

DISABILITY RIGHTS TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

As of and for the Years Ended September 30, 2019 and 2018

And Report of Independent Auditor

DISABILITY RIGHTS TENNESSEE

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

Statements of Financial Position..... 3
Statements of Activities..... 4
Statements of Functional Expenses 5-6
Statements of Cash Flows 7
Notes to the Financial Statements 8-13

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards..... 14-15
Notes to the Schedule of Expenditures of Federal Awards 16

Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* 17-18

Report of Independent Auditor on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance 19-20

Schedule of Findings and Questioned Costs 21

Report of Independent Auditor

To the Board of Directors
Disability Rights Tennessee
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Disability Rights Tennessee (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disability Rights Tennessee as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1, Disability Rights Tennessee adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020 on our consideration of Disability Rights 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* in considering Disability Rights Tennessee’s internal control over financial reporting and compliance.

Cherry Bekart LLP

Nashville, Tennessee
February 6, 2020

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 907,407	\$ 1,048,309
Grant and contract receivables	114,754	96,079
Pledges receivable	52,362	62,320
Prepaid expenses and other	23,822	24,063
Total Current Assets	<u>1,098,345</u>	<u>1,230,771</u>
Property and equipment, net	<u>54,608</u>	<u>54,717</u>
Total Assets	<u><u>\$ 1,152,953</u></u>	<u><u>\$ 1,285,488</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,698	\$ 34,791
Accrued wages and benefits	164,695	132,214
Deferred revenue	<u>58,680</u>	<u>30,020</u>
Total Liabilities	<u>234,073</u>	<u>197,025</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	355,623	443,114
Designated	<u>510,895</u>	<u>583,029</u>
Total Net Assets Without Donor Restrictions	866,518	1,026,143
With donor restrictions	<u>52,362</u>	<u>62,320</u>
Total Net Assets	<u>918,880</u>	<u>1,088,463</u>
Total Liabilities and Net Assets	<u><u>\$ 1,152,953</u></u>	<u><u>\$ 1,285,488</u></u>

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Change in Net Assets without Donor Restrictions:		
Revenues and Support:		
Government grants	\$ 2,503,699	\$ 2,194,937
Contributions - includes in-kind income of \$130,393 and \$41,151, respectively	181,792	69,668
Government fees and other	100,013	40,000
Attorney fees	4,920	29,408
Other income	28,748	19,353
Net assets released from restriction	54,914	36,248
Total Revenues and Support	<u>2,874,086</u>	<u>2,389,614</u>
Expenses:		
Program services	2,694,621	2,023,523
Supporting services	276,790	318,219
Fundraising	62,300	58,700
Total Expenses	<u>3,033,711</u>	<u>2,400,442</u>
Change in Net Assets Without Donor Restrictions	(159,625)	(10,828)
Change in Net Assets with Donor Restrictions:		
Contributions	44,956	58,357
Released from restriction	(54,914)	(36,248)
Change in Net Assets with Donor Restrictions	<u>(9,958)</u>	<u>22,109</u>
Change in net assets	(169,583)	11,281
Net assets, beginning of year	<u>1,088,463</u>	<u>1,077,182</u>
Net assets, end of year	<u>\$ 918,880</u>	<u>\$ 1,088,463</u>

DISABILITY RIGHTS TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 1,562,178	\$ 182,250	\$ 3,483	\$ 1,747,911
Payroll taxes and employee benefits	380,564	64,391	366	445,321
Occupancy	190,026	-	-	190,026
In-kind expense	130,393	-	-	130,393
Travel and automobile	97,906	7,371	23	105,300
Contracted and professional services	49,533	18,763	35,475	103,771
Printing and publications	79,841	-	-	79,841
Rental and maintenance of equipment	55,867	-	-	55,867
Supplies	37,102	272	26	37,400
Miscellaneous	10,257	266	22,900	33,423
Telephone	27,605	-	-	27,605
Training, seminars, and conferences	18,973	3,477	20	22,470
Insurance	17,866	-	-	17,866
Participant support	7,640	-	-	7,640
Postage	3,456	-	7	3,463
Client cases	1,313	-	-	1,313
Total expenses before depreciation	<u>2,670,520</u>	<u>276,790</u>	<u>62,300</u>	<u>3,009,610</u>
Depreciation	24,101	-	-	24,101
Total expenses	<u><u>\$ 2,694,621</u></u>	<u><u>\$ 276,790</u></u>	<u><u>\$ 62,300</u></u>	<u><u>\$ 3,033,711</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 1,175,366	\$ 227,395	\$ 4,301	\$ 1,407,062
Payroll taxes and employee benefits	294,710	67,160	349	362,219
Occupancy	179,451	-	-	179,451
Contracted and professional services	42,986	16,076	33,825	92,887
Travel and automobile	60,798	5,622	240	66,660
Rental and maintenance of equipment	54,831	-	-	54,831
In-kind expense	41,151	-	-	41,151
Printing and publications	39,360	-	89	39,449
Supplies	35,296	84	6	35,386
Miscellaneous	9,731	26	19,890	29,647
Telephone	29,216	388	-	29,604
Training, seminars, and conferences	15,663	1,468	-	17,131
Insurance	15,950	-	-	15,950
Participant support	5,625	-	-	5,625
Postage	2,091	-	-	2,091
Client cases	1,374	-	-	1,374
Total expenses before depreciation	<u>2,003,599</u>	<u>318,219</u>	<u>58,700</u>	<u>2,380,518</u>
Depreciation	19,924	-	-	19,924
Total expenses	<u><u>\$ 2,023,523</u></u>	<u><u>\$ 318,219</u></u>	<u><u>\$ 58,700</u></u>	<u><u>\$ 2,400,442</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (169,583)	\$ 11,281
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	24,101	19,924
Loss on disposal of property and equipment	2,453	66
Changes in operating assets and liabilities:		
Grant and contract receivables	(18,675)	(9,322)
Pledges receivable	9,958	(22,109)
Prepaid expenses and other	241	(1,313)
Accounts payable	(24,093)	30,489
Accrued wages and benefits	32,481	13,240
Deferred revenue	28,660	(6,178)
Net cash from operating activities	<u>(114,457)</u>	<u>36,078</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(26,445)</u>	<u>(39,667)</u>
Net cash from investing activities	<u>(26,445)</u>	<u>(39,667)</u>
Net decrease in cash and cash equivalents	(140,902)	(3,589)
Cash and cash equivalents, beginning of year	<u>1,048,309</u>	<u>1,051,898</u>
Cash and cash equivalents, end of year	<u>\$ 907,407</u>	<u>\$ 1,048,309</u>

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

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

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

Protection and Advocacy for Persons with 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.

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

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

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

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

Net Assets Without Donor Restrictions – All revenues, gain, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the net assets without donor restrictions class since the use of the restricted contributions in accordance with the donors’ stipulations results in the release of the restriction. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors (see Note 6).

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors are included in this classification. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions to be held in perpetuity as of September 30, 2019 and 2018.

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.

Pledges Receivable – Pledges receivable are reviewed annually as to their collectability. Based on collection experience and management’s review, no allowance for doubtful amounts is considered necessary at September 30, 2019 and 2018.

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

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

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

Attorney Fees – From time to time, the Organization is awarded attorney fees by the courts for their legal representation of certain clients. Such funds are treated as designated net assets to be used to further the Organization’s programs (see Note 6).

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

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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 \$130,393 and \$41,151 of contributed support and services meeting the criteria to record during the years ended September 30, 2019 and 2018, respectively.

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

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

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

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

Subsequent Events – The Organization evaluated subsequent events through February 6, 2020, when these financial statements were available to be issued.

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Forthcoming Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending September 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investment in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending September 30, 2020. The Organization is evaluating the impact this guidance may have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases on the statements of financial position. This guidance is effective for the year ending September 30, 2022. The Organization is evaluating the impact this guidance may have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not for Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the year ending September 30, 2020. The Organization is evaluating the impact this guidance may have on its financial statements.

Note 2—Liquidity and availability

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

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 907,407	\$ 1,048,309
Grant and contract receivables	114,754	96,079
Total financial assets	<u>1,022,161</u>	<u>1,144,388</u>
Less amounts not available to be used for general expenditures within one year:		
Designated	<u>510,895</u>	<u>583,029</u>
Financial assets not available to be used within one year	<u>510,895</u>	<u>583,029</u>
Financial assets available to meet general expenditures within one year	<u>\$ 511,266</u>	<u>\$ 561,359</u>

In addition, a line of credit arrangement is available for short-term borrowing of up to \$125,000 (see Note 5).

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 3—Pledges receivable

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

	<u>2019</u>	<u>2018</u>
Foundation, corporate, and other	\$ 49,956	\$ 58,357
Board of Directors and employees	2,406	3,963
	<u>\$ 52,362</u>	<u>\$ 62,320</u>

Note 4—Property and equipment

Property and equipment consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 173,605	\$ 154,282
Office equipment	105,290	119,031
	278,895	273,313
Less accumulated depreciation	(224,287)	(218,596)
	<u>\$ 54,608</u>	<u>\$ 54,717</u>

Depreciation expense totaled \$24,101 and \$19,924 for the years ended September 30, 2019 and 2018, 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 5—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 2% (7.00% as of September 30, 2019) on outstanding balances. There were no outstanding balances as of September 30, 2019 and 2018. The note evidencing the arrangement matured in September 2019 and was renewed through September 2021 for substantially the same terms and includes certain negative financial covenants.

Note 6—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 attorney fees. Cash available to expend under such program income is as follows as of September 30:

	<u>2019</u>	<u>2018</u>
Developmental Disabilities Basic Support and Advocacy	\$ 464,396	\$ 536,834
Protection and Advocacy for Mentally Ill	43,574	43,519
Protection and Advocacy for Beneficiaries of Social Security	1,766	1,764
Protection and Advocacy for Individual Rights	1,096	849
Advocacy Services for Assistive Technology	63	63
	<u>\$ 510,895</u>	<u>\$ 583,029</u>

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 6—Net assets (continued)

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

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Pledges receivable to be received in the next fiscal year	<u>\$ 52,362</u>	<u>\$ 62,320</u>

Note 7—Lease contracts

The Organization leases office space in Nashville, Knoxville, and Memphis, Tennessee under operating leases. Rent expense for all office operating leases totaled \$190,026 and \$179,451 for the years ended September 30, 2019 and 2018, respectively. Following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2019.

Years Ending September 30,

2020	\$ 163,973
2021	43,534
2022	34,160
2023	31,313
2024	-
	<u>\$ 272,980</u>

Note 8—Employee benefit plan

The Organization has a defined contribution 401(k) retirement plan. Employees are eligible to participate in the plan after they have completed six months of service. The Organization has the option to match employee contributions to the plan based upon a discretionary percentage of employees' annual compensation. The plan is a contributory plan and all contributions (both employer and employee) vest immediately. For the years ended September 30, 2019 and 2018, employer contributions totaled \$38,382 and \$31,914, respectively.

Note 9—Concentrations

The Organization receives a substantial amount of its support from federal governmental grants and contracts which are subject to annual renewal. During fiscal years 2019 and 2018, Easter Seals received approximately 87% and 92%, respectively, of its support and revenue from government grants and contracts. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and services.

SUPPLEMENTAL INFORMATION

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

	CFDA No.	Contract Number	Program or Award Amount	Balance October 1, 2018	Receipts	Expenditures	Other Additions	Balance September 30, 2019
Federal Awards:								
<u>U.S. Department of Education</u>								
Client Assistance Program	84.161A	H161A180043-18D	\$ 224,422	\$ (18,095)	\$ 25,076	\$ 43,171	\$ -	\$ -
Client Assistance Program	84.161A	H161A190043	224,717	-	224,718	206,607	-	(18,111)
Total Program 84.161A			449,139	(18,095)	249,794	249,778	-	(18,111)
Protection & Advocacy for Individual Rights	84.240A	H240A180043-18D	301,152	40,417	48,338	7,921	-	-
Protection & Advocacy for Individual Rights	84.240A	H240A190043	301,560	-	292,959	278,452	-	(14,507)
Total Program 84.240A			602,712	40,417	341,297	286,373	-	(14,507)
Total U.S. Department of Education			1,051,851	22,322	591,091	536,151	-	(32,618)
<u>U.S. Department of Health & Human Services</u>								
Protection & Advocacy for Assistive Technology	93.843	G-1801TNPAAT	80,369	16,930	31,507	14,577	-	-
Protection & Advocacy for Assistive Technology	93.843	G-1901TNPAAT-01	80,021	-	49,933	69,064	-	19,131
Total Program 93.843			160,390	16,930	81,440	83,641	-	19,131
Developmental Disabilities Basic Support & Advocacy	93.630	G-1801TNPADD	719,167	24,639	138,660	114,021	-	-
Developmental Disabilities Basic Support & Advocacy	93.630	G-1901TNPADD	647,601	-	594,863	745,526	97,926	52,737
Total Program 93.630+			1,366,768	24,639	733,523	859,547	97,926	52,737
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-18S2	589,859	(6,843)	148,290	155,133	-	-
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-19	590,750	-	376,868	354,274	-	(22,594)
Total Program 93.138			1,180,609	(6,843)	525,158	509,407	-	(22,594)
Traumatic Brain Injury	93.873	G-1801TNPATB	69,802	3,928	20,931	17,003	-	-
Traumatic Brain Injury	93.873	1901TNPATB-01	69,585	-	36,153	37,666	-	1,513
Total Program 93.873			139,387	3,928	57,084	54,669	-	1,513

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

YEAR ENDED SEPTEMBER 30, 2019

	CFDA No.	Contract Number	Program or Award Amount	Balance October 1, 2018	Receipts	Expenditures	Other Additions	Balance September 30, 2019
Federal Awards (Continued):								
<u>U.S. Department of Health & Human Services (Continued)</u>								
Protection & Advocacy for Voter Access	93.618	G-1803TNVOTP	\$ 98,209	\$ (5,079)	\$ 53,069	\$ 58,148	\$ -	\$ -
Protection & Advocacy for Voter Access	93.618	1901TNPAVA-01	98,209	-	19,038	15,568	-	(3,470)
Total Program 93.618			196,418	(5,079)	72,107	73,716	-	(3,470)
Total U.S. Department of Health & Human Services			3,043,572	33,575	1,469,312	1,580,980	97,926	47,317
<u>Social Security Administration</u>								
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB13020272-01-07	117,012	9,779	9,779	-	-	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB19020369-01-01	117,012	-	93,478	115,565	-	22,087
Protection & Advocacy for Beneficiaries of Social Security	96.009	1-SPS18000050-01-00	587,305	385	350,025	368,924	-	19,284
Protection & Advocacy for Beneficiaries of Social Security	96.009	5-SPS18000050-02-00	608,219	-	-	-	-	-
Total Program 96.009			1,429,548	10,164	453,282	484,489	-	41,371
Total Social Security Administration			1,429,548	10,164	453,282	484,489	-	41,371
Total Federal Awards			\$ 5,524,971	\$ 66,061	\$ 2,513,685	\$ 2,601,620	\$ 97,926	\$ 56,070

+ Denotes major program

DISABILITY RIGHTS TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") summarizes the expenditures of Disability Rights Tennessee under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Disability Rights Tennessee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Disability Rights Tennessee.

Note 2—Summary of significant accounting policies

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

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

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Disability Rights Tennessee
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Disability Rights Tennessee (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekart LLP

Nashville, Tennessee
February 6, 2020

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

To the Board of Directors
Disability Rights Tennessee
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Disability Rights Tennessee's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 the Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Disability Rights Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, Disability Rights Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Organization'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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Cherry Bekart LLP

Nashville, Tennessee
February 6, 2020

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

I. Summary of Independent Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of Disability Rights Tennessee were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Disability Rights Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for Disability Rights Tennessee expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) 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 & Advocacy

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Disability Rights Tennessee qualified as a low-risk auditee.

II. Findings – Financial Statement Audit

None

III. Findings and Questioned Costs – Major Federal Award Programs Audit

None