ 63,456

Net assets released from restrictions were \$63,456 and \$19,021 for the years ended September 30, 2022 and 2021, respectively, and resulted from the write off of pledges receivable and receipt of pledge payments satisfying the time restriction, respectively.

Note 8—Lease contracts

The Organization leases office space in Nashville, Knoxville, and Memphis, Tennessee under operating leases. Rent expense for all office operating leases totaled \$168,547 and \$173,522 for the years ended September 30, 2022 and 2021, respectively. Following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2022.

Years Ending September 30,

2023	\$ 175,753
2024	152,399
2025	135,520
2026	10,147
	<u>\$ 473,819</u>

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 9—Employee benefit plan

The Organization has a defined contribution 401(k) retirement plan. Employees are eligible to participate in the plan after they have completed six months of service. The Organization has the option to match employee contributions to the plan based upon a discretionary percentage of employees' annual compensation. The plan is a contributory plan and all contributions (both employer and employee) vest immediately. For the years ended September 30, 2022 and 2021, employer contributions totaled \$58,548 and \$57,647, respectively.

Note 10—Concentrations

The Organization receives a substantial amount of its support from federal governmental grants and contracts which are subject to annual renewal. During fiscal years 2022 and 2021, the Organization received approximately 86% and 83%, respectively, of its support and revenue from government grants and contracts. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and services.

The Organization maintained deposit accounts with financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). At September 30, 2022 and 2021, accounts held at FDIC insured institutions were insured up to \$250,000. Excess uninsured balances of the Organization were approximately \$65,000 and \$270,000 at September 30, 2022 and 2021, respectively.

Note 11—Commitments and contingencies

Federal, State, and Local Awards – Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

SUPPLEMENTARY INFORMATION

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2022

	Federal Assistance Listing Number	Contract Number	Program or Award Amount	Expenditures
Federal Awards:				
<u>U.S. Department of Education</u>				
Client Assistance Program	84.161A	H161A200043-21A	\$ 226,748	\$ 28,776
Client Assistance Program	84.161A	H161A200043-22B	<u>227,840</u>	<u>179,038</u>
Total Program 84.161A			<u>454,588</u>	<u>207,814</u>
Protection & Advocacy for Individual Rights	84.240A	H240A210043-21A	312,913	36,493
Protection & Advocacy for Individual Rights	84.240A	H240A220043-22A	120,878	120,878
Protection & Advocacy for Individual Rights	84.240A	H240A220043	<u>331,731</u>	<u>236,756</u>
Total Program 84.240A			<u>765,522</u>	<u>394,127</u>
Total U.S. Department of Education			<u>1,220,110</u>	<u>601,941</u>
<u>U.S. Department of Health & Human Services</u>				
Protection & Advocacy for Assistive Technology	93.843	G-2101TNPAAT-02	81,269	-
Protection & Advocacy for Assistive Technology	93.843	G-2201TNPAAT-02	<u>86,607</u>	<u>86,607</u>
Total Program 93.843			<u>167,876</u>	<u>86,607</u>
Developmental Disabilities Basic Support & Advocacy	93.630	G-2101TNPADD-02	708,641	686
Developmental Disabilities Basic Support & Advocacy (PAC5) Expanding Disabilities Network's (P&As)	93.630	G-2201TNPADD-03	719,486	743,732
Access to COVID 19 Vaccines (PAPH) Expanding the Public Health Workforce with the Disability Network: P&As	93.630	G-2101TNPAC5-00	73,261	34,415
	93.630	2201TNPAPH-00	<u>114,000</u>	<u>-</u>
Total Program 93.630			<u>1,615,388</u>	<u>778,833</u>
Protection & Advocacy for Mentally Ill	93.138	6X98SM082548-01M001	599,542	182,834
Protection & Advocacy for Mentally Ill	93.138	6X98SM085941-01M002	<u>634,222</u>	<u>456,589</u>
Total Program 93.138			<u>1,233,764</u>	<u>639,423</u>

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

	Federal Assistance Listing Number	Contract Number	Program or Award Amount	Expenditures
Federal Awards (Continued):				
<u>U.S. Department of Health & Human Services (Continued)</u>				
Traumatic Brain Injury	93.873	2101TNPATB-02	\$ 70,335	\$ 10,661
Traumatic Brain Injury	93.873	2201TNPATB-02	74,294	61,592
Total Program 93.873			144,629	72,253
Protection & Advocacy for Voter Access	93.618	2001TNPAVA-02	105,261	28,341
Protection & Advocacy for Voter Access	93.618	2101TNPAVA-01	112,313	112,313
Protection & Advocacy for Voter Access	93.618	2201TNPAVA-02	119,365	11,801
Total Program 93.618			336,939	152,455
Total U.S. Department of Health & Human Services			3,498,596	1,729,571
<u>Social Security Administration</u>				
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB19020369-01-02	117,012	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB19020369-01-03	117,012	115,160
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB19020369-01-04	50,746	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	5-SPS18000050-03-00	623,405	215,856
Protection & Advocacy for Beneficiaries of Social Security	96.009	5-SPS18000050-04-00	644,191	521,557
Total Program 96.009+			1,552,366	852,573
Total Social Security Administration			1,552,366	852,573
Total Federal Awards			\$ 6,271,072	\$ 3,184,085

+ Denotes major program

DISABILITY RIGHTS TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2022

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) summarizes the expenditures of Disability Rights Tennessee (the “Organization”) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Grant revenues are recognized when the related program expenditures are incurred.

The Organization expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 3—Noncash awards

The Organization did not receive noncash federal awards during the year ended September 30, 2022.

Note 4—Subrecipients

The Organization did not have expenditures to subrecipients during the fiscal year.

Note 5—Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

**Report of Independent Auditor 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**

To the Board of Directors
Disability Rights Tennessee
Nashville, Tennessee

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 Disability Rights Tennessee (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated June 22, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 the entity's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 financial statements. 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*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
June 22, 2023

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Disability Rights Tennessee
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Disability Rights Tennessee's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 September 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
June 22, 2023

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2022

Section I – Summary of Audit Results

Financial Statement Section

Type of auditor's report issued on whether financial statements were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified

_____ Yes x None Reported

Noncompliance material to financial statements noted

_____ Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified

_____ Yes x None Reported

Type of auditor's report on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes x No

Identification of Major Programs

Name of Federal Program or Cluster	Federal Assistance Listing Number(s)
Protection & Advocacy for Beneficiaries of Social Security	96.009
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	<u> x </u> Yes _____ No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

DISABILITY RIGHTS TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

YEAR ENDED SEPTEMBER 30, 2022

Section III – Federal Award Findings and Questioned Costs – Major Federal Awards

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Schedule of Prior Year Audit Findings

There were no prior audit findings reported.