

**DISABILITY LAW & ADVOCACY CENTER
OF TENNESSEE**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

September 30, 2012 and 2011

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Disability Law & Advocacy Center of Tennessee
Nashville, Tennessee

We have audited the accompanying statements of financial position of Disability Law & Advocacy Center of Tennessee (a not-for-profit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disability Law & Advocacy Center of Tennessee as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013 on our consideration of Disability Law & Advocacy Center of Tennessee'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 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Frasier, Dean + Howard, PLLC

January 17, 2013

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,047,936	\$ 961,368
Grant and contract receivables	87,480	97,917
Attorney fees receivable	-	5,000
Other receivables	2,118	13,958
Prepaid expenses and advances	19,990	21,162
Total current assets	1,157,524	1,099,405
Property and equipment, net	46,583	60,859
Total assets	\$ 1,204,107	\$ 1,160,264
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 22,687	\$ 21,594
Accrued wages and benefits	110,506	96,409
Deferred revenue	44,625	32,627
Total current liabilities	177,818	150,630
Unrestricted net assets:		
Designated	856,133	861,302
Undesignated	170,156	148,332
Total unrestricted net assets	1,026,289	1,009,634
Total liabilities and net assets	\$ 1,204,107	\$ 1,160,264

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues and support:		
Government grants	\$ 2,165,485	\$ 2,237,763
Government fees and other	89,319	109,713
Attorney fees	<u>76,100</u>	<u>27,795</u>
Total revenues and support	<u>2,330,904</u>	<u>2,375,271</u>
Expenses:		
Program services	2,027,283	2,017,513
Supporting services	282,118	299,510
Fundraising	<u>4,848</u>	<u>1,707</u>
Total expenses	<u>2,314,249</u>	<u>2,318,730</u>
Change in net assets	16,655	56,541
Unrestricted net assets at beginning of year	<u>1,009,634</u>	<u>953,093</u>
Unrestricted net assets at end of year	<u>\$ 1,026,289</u>	<u>\$ 1,009,634</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2012

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,221,200	\$ 209,437	\$ 706	\$ 1,431,343
Payroll taxes and employee benefits	236,225	40,999	110	277,334
Occupancy	231,221	-	-	231,221
Travel and automobile	48,926	6,838	-	55,764
Printing and publications	46,860	-	2,563	49,423
Rental and maintenance of equipment	48,987	-	-	48,987
Miscellaneous	46,177	35	-	46,212
Telephone	43,014	801	-	43,815
Contracted and professional services	10,853	22,855	-	33,708
Client cases	17,930	-	-	17,930
Supplies	16,354	261	384	16,999
Insurance	12,397	-	-	12,397
Training seminars and conferences	11,147	850	-	11,997
Postage	5,841	42	1,085	6,968
Participant support	5,000	-	-	5,000
	<u>2,002,132</u>	<u>282,118</u>	<u>4,848</u>	<u>2,289,098</u>
Total expenses before depreciation				
Depreciation	<u>25,151</u>	<u>-</u>	<u>-</u>	<u>25,151</u>
Total expenses	<u><u>\$ 2,027,283</u></u>	<u><u>\$ 282,118</u></u>	<u><u>\$ 4,848</u></u>	<u><u>\$ 2,314,249</u></u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2011

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,213,687	\$ 223,929	\$ 622	\$ 1,438,238
Payroll taxes and employee benefits	239,206	51,212	101	290,519
Occupancy	224,018	-	-	224,018
Rental and maintenance of equipment	58,600	-	-	58,600
Travel and automobile	51,087	7,312	-	58,399
Miscellaneous	50,424	1,415	-	51,839
Printing and publications	47,366	-	243	47,609
Telephone	43,179	456	-	43,635
Contracted and professional services	9,747	13,160	-	22,907
Insurance	12,925	-	-	12,925
Supplies	11,420	251	735	12,406
Participant support	10,015	-	-	10,015
Training seminars and conferences	8,217	1,453	-	9,670
Postage	8,300	322	6	8,628
Client cases	1,370	-	-	1,370
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	1,989,561	299,510	1,707	2,290,778
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	27,952	-	-	27,952
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 2,017,513</u>	<u>\$ 299,510</u>	<u>\$ 1,707</u>	<u>\$ 2,318,730</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 16,655	\$ 56,541
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	25,151	27,952
Loss on disposal of property and equipment	312	1,546
Changes in operating assets and liabilities:		
Grant and contract receivables	10,437	22,521
Attorney fees receivable	5,000	5,000
Other receivables	11,840	(13,958)
Prepaid expenses and advances	1,172	1,029
Accounts payable	1,093	(43,920)
Accrued wages and benefits	14,097	(52,651)
Deferred revenue	11,998	(8,482)
Net cash provided by (used in) operating activities	<u>97,755</u>	<u>(4,422)</u>
Cash flows from investing activities:		
Sale of investment security	-	166,400
Purchase of property and equipment	<u>(11,187)</u>	<u>(5,523)</u>
Net cash (used in) provided by investing activities	<u>(11,187)</u>	<u>160,877</u>
Net increase in cash	86,568	156,455
Cash and cash equivalents at beginning of year	<u>961,368</u>	<u>804,913</u>
Cash and cash equivalents at end of year	<u>\$ 1,047,936</u>	<u>\$ 961,368</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Disability Law & Advocacy Center of 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 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 Development Disabilities (“PADD”) – serves individuals who meet the eligibility criteria under the Development 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.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Activities (Continued)

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

The following is a summary of the Organization’s significant accounting policies:

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.

Under accounting principles generally accepted in the United States, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. As deemed necessary, unrestricted net assets are designated by the board of directors for specific purposes. (See Note 4)

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of September 30, 2012 and 2011.

Permanently restricted net assets – net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of September 30, 2012 and 2011.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Contributions which are restricted for specific programs are reflected as unrestricted revenue if the funds are received and spent during the same fiscal year.

Attorney Fees

From time to time, the Organization is awarded attorneys' 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 4)

Use of Estimates

The preparation of 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 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. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Grant and contract revenue is recognized as unrestricted revenue 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.

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. At times during the year, the Organization maintains cash balances at financial institutions in excess of federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Automobiles	3 to 5 years

Functional Expenses

Costs of providing the various programs are summarized and reported on a functional basis. Expenses of each program include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates by management.

Income Taxes

The Organization is exempt from federal and state 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 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 fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended September 30, 2009 through 2012.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

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 \$34,195 and \$30,621 of contributed support and services meeting the criteria to record during the years ended September 30, 2012 and 2011, respectively.

Subsequent Events

The Organization evaluated subsequent events through January 17, 2013, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 162,474	\$ 161,344
Office equipment	126,482	121,116
Automobiles	<u>15,670</u>	<u>15,670</u>
	304,626	298,130
Less accumulated depreciation	<u>(258,043)</u>	<u>(237,271)</u>
	<u>\$ 46,583</u>	<u>\$ 60,859</u>

Depreciation expense totaled \$25,151 and \$27,952 for the years ended September 30, 2012 and 2011, 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.

NOTE 3 – 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, 2012) on outstanding balances. There were no outstanding balances as of September 30, 2012 and 2011. The note evidencing the arrangement matured in December 2012 and included certain negative financial covenants.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 4 – NET ASSETS

The majority 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 attorneys’ fees.

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

	2012	2011
Developmental Disabilities Basic Support and Advocacy	\$ 798,485	\$ 830,023
Protection and Advocacy for Mentally Ill	42,960	27,726
Protection and Advocacy for Beneficiaries of Social Security	8,129	3,503
Protection and Advocacy for Individual Rights	6,512	-
Client Assistance Program	45	-
Advocacy Services for Assistive Technology	2	50
	\$ 856,133	\$ 861,302

NOTE 5 – LEASE CONTRACTS

The Organization leases office space in Nashville, Knoxville, and Memphis, Tennessee under operating leases. Rent expense for all office operating leases was \$231,221 and \$224,018 for the years ended September 30, 2012 and 2011, respectively. Following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2012.

<u>Year ending</u> <u>September 30,</u>	
2013	\$ 219,902
2014	203,598
2015	22,046
	\$ 445,546

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 6 – 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 up to 3% of eligible employees' annual compensation. The plan is a contributory plan and all contributions (both employer and employee) vest immediately. For the year ended September 30, 2012, the Organization elected not to match employee contributions. For the year ended September 30, 2011, the Organization elected to match October 2010 through February 2011 employee contributions. Retirement expense for the years ended September 30, 2012 and 2011 totaled \$0 and \$13,044, respectively, and is included in employee benefits in the accompanying statements of functional expenses.

NOTE 7 – CONCENTRATIONS

The Organization receives a substantial amount of its support from federal governmental grants and contracts which are subject to annual renewal. 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.

SUPPLEMENTAL INFORMATION

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2012

	CFDA No.	Contract Number	Program or Award Amount	Balance 9/30/2011	Receipts	Expenditures	Other Additions	Balance 9/30/2012
Federal Awards:								
<u>U.S. Department of Education</u>								
Client Assistance Program	84.161A	H-161A110043-11D	\$ 212,100	\$ (14,054)	\$ 43,649	\$ 57,703	\$ -	\$ -
Client Assistance Program	84.161A	H-161A120043-12B	212,592	-	134,141	119,193	-	(14,948)
Total Program 84.161A			424,692	(14,054)	177,790	176,896	-	(14,948)
Protection & Advocacy for Individual Rights	84.240A	H-240A110043-11D	306,789	49,295	104,449	55,154	-	-
Protection & Advocacy for Individual Rights	84.240A	H-240A120043-12B	307,512	-	183,632	245,526	24,540	37,354
Total Program 84.240A			614,301	49,295	288,081	300,680	24,540	37,354
Protection & Advocacy for Users of Assistive Technology	84.343A	H343A110043-11D	68,449	21,969	47,772	25,803	-	-
Protection & Advocacy for Users of Assistive Technology	84.343A	H343A120043-12B	68,486	-	26,820	46,746	50	19,876
Total Program 84.343A			136,935	21,969	74,592	72,549	50	19,876
<u>U.S. Department of Health & Human Services</u>								
Developmental Disabilities Basic Support & Advocacy	93.630	G-1101TNPA43	794,135	11,061	11,061	-	-	-
Developmental Disabilities Basic Support & Advocacy	93.630	G-1201TNPA43	793,941	-	691,631	749,705	40,168	17,906
Total Program 93.630			1,588,076	11,061	702,692	749,705	40,168	17,906
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-11S3	596,371	8,585	63,108	54,523	-	-
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-12S1	595,224	-	508,577	517,962	-	9,385
Total Program 93.138			1,191,595	8,585	571,685	572,485	-	9,385
Traumatic Brain Injury	93.267	X82MC16905	56,010	(571)	30,211	30,782	-	-
Traumatic Brain Injury	93.267	X82MC16905	56,010	-	41,464	44,423	-	2,959
Total Program 93.267			112,020	(571)	71,675	75,205	-	2,959
Protection & Advocacy for Voter Access	93.618	G-1103TNVOTP	70,000	7,007	70,310	63,303	-	-
Protection & Advocacy for Voter Access	93.618	G-1203TNVOTP	70,000	-	24,673	24,526	-	(147)
Total Program 93.618			140,000	7,007	94,983	87,829	-	(147)

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the year ended September 30, 2012

	CFDA No.	Contract Number	Program or Award Amount	Balance 9/30/2011	Receipts	Expenditures	Other Additions	Balance 9/30/2012
Federal Awards (Continued):								
<u>U.S. Department of Health & Human Services</u>								
<u>passed through State of Tennessee.</u>								
Protection & Advocacy for Voter Access	93.617	N/A	60,000	-	14,507	7,359	-	(7,148)
Total Program 93.617			60,000	-	14,507	7,359	-	(7,148)
<u>Social Security Administration</u>								
Protection & Advocacy for Beneficiaries of Social Security	96.009	17-B-20048-4-05	217,422	(18,002)	21,256	39,258	-	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	5-PAB05020241-07-00	89,527	-	167,913	148,280	-	(19,633)
Total Program 96.009			306,949	(18,002)	189,169	187,538	-	(19,633)
Total Federal Awards			\$ 4,574,568	\$ 65,290	\$ 2,185,174	\$ 2,230,246	\$ 64,758	\$ 45,604

+ Denotes major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.



**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***

To the Board of Directors of
Disability Law & Advocacy Center of Tennessee
Nashville, Tennessee

We have audited the financial statements of Disability Law & Advocacy Center of Tennessee (a not-for-profit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated January 17, 2013. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of Disability Law & Advocacy Center of Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Disability Law & Advocacy Center of Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Disability Law & Advocacy Center of Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Disability Law & Advocacy Center of Tennessee's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not suitable for any other purpose.

Frasier, Dean & Howard, PLLC

January 17, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors of
Disability Law & Advocacy Center of Tennessee
Nashville, Tennessee

Compliance

We have audited Disability Law & Advocacy Center of Tennessee's 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 Disability Law & Advocacy Center of Tennessee's major federal programs for the year ended September 30, 2012. Disability Law & Advocacy Center of Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Disability Law & Advocacy Center of Tennessee's management. Our responsibility is to express an opinion on Disability Law & Advocacy Center of Tennessee's compliance based on our audit.

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 Disability Law & Advocacy Center of Tennessee's 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. Our audit does not provide a legal determination of Disability Law & Advocacy Center of Tennessee's compliance with those requirements.

In our opinion, Disability Law & Advocacy Center of Tennessee complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Disability Law & Advocacy Center of Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Disability Law & Advocacy Center of Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Disability Law & Advocacy Center of Tennessee's 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of directors, management, federal awarding agencies, and pass-through entities and is not suitable for any other purpose.

Fraxier, Dean + Howard, PLLC

January 17, 2013

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2012

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Disability Law & Advocacy Center of Tennessee.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Disability Law & Advocacy Center of Tennessee were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Disability Law & Advocacy Center of Tennessee expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.630	Developmental Disabilities Basic Support and Advocacy Grants

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Disability Law & Advocacy Center of Tennessee qualified as a low-risk auditee.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

None.

III. FINDINGS AND QUESTIONED COSTS FOR MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2012

None