

**DISABILITY LAW & ADVOCACY CENTER
OF TENNESSEE**

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

September 30, 2011 and 2010

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 nonprofit organization) as of September 30, 2011 and 2010, 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, 2011 and 2010, 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 12, 2012 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 the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

January 12, 2012

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 961,368	\$ 804,913
Investment security	-	166,400
Grant and contract receivables	97,917	120,438
Attorney fees receivable	5,000	10,000
Other receivables	13,958	-
Prepaid expenses and advances	21,162	22,191
Total current assets	1,099,405	1,123,942
Property and equipment, net	60,859	84,834
Total assets	\$ 1,160,264	\$ 1,208,776
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 21,594	\$ 65,514
Accrued wages and benefits	96,409	149,060
Deferred revenue	32,627	41,109
Total current liabilities	150,630	255,683
Unrestricted net assets:		
Designated	861,302	839,829
Undesignated	148,332	113,264
Total unrestricted net assets	1,009,634	953,093
Total liabilities and net assets	\$ 1,160,264	\$ 1,208,776

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues and support:		
Government grants	\$ 2,237,763	\$ 2,336,200
Government fees and other	109,713	32,490
Attorney fees	<u>27,795</u>	<u>10,000</u>
Total revenues and support	<u>2,375,271</u>	<u>2,378,690</u>
Expenses:		
Program services	2,017,513	2,070,077
Supporting services	299,510	294,278
Fundraising	<u>1,707</u>	<u>-</u>
Total expenses	<u>2,318,730</u>	<u>2,364,355</u>
Change in net assets	56,541	14,335
Unrestricted net assets at beginning of year	<u>953,093</u>	<u>938,758</u>
Unrestricted net assets at end of year	<u>\$ 1,009,634</u>	<u>\$ 953,093</u>

See accompanying notes.

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

	Program Services	Supporting Services	Fundraising	Total
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
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
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2010

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$1,221,044	\$ 220,294	\$ -	\$1,441,338
Payroll taxes and employee benefits	248,282	49,748	-	298,030
Occupancy	212,141	-	-	212,141
Travel and automobile	86,859	4,759	-	91,618
Rental and maintenance of equipment	59,675	-	-	59,675
Printing and publications	58,480	-	-	58,480
Telephone	42,175	145	-	42,320
Miscellaneous	34,818	2,643	-	37,461
Contracted and professional services	8,461	14,188	-	22,649
Training seminars and conferences	19,249	2,086	-	21,335
Supplies	17,332	386	-	17,718
Insurance	14,008	-	-	14,008
Participant support	10,000	-	-	10,000
Postage	8,142	29	-	8,171
Client cases	5,486	-	-	5,486
Total expenses before depreciation	2,046,152	294,278	-	2,340,430
Depreciation	23,925	-	-	23,925
Total expenses	<u>\$2,070,077</u>	<u>\$ 294,278</u>	<u>\$ -</u>	<u>\$2,364,355</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 56,541	\$ 14,335
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Depreciation	27,952	23,925
Loss on disposal of property and equipment	1,546	249
Changes in operating assets and liabilities:		
Grant and contract receivables	22,521	(14,611)
Attorney fees receivable	5,000	156,397
Other receivables	(13,958)	-
Prepaid expenses and advances	1,029	5,838
Accounts payable	(43,920)	47,171
Accrued wages and benefits	(52,651)	16,607
Deferred revenue	(8,482)	23,989
	<u>(4,422)</u>	<u>273,900</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Purchase of investment	-	(166,400)
Sale of investment security	166,400	-
Purchase of property and equipment	(5,523)	(53,497)
	<u>160,877</u>	<u>(219,897)</u>
Net cash provided by (used in) investing activities		
Net increase in cash	156,455	54,003
Cash and cash equivalents at beginning of year	<u>804,913</u>	<u>750,910</u>
Cash and cash equivalents at end of year	<u>\$ 961,368</u>	<u>\$ 804,913</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

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 of 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, 2011 and 2010

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 5.)

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 currently has no temporarily restricted net assets.

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 currently has no permanently restricted net assets.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

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 5.)

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 consolidated 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, 2011 and 2010

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:

Office equipment, furniture and fixtures	3 to 5 years
Automobiles	3 to 5 years

Investments

Investments are measured at fair value in the statements of financial position (see Note 2). Investment income or loss (including realized and unrealized gains and losses on investments and interest) is included in the change in net assets.

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 has adopted Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 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, 2008 through 2011.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

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 \$30,621 and \$12,979 of contributed support and services meeting the criteria to record during the years ended September 30, 2011 and 2010, respectively.

Subsequent Events

The Organization evaluated subsequent events through January 12, 2012, 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 – FAIR VALUE OF INVESTMENTS

The Organization has adopted the provisions of the Fair Value Measurement topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and liabilities. That 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 that the Organization has the ability to access.

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;
- inputs that are derived principally from or corroborated by 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 LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

NOTE 2 – FAIR VALUE OF INVESTMENTS (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.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes its valuation method is 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 fair value measurement at the reporting date.

Investments of the Organization are stated at fair value as of September 30, 2011 and 2010 and consist of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>
U.S. treasury bill – six month term	\$ -	\$ -	\$ 166,400	\$ 166,400

Investment income was as follows for the years ended September 30:

	<u>2011</u>	<u>2010</u>
Interest income	\$ -	\$ 1,626

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 161,344	\$ 164,694
Office equipment	121,116	128,471
Automobiles	<u>15,670</u>	<u>50,592</u>
	298,130	343,757
Less accumulated depreciation	<u>(237,271)</u>	<u>(258,923)</u>
	<u>\$ 60,859</u>	<u>\$ 84,834</u>

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

Depreciation expense totaled \$27,952 and \$23,925 for the years ended September 30, 2011 and 2010, 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 4 – LINE OF CREDIT

The Organization maintains a bank line of credit arrangement allowing for maximum borrowings of \$75,000, with interest computed at the bank’s national lending rate plus two percent (5.25% as of September 30, 2011) on outstanding balances. There were no outstanding balances as of September 30, 2011 and 2010. The note evidencing the arrangement matures in December 2011 and includes certain negative financial covenants.

NOTE 5 – 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:

	2011	2010
Developmental Disabilities Basic Support and Advocacy	\$ 830,023	\$ 828,022
Protection and Advocacy for Mentally Ill	27,726	11,807
Protection and Advocacy for Beneficiaries of Social Security	3,503	-
Advocacy Services for Assistive Technology	50	-
	\$ 861,302	\$ 839,829

NOTE 6 – LEASE CONTRACTS

The Organization leases office space in Nashville, Knoxville, and Memphis, Tennessee under operating leases. Rent expense for all office operating leases was \$224,018 and \$212,141 for the years ended September 30, 2011 and 2010, respectively. The 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, 2011.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2011 and 2010

NOTE 6 – LEASE CONTRACTS (Continued)

<u>Year ending</u> <u>September 30,</u>	
2012	\$ 226,306
2013	219,902
2014	203,598
2015	<u>22,046</u>
	<u>\$ 671,852</u>

NOTE 7 – 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 matches 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. Retirement expense for the years ended September 30, 2011 and 2010 totaled \$13,044 and \$29,240, respectively, and is included in employee benefits in the accompanying statements of functional expenses. For the year ended September 30, 2011, the Organization elected to match October 2010 through February 2011 employee contributions.

NOTE 8 – 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
Year Ended September 30, 2011

Federal CFDA Number	Grant or Contract Number	Program Name	Grantor Agency	Program or Award Amount	Balance 9/30/10	Cash Receipts	Expenditures	Other	Balance 9/30/11
84.161	H-161A090043B H-161A110043-11D	Client Assistance Program Client Assistance Program	U.S. Department of Education	\$ 211,817 212,100 <u>423,917</u>	\$ (13,073) - <u>(13,073)</u>	\$ 12,008 168,451 <u>180,459</u>	\$ 25,081 154,397 <u>179,478</u>	\$ - - <u>-</u>	\$ - <u>(14,054)</u> <u>(14,054)</u>
84.240	+ H240A090043B H240A100043-11D	Protection & Advocacy for Individual Rights Protection & Advocacy for Individual Rights	U.S. Department of Education	306,391 306,789 <u>613,180</u>	32,045 - <u>32,045</u>	82,114 202,340 <u>284,454</u>	50,069 254,142 <u>304,211</u>	- 2,507 <u>2,507</u>	- <u>49,295</u> <u>49,295</u>
93.630	G-1001TNPA43 G-1101TNPA43	Developmental Disabilities Basic Support & Advocacy Developmental Disabilities Basic Support & Advocacy	Department of Health and Human Services	795,921 794,135 <u>1,590,056</u>	1,577 - <u>1,577</u>	1,577 783,074 <u>784,651</u>	- 806,860 <u>806,860</u>	- 12,725 <u>12,725</u>	- <u>11,061</u> <u>11,061</u>
93.138	+ 2X98SM004797-09 3X98SM004797-11S3	Protection & Advocacy for Mentally Ill Protection & Advocacy for Mentally Ill	Department of Health and Human Services	593,337 596,371 <u>1,189,708</u>	4,089 - <u>4,089</u>	4,190 533,263 <u>537,453</u>	101 541,848 <u>541,949</u>	- - <u>-</u>	- <u>8,585</u> <u>8,585</u>
84.343	H343A010043B H343A110043-11D	Advocacy Services of Assistive Technology Advocacy Services of Assistive Technology	Office of Special Education and Rehabilitative Services, Department of Education	68,425 68,449 <u>136,874</u>	31,042 - <u>31,042</u>	69,538 20,677 <u>90,215</u>	38,496 42,646 <u>81,142</u>	- - <u>-</u>	- <u>21,969</u> <u>21,969</u>
96.009	17-B-20048-4-05 17-B-20048-4-05	Advocacy for Beneficiaries of Social Security Advocacy for Beneficiaries of Social Security	Social Security Administrator	97,510 217,422 <u>314,932</u>	158 - <u>158</u>	39,004 102,516 <u>141,520</u>	38,846 84,514 <u>123,360</u>	- - <u>-</u>	- <u>(18,002)</u> <u>(18,002)</u>
93.267	X82MC16905 X82MC16905	Traumatic Brain Injury Program Traumatic Brain Injury Program	Department of Health and Human Services	56,010 56,010 <u>112,020</u>	30,092 - <u>30,092</u>	85,251 25,799 <u>111,050</u>	55,159 25,228 <u>80,387</u>	- - <u>-</u>	- <u>(571)</u> <u>(571)</u>
93.618	G-1003TNVOTP G-1103TNVOTP	Help America Vote Act Help America Vote Act	Department of Health and Human Services	70,000 70,000 <u>140,000</u>	21,437 - <u>21,437</u>	130,645 - <u>130,645</u>	109,208 7,007 <u>116,215</u>	- - <u>-</u>	- <u>7,007</u> <u>7,007</u>
96.009	17-B-20048-4-05	Representative Payee Monitoring Activities	Social Security Administrator	36,463	(19,390)	-	19,390	-	-
Total Federal Financial Assistance				<u>\$ 4,557,150</u>	<u>\$ 87,977</u>	<u>\$ 2,260,447</u>	<u>\$ 2,252,992</u>	<u>\$ 15,232</u>	<u>\$ 65,290</u>

+ 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 nonprofit organization) as of and for the year ended September 30, 2011, and have issued our report thereon dated January 12, 2012. 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 intended to be and should not be used by anyone other than these specified parties.

January 12, 2012



**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, 2011. 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, 2011.

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 intended to be and should not be used by anyone other than these specified parties.

January 12, 2012

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2011

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:

CFDA Number	Name of Federal Program or Cluster
84.240	Protection and Advocacy for Individual Rights Grants
93.138	Protection and Advocacy for Mentally Ill 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, 2011

None