

TENNESSEE DISABILITY COALITION

FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

## TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITORS' REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7
Schedule of Expenditures of Federal Awards and State Financial Assistance .....	12
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 .....	14
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	16
Summary Schedule of Prior Year Audit Findings .....	18
Schedule of Findings and Questioned Costs .....	19
Corrective Action Plan .....	21



214 Overlook Circle, Suite 250  
Brentwood, Tennessee 37027  
615 . 467 . 7300 MAIN  
615 . 467 . 7301 FAX  
[www.bpmcpas.com](http://www.bpmcpas.com)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Tennessee Disability Coalition  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Tennessee Disability Coalition as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Coalition'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 the 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 Tennessee Disability Coalition as of June 30, 2010 and 2009, 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 February 8, 2011 on our consideration of Tennessee Disability Coalition'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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Tennessee Disability Coalition taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Byrd, Proctor & Mills, P.C.*

February 8, 2011

TENNESSEE DISABILITY COALITION  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 820,641	\$ 760,491
Grants receivable - government	185,458	382,623
Grants receivable - other	7,256	22,900
Accounts receivable	8,172	26,517
Prepaid expense	<u>-</u>	<u>1,428</u>
Total current assets	1,021,527	1,193,959
<b>PROPERTY AND EQUIPMENT</b>		
Buildings	1,407,678	1,169,889
Land	300,000	250,000
Furniture and equipment	<u>159,132</u>	<u>139,132</u>
	1,866,810	1,559,021
Accumulated depreciation	<u>(231,940)</u>	<u>(182,231)</u>
	1,634,870	1,376,790
<b>OTHER ASSETS</b>		
Mortgages receivable	15,208	17,760
Security deposit	<u>5,083</u>	<u>5,083</u>
	<u>20,291</u>	<u>22,843</u>
	<u>\$ 2,676,688</u>	<u>\$ 2,593,592</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Mortgage payable - current portion	\$ 33,030	\$ 30,590
Accounts payable	103,277	1,350
Accrued expenses	<u>34,752</u>	<u>39,275</u>
Total current liabilities	171,059	71,215
MORTGAGE PAYABLE - less current portion	550,795	582,427
<b>NET ASSETS</b>		
Unrestricted	1,864,479	1,849,595
Temporarily restricted	<u>90,355</u>	<u>90,355</u>
	<u>1,954,834</u>	<u>1,939,950</u>
	<u>\$ 2,676,688</u>	<u>\$ 2,593,592</u>

See accompanying notes.

TENNESSEE DISABILITY COALITION  
STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Government grants	\$ 1,155,933	\$ 1,667,863
Nongovernment grants	75,438	55,688
Contributions	10,237	16,043
Interest	2,573	7,198
Allocation - marriage license fees	628,533	650,289
Rental income	51,557	49,824
Membership dues	660	4,050
Miscellaneous	11,652	15,853
	<u>1,936,583</u>	<u>2,466,808</u>
EXPENSES		
Program services		
Benefits to Work	274,002	239,310
Traumatic Brain Injury	271,347	-
Advocacy	-	502,159
Block Grants for Community Health Services	458,082	445,971
Other program services	619,455	923,137
Supporting services		
Management and general	235,960	212,409
Fundraising	62,853	65,029
	<u>1,921,699</u>	<u>2,388,015</u>
Total expenses		
	<u>1,921,699</u>	<u>2,388,015</u>
CHANGE IN NET ASSETS - UNRESTRICTED	14,884	78,793
NET ASSETS, BEGINNING OF YEAR	<u>1,939,950</u>	<u>1,861,157</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,954,834</u></u>	<u><u>\$ 1,939,950</u></u>

See accompanying notes.

TENNESSEE DISABILITY COALITION  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended June 30, 2010 and 2009

2010

	Program Services						Total Expense
	Benefits to Work	Traumatic Brain Injury	Block Grants for Community Mental Health	Other Disability Programs	Management and General	Fundraising	
Salaries and wages	\$ 181,737	\$ 117,537	\$ -	\$ 293,441	\$ 166,719	\$ -	\$ 759,434
Employee benefits	26,015	24,986	-	44,519	24,367	-	119,887
Payroll taxes	14,475	9,178	-	21,885	14,790	-	60,328
Contractual services	-	210	-	33,711	-	-	33,921
Professional services	116	13,496	306,019	21,181	27,298	62,853	430,963
Supplies	383	18,919	5,759	2,249	13,664	-	40,974
Communications	6,201	5,149	13,422	15,519	9,260	-	49,551
Printing	2,578	12,425	3,537	14,046	1,889	-	34,475
Postage	739	782	513	4,065	343	-	6,442
Occupancy	-	4,162	24,350	(10,065)	28,250	-	46,697
Insurance	-	-	9,429	-	15,433	-	24,862
Travel	17,474	20,652	34,185	21,891	1,281	-	95,483
Conferences	2,136	16,215	2,010	8,359	2,655	-	31,375
Equipment lease and maintenance	-	-	-	-	7,998	-	7,998
Building repairs and maintenance	-	-	-	-	6,943	-	6,943
Property tax	-	-	-	-	12,437	-	12,437
Interest	-	-	-	570	46,813	-	47,383
Dues and subscriptions	-	-	-	843	450	-	1,293
Licenses and permits	-	-	-	2,820	2,395	-	5,215
Contributions	-	-	-	52,496	-	-	52,496
Utilities	-	-	2,717	-	-	-	2,717
Bad debt	-	-	-	-	1,115	-	1,115
Miscellaneous	-	-	-	-	1	-	1
Depreciation	-	-	-	-	49,709	-	49,709
Overhead allocated to grants	22,148	27,636	56,141	91,925	(197,850)	-	-
	<u>\$ 274,002</u>	<u>\$ 271,347</u>	<u>\$ 458,082</u>	<u>\$ 619,455</u>	<u>\$ 235,960</u>	<u>\$ 62,853</u>	<u>\$ 1,921,699</u>

See accompanying notes.

TENNESSEE DISABILITY COALITION  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended June 30, 2010 and 2009

2009

	Program Services						Total Expense
	Benefits to Work	Advocacy	Block Grants for Community Mental Health	Other Program Services	Management and General	Fundraising	
Salaries and wages	\$ 179,642	\$ 287,115	\$ -	\$ 364,832	\$ 182,593	\$ -	\$ 1,014,182
Employee benefits	19,647	75,267	-	79,706	39,011	-	213,631
Payroll taxes	14,603	25,410	-	29,348	17,341	-	86,702
Contractual services	-	-	-	27,477	-	-	27,477
Professional services	-	1,153	338,722	26,354	22,569	65,029	453,827
Supplies	330	2,617	10,113	5,448	1,743	-	20,251
Communications	5,142	13,835	15,832	14,989	8,695	-	58,493
Printing	1,767	923	6,734	27,395	(1,550)	-	35,269
Postage	780	887	677	8,835	(376)	-	10,803
Occupancy	-	47,591	15,003	1,655	10,653	-	74,902
Insurance	-	-	12,391	-	18,882	-	31,273
Travel	16,494	45,673	39,193	42,563	(8,793)	-	135,130
Conferences	905	339	4,041	24,824	1,302	-	31,411
Equipment lease and maintenance	-	540	100	-	(2,678)	-	(2,038)
Building repairs and maintenance	-	-	-	-	19,545	-	19,545
Interest	-	-	-	-	49,041	-	49,041
Dues and subscriptions	-	-	-	5,314	845	-	6,159
Licenses and permits	-	-	-	4,250	2,613	-	6,863
Contributions	-	50	-	54,750	173	-	54,973
Utilities	-	759	3,165	47	14,095	-	18,066
Miscellaneous	-	-	-	-	2	-	2
Depreciation	-	-	-	-	42,053	-	42,053
Overhead allocated to grants	-	-	-	205,350	(205,350)	-	-
	<u>\$ 239,310</u>	<u>\$ 502,159</u>	<u>\$ 445,971</u>	<u>\$ 923,137</u>	<u>\$ 212,409</u>	<u>\$ 65,029</u>	<u>\$ 2,388,015</u>

See accompanying notes.

TENNESSEE DISABILITY COALITION  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,884	\$ 78,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	49,709	42,053
(Increase) decrease in:		
Grants receivable	212,809	(76,396)
Accounts receivable	18,345	7,828
Prepaid expenses	1,428	24,440
Mortgages receivable	2,552	2,715
Security deposits	-	910
Increase (decrease) in:		
Accounts payable	101,927	(17,427)
Accrued expenses	<u>(4,523)</u>	<u>(26,232)</u>
Net cash provided by operating activities	397,131	36,684
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(307,789)</u>	<u>(11,737)</u>
Net cash used by investing activities	(307,789)	(11,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(29,192)</u>	<u>(27,535)</u>
Net cash used by financing activities	<u>(29,192)</u>	<u>(27,535)</u>
Net increase (decrease) in cash	60,150	(2,588)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>760,491</u>	<u>763,079</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 820,641</u></u>	<u><u>\$ 760,491</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u><u>\$ 47,383</u></u>	<u><u>\$ 49,041</u></u>

See accompanying notes.



TENNESSEE DISABILITY COALITION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Tennessee Disability Coalition (the Coalition) is a Tennessee nonprofit corporation. The Coalition is an alliance of organizations and individuals who have joined to promote the full and equal participation of men, women and children with disabilities in all aspects of life. The Coalition works to advocate for public policy that ensures self-determination, independence, empowerment, and inclusion for people with disabilities in areas such as accessibility, education, healthcare, housing, and voting rights. The Coalition is supported primarily with federal and State of Tennessee grants.

Basis of Presentation

The Coalition reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United State of America. This method of accounting recognizes revenue when earned and expenses when incurred.

Cash and Cash Equivalents

For the statement of cash flows, the Coalition considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

Property and Equipment

The Coalition capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated equipment and leasehold improvements are carried at their approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Certain equipment has been purchased, in part, with grant funds and is subject to return to the grantor either upon its ultimate disposition or for failure to comply with the terms and conditions of the grant contract for the useful life of the equipment.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

TENNESSEE DISABILITY COALITION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and certain reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Coalition is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for federal income taxes in the accompanying financial statements.

Evaluation of Events Occurring After The Financial Statement Date

Management has evaluated subsequent events through February 8, 2011, the date the financial statements were available to be issued.

Reclassifications

The 2009 financial statements have been reclassified to comply with the presentation of the 2010 financial statements. Net assets and changes in net assets are unchanged due to the reclassifications.

NOTE 2 – GRANTS RECEIVABLE - GOVERNMENT

Grants receivable – government includes grants due from government agencies, and consists of the following:

<u>Agency</u>	<u>Program Activity</u>	<u>2010</u>	<u>2009</u>
Social Security Administration	Benefits To Work	\$ 68,394	\$ 78,990
U.S. Department of Health and Human Services	Health Care Information and Education for Families of Children with Special Needs	6,708	54,589
Department of Health	Newborn Hearing	7,637	6,569
Department of Health	Traumatic Brain Injury	33,199	41,328
Tennessee Mental Health And Developmental Disabilities	Consumer Family Support/ Peer Support Center	65,154	195,421
Department of Education	Special Education Improvement	4,366	5,726
		<u>\$ 185,458</u>	<u>\$ 382,623</u>

TENNESSEE DISABILITY COALITION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 3 – GRANTS RECEIVABLE – OTHER

Grants receivable – other includes grants due from nongovernmental organizations, and consists of the following:

Grantor	Program Activity	2010	2009
Syracuse University	ADA expenditures	\$ 3,768	\$ 12,565
Vanderbilt University	Lend grant	2,422	9,688
Other	Various	1,066	647
		<u>\$ 7,256</u>	<u>\$ 22,900</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2010	2009
Tennessee Mental Health Consumers Association	\$ 2,139	\$ 22,779
Support and Training for Exceptional Parents	314	66
Center for Independent Living	6,584	460
Autism Society of Middle Tennessee	1,445	645
Employees and other	(2,310)	2,567
	<u>\$ 8,172</u>	<u>\$ 26,517</u>

NOTE 5 – MORTGAGES RECEIVABLE

The Coalition sold homes to qualified buyers in the HOPE for Homeownership of Single Family Homes program (HOPE III). The Coalition holds the second mortgages without interest to buyers. Payments received toward these mortgages are temporarily restricted for other HUD projects, and it is the intent of the Coalition to remit these monies to HUD as they are collected.

NOTE 6 – MORTGAGE PAYABLE

The Coalition has a mortgage payable with Regions Bank, outstanding principal balances of \$583,825 and \$613,017 as of June 30, 2010 and 2009, respectively, payable in monthly installments of \$6,381, accruing interest at 7.70%. The final payment is due November 2021. The office building at 955 Woodland Street, Nashville, Tennessee collateralizes the mortgage.

Aggregate mortgage payable maturities are as follows for the next five years ended June 30:

2011	\$ 33,030
2012	35,665
2013	38,510
2014	41,582
2015	44,900

TENNESSEE DISABILITY COALITION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 and 2009 consist of mortgages held with qualified buyers under the HOPE III home ownership program with the Department of Housing and Urban Development (HUD). Principal payments received from these mortgages are restricted for other HUD projects.

NOTE 8 – CONCENTRATIONS

Financial instruments that potentially subject the Coalition to concentrations of credit risk consist of their grants receivable. The grant receivable represents concentration of credit risk to the extent that they are received from concentrated sources. The Coalition receives a substantial amount of its support from governmental grants. A significant reduction in the levels of this support, if this was to occur, could have an effect on the Coalition's programs and activities. Based on the upcoming fiscal year's budget, the funding is expected to continue for the upcoming year to meet budgeted expenditures.

The Coalition receives a portion of marriage license fees collected by the State of Tennessee. Amounts received for the allocation of marriage license fees consisted of 32% and 26% of total support for the years ended June 30, 2010 and 2009, respectively.

The Coalition received grants directly from federal granting agencies totaling \$341,932 and \$367,592 for the years ended June 30, 2010 and 2009, respectively. These amounts consisted of 18% and 15% of total support, respectively.

The Coalition also received grants from the State of Tennessee, including federal pass-through grants, totaling \$814,001 and \$1,300,271 for the years ended June 30, 2010 and 2009, respectively. These amounts consisted of 42% and 53% of total support, respectively.

All of the Coalition's cash is held in two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures aggregate deposits up to \$250,000 per bank. At June 30, 2010 and 2009, deposits exceeded insured amounts by approximately \$558,434 and \$309,000 respectively.

NOTE 9 – QUESTIONED COSTS AND CONTINGENCIES

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the State of Tennessee (the "State"), and may require that the funds already expended be refunded. These amounts can be "questioned" by the State for the specific grant to which they apply. The determination as to whether such costs will be allowed or disallowed under the grants will be made by the individual grantor agencies at a later time. No liability is needed as of June 30, 2010 for these costs as no determination has been made by the grantor agencies as to any amount for any grant. The Board deems the contingency remote, as the Coalition has accommodated the objective of the programs to the provisions of the grants.

NOTE 10 – RETIREMENT PLAN

The Coalition maintains a 403(b) retirement plan for its employees who have completed one year of employment. Contributions to the plan are based on the employees' gross salaries, and employees can make elective contributions to the plan. The costs of this employee benefit plan are charged to expense and totaled \$17,959 and \$25,603 for the years ended June 30, 2010 and 2009, respectively.

TENNESSEE DISABILITY COALITION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 11 – LEASES

The Coalition leases property and equipment under operating leases. Rental expense was \$14,793 and \$62,940 for the years ended June 30, 2010 and 2009, respectively.

The Coalition shares office services and leases office space to organizations that are members of the Coalition, and share common disability-related causes with the Coalition.

NOTE 12 – SUBSEQUENT EVENTS

Effective July 1, 2010, The Tennessee Department of Mental Health And Developmental Disabilities (TDMHDD) terminated its grant agreement with the Coalition. The Coalition had previously outsourced administration of this grant in its entirety to another organization.

TENNESSEE DISABILITY COALITION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>Federal Awards</u>						
Social Security Administration:						
Benefits to Work	96.008	14-W-50081-4-03	\$ (78,990)	\$ 281,036	\$ 202,046	\$ -
Benefits to Work	96.008	14-W-50081-4-05	-	3,557	71,951	(68,394)
Tennessee Department of Mental Health & Developmental Disabilities						
Division of Recovery Services:						
Block Grants for Community Mental Health Services:						
Peer Support Centers, Peer Support Transportation and Consumer Family Support	93.958	GR-09-24416-00	(195,421)	195,421	-	-
Peer Support and Peer Support Transportation	93.958	10249-GR1028829	-	76,599	104,835	(28,236)
Consumer Support/BRIDGES	93.958	GR1028877	-	315,278	353,246	(37,968)
Tennessee Department of Health - Bureau of Health Services Administration:						
Traumatic Brain Injury	93.234	GR-09-24925-00	(41,327)	41,327	-	-
Traumatic Brain Injury	93.234	GR-09-24925-01	-	221,524	221,524	-
Traumatic Brain Injury	93.234	GR-10-31721	-	16,624	49,823	(33,199)
Newborn Hearing Consultation	93.251	GR-09-24017-00	(5,454)	5,454	-	-
Newborn Hearing Consultation	93.251	GR-10-29020-00	-	58,260	65,897	(7,637)
U.S. Department of Health and Human Services:						
Heath Care Information & Education for Families of children with Special						
Health Care Needs	93.110	H84MC00004-07-00	(54,589)	54,589	-	-
Health Care Needs	93.110	H84MC00004-08-02	-	89,523	96,232	(6,709)

TENNESSEE DISABILITY COALITION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2010

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
Tennessee Department of Education - Division of Special Education:						
Special Education Improvement	84.323A	GR-09-24952-00	(5,727)	5,727	-	-
Special Education Improvement	84.323A	GR-09-24952-00	-	15,634	20,000	(4,366)
Total federal awards			<u>\$ (381,508)</u>	<u>\$ 1,380,553</u>	<u>\$ 1,185,554</u>	<u>\$ (186,509)</u>
Total federal and state awards			<u>\$ (381,508)</u>	<u>\$ 1,380,553</u>	<u>\$ 1,185,554</u>	<u>\$ (186,509)</u>

Basis of presentation:

Note 1: The accompanying Schedule of Expenditures of Federal and State Financial Assistance summarizes the expenditures of Tennessee Disability Coalition under programs of the federal and state governments for the year ended June 30, 2010. The schedule is presented using the modified accrual basis of accounting.



214 Overlook Circle, Suite 250  
Brentwood, Tennessee 37027  
615 . 467 . 7300 MAIN  
615 . 467 . 7301 FAX  
[www.bpmcpas.com](http://www.bpmcpas.com)

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  
Tennessee Disability Coalition  
Nashville, Tennessee

We have audited the financial statements of Tennessee Disability Coalition (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 8, 2011. 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

In planning and performing our audit, we considered Tennessee Disability Coalition'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 the Tennessee Disability Coalition's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coalition'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 Tennessee Disability Coalition'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 instances of noncompliance or other matters that are required to be reported under



*Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

We noted certain matters that we reported to management of Tennessee Disability Coalition in a separate letter dated February 8, 2011.

Tennessee Disability Coalition's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Tennessee Disability Coalition's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and State of Tennessee pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Byrd, Proctor & Mills, P.C.*

February 8, 2011



214 Overlook Circle, Suite 250  
Brentwood, Tennessee 37027  
615 . 467 . 7300 MAIN  
615 . 467 . 7301 FAX  
[www.bpmcpas.com](http://www.bpmcpas.com)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

To the Board of Directors  
Tennessee Disability Coalition  
Nashville, Tennessee

Compliance

We have audited Tennessee Disability Coalition'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 Tennessee Disability Coalition's major federal programs for the year ended June 30, 2010. Tennessee Disability Coalition's major federal programs are identified in the summary of auditors' 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 Tennessee Disability Coalition's management. Our responsibility is to express an opinion on Tennessee Disability Coalition'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 Tennessee Disability Coalition'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 Tennessee Disability Coalition's compliance with those requirements.

In our opinion, Tennessee Disability Coalition 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 June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

Internal Control Over Compliance

Management of Tennessee Disability Coalition is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tennessee Disability Coalition'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 Tennessee Disability Coalition'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.

Tennessee Disability Coalition's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Tennessee Disability Coalition's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the board of directors, others within the entity, 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.

*Byrd, Proctor & Mills, P.C.*

February 8, 2011

TENNESSEE DISABILITY COALITION  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2010

DEPARTMENT OF HEALTH AND HUMAN SERVICES AND  
STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH  
DEVELOPMENTAL DISABILITIES

FINDING 2009-1: Block Grants for Community Mental Health Services

Condition: Approval of seven grant expenditures selected for testing was not documented on the supporting documentation.

Recommendation: Approval for all grant expenses should be documented in accordance with the Coalition's internal control procedures.

Current Status: The Coalition implemented procedures to document approval of grant expenditures during the year ended June 30, 2010. A similar finding was noted in the 2010 audit.

FINDING 2009-2: Block Grants for Community Mental Health Services

Condition: The Coalition's workers' compensation/employers' liability insurance policy was less than required amounts as stated in the grant contract. Coalition's insurance limits were \$100,000 for bodily injury by accident/each accident, \$500,000 bodily injury by disease/policy limit, and \$100,000 bodily injury by disease/each employee.

Recommendation: Increase the workers' compensation/employers' liability insurance policy limits that meet or exceed the relevant statutory amount or \$1,000,000, whichever is greater.

Response: This finding was corrected during the year ended June 30, 2010.

TENNESSEE DISABILITY COALITION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

93.958	Block Grants for Community Mental Health Services
--------	---

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

TENNESSEE DISABILITY COALITION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF HEALTH AND HUMAN SERVICES AND  
STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH  
DEVELOPMENTAL DISABILITIES

2010-1      Block Grants for Community Mental Health Services  
CFDA No. 93.958, Grant No.'s 10249-GR1028829/GR1028877  
Grant Period - June 30, 2010

Condition: The Coalition uses a distinct internal numbering code for each grant. This code is written on each invoice when it is processed for payment. Grant codes on eleven invoices totaling \$7,536 selected for testing did not agree with the grant codes assigned to the respective expenditures in the accounting software.

Criteria: Grant codes on invoices for all grant expenditures should agree with codes assigned to expenditures in the accounting software.

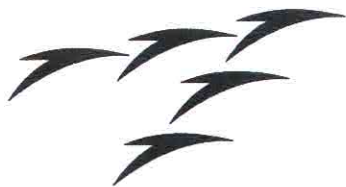
Cause: Possible entry errors when entering expenditures into the accounting software; possible failure to agree grant codes between invoices and the accounting software; possible lack of procedures in place to agree grant codes on invoices to coding in the accounting software; possible corrections made in the accounting software that were not subsequently documented on the invoice.

Effect: Costs charged to the grants may be posted in error, and become a disallowed cost.

Population and Sample Size: A sample of sixty grant transactions totaling approximately \$186,271 was selected for audit from a population of 255 grant transactions totaling approximately \$458,081.

Recommendation: Perform or implement procedures to agree grant codes on approved invoices to codes assigned to the respective expenditures in the accounting software.

Response: Internal numbering codes are placed on invoices by staff when the invoice is submitted for payment. Staff persons who work on multiple projects may fail to correctly assign codes. There is a review process in place to make sure that the codes are assigned correctly and entered correctly in the accounting software. Senior management makes the final review. There is not, however, a record kept of how the codes were reviewed and changed, creating a discrepancy between the original invoices and accounting software. A new policy has been implemented to create a record of the change made within software notes and/or the original invoice to clarify the change and eliminate discrepancy.



voice (615) 383-9442 | [www.tndisability.org](http://www.tndisability.org) | fax (615) 383-1176  
955 Woodland St, Nashville, TN 37206

## T E N N E S S E E   D I S A B I L I T Y   C O A L I T I O N

Department of Health and Human Services and  
State of Tennessee of Mental Health & Development Disabilities

Tennessee Disability Coalition respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

Byrd, Proctor & Mills, P.C.  
214 Overlook Circle  
Brentwood, Tennessee

Audit period: June 30, 2010

The findings from the 2010 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

#### DEPARTMENT OF HEALTH AND HUMAN SERVICES AND STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH DEVELOPMENTAL DISABILITIES

Block Grants for Community Mental Health Services  
CFDA No. 93.958, Grant No.'s 10249-GR1028829/GR1028877  
Grant Period - June 30, 2010

- 2010-1      Recommendation: Perform or implement procedures to agree grant codes on approved invoices to codes assigned to the respective expenditures in the accounting software.

Action Taken: internal numbering codes are placed on invoices by staff when the invoice is submitted for payment. Staff persons who work on multiple projects may fail to correctly assign codes. There is a review process in place to make sure that the codes are assigned correctly and entered correctly in the accounting software. Senior management makes the final review. There is not, however, a record kept of how the codes were reviewed and changed, creating a discrepancy between original invoices and accounting software. A new policy has been implemented to create a record of the change made within software notes and/or on the original invoice to clarify the change and eliminate discrepancy.

If the Department of Health and Human Services and State of Tennessee of Mental Health and Development Disabilities has questions regarding this plan, please call Carol Westlake at 615-383-9442.

Sincerely yours,

A handwritten signature in dark ink, reading "Carol Westlake", followed by a long horizontal flourish.

Carol Westlake  
Executive Director