

**DISABILITY LAW & ADVOCACY CENTER
OF TENNESSEE**

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

September 30, 2013 and 2012

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

Report on the Financial Statements

We have audited the accompanying financial statements of Disability Law & Advocacy Center of Tennessee (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, 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 Law & Advocacy Center of Tennessee as of September 30, 2013 and 2012, 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.

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 January 15, 2014 on our consideration of Disability Law & Advocacy Center of Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Disability Law & Advocacy Center of Tennessee's internal control over financial reporting and compliance.

Frasier, Dean + Howard, PLLC

January 15, 2014
Nashville, Tennessee

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,029,900	\$ 1,047,936
Grant and contract receivables	81,005	87,480
Attorney fees receivable	5,000	-
Other receivables	7,107	2,118
Prepaid expenses and advances	19,235	19,990
Total current assets	1,142,247	1,157,524
Property and equipment, net	52,981	46,583
Total assets	\$ 1,195,228	\$ 1,204,107
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 16,103	\$ 22,687
Accrued wages and benefits	108,594	110,506
Deferred revenue	27,610	44,625
Total current liabilities	152,307	177,818
Unrestricted net assets:		
Designated	814,976	856,133
Undesignated	227,945	170,156
Total unrestricted net assets	1,042,921	1,026,289
Total liabilities and net assets	\$ 1,195,228	\$ 1,204,107

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues and support:		
Government grants	\$ 2,190,509	\$ 2,165,485
Government fees and other	81,358	89,319
Attorney fees	<u>6,500</u>	<u>76,100</u>
Total revenues and support	<u>2,278,367</u>	<u>2,330,904</u>
Expenses:		
Program services	1,934,893	2,027,283
Supporting services	322,203	282,118
Fundraising	<u>4,639</u>	<u>4,848</u>
Total unrestricted expenses	<u>2,261,735</u>	<u>2,314,249</u>
Change in unrestricted net assets	16,632	16,655
Unrestricted net assets at beginning of year	<u>1,026,289</u>	<u>1,009,634</u>
Unrestricted net assets at end of year	<u>\$ 1,042,921</u>	<u>\$ 1,026,289</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2013

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,145,933	\$ 232,216	\$ 3,745	\$ 1,381,894
Payroll taxes and employee benefits	235,445	49,867	689	286,001
Occupancy	231,620	-	-	231,620
Travel and automobile	58,559	16,084	-	74,643
Rental and maintenance of equipment	71,074	-	-	71,074
Telephone	41,056	616	-	41,672
Printing and publications	41,023	-	-	41,023
Contracted and professional services	16,336	19,902	-	36,238
Miscellaneous	24,753	44	-	24,797
Supplies	15,587	371	196	16,154
Insurance	12,340	-	-	12,340
Training seminars and conferences	5,860	2,975	-	8,835
Participant support	6,000	-	-	6,000
Postage	3,959	128	9	4,096
Client cases	2,946	-	-	2,946
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	1,912,491	322,203	4,639	2,239,333
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	22,402	-	-	22,402
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 1,934,893</u>	<u>\$ 322,203</u>	<u>\$ 4,639</u>	<u>\$ 2,261,735</u>

See accompanying notes.

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

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

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 16,632	\$ 16,655
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Depreciation	22,402	25,151
Loss on disposal of property and equipment	15	312
Changes in operating assets and liabilities:		
Grant and contract receivables	6,475	10,437
Attorney fees receivable	(5,000)	5,000
Other receivables	(4,989)	11,840
Prepaid expenses and advances	755	1,172
Accounts payable	(6,584)	1,093
Accrued wages and benefits	(1,912)	14,097
Deferred revenue	(17,015)	11,998
Net cash provided by operating activities	<u>10,779</u>	<u>97,755</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(28,815)</u>	<u>(11,187)</u>
Net cash used in investing activities	<u>(28,815)</u>	<u>(11,187)</u>
Net (decrease) increase in cash and cash equivalents	(18,036)	86,568
Cash and cash equivalents at beginning of year	<u>1,047,936</u>	<u>961,368</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,029,900</u></u>	<u><u>\$ 1,047,936</u></u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

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

Nature of Activities

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

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

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

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

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

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

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

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

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

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

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

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

Basis of Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of September 30, 2013 and 2012.

Permanently restricted net assets – net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of September 30, 2013 and 2012.

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

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

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

Attorney Fees

From time to time, the Organization is awarded attorneys' fees by the courts for their legal representation of certain clients. Such funds are treated as designated net assets to be used to further the Organization's programs. (See Note 4)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

Property and Equipment

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

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

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

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

Functional Expenses

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

Income Taxes

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

The Organization follows Financial Accounting Standards Board Accounting Standards Codification guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended September 30, 2010 through 2013.

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 \$16,089 and \$34,195 of contributed support and services meeting the criteria to record during the years ended September 30, 2013 and 2012, respectively.

Subsequent Events

The Organization evaluated subsequent events through January 15, 2014, 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.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2013	2012
Furniture and fixtures	\$ 154,754	\$ 162,474
Office equipment	147,281	126,482
Automobiles	15,670	15,670
	317,705	304,626
Less accumulated depreciation	(264,724)	(258,043)
	\$ 52,981	\$ 46,583

Depreciation expense totaled \$22,402 and \$25,151 for the years ended September 30, 2013 and 2012, respectively. Substantially all property and equipment has been acquired with government funds and as such, is to be used to further the respective programs of the Organization.

NOTE 3 – LINE OF CREDIT

The Organization maintains a bank line of credit arrangement allowing for maximum borrowings of \$125,000, with interest computed at the bank's national lending rate plus two percent (5.25% as of September 30, 2013) on outstanding balances. There were no outstanding balances as of September 30, 2013 and 2012. The note evidencing the arrangement matures in March 2014 and includes certain negative financial covenants.

NOTE 4 – NET ASSETS

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

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

	2013	2012
Developmental Disabilities Basic Support and Advocacy	\$ 762,260	\$ 798,485
Protection and Advocacy for Mentally Ill	43,056	42,960
Protection and Advocacy for Beneficiaries of Social Security	9,644	8,129
Protection and Advocacy for Individual Rights	8	6,512
Client Assistance Program	7	45
Advocacy Services for Assistive Technology	1	2
	\$ 814,976	\$ 856,133

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2013 and 2012

NOTE 5 – LEASE CONTRACTS

The Organization leases office space in Nashville, Knoxville, and Memphis, Tennessee under operating leases. Rent expense for all office operating leases was \$231,620 and \$231,221 for the years ended September 30, 2013 and 2012, respectively. Following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2013.

<u>Year ending</u> <u>September 30,</u>	
2014	\$ 226,891
2015	46,046
2016	24,726
2017	25,471
2018	<u>23,994</u>
	<u>\$ 347,128</u>

NOTE 6 – EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution 401(k) retirement plan. Employees are eligible to participate in the plan after they have completed six months of service. The Organization has the option to match employee contributions to the plan up to 3% of eligible employees' annual compensation. The plan is a contributory plan and all contributions (both employer and employee) vest immediately. For the years ended September 30, 2013 and 2012, the Organization elected not to match employee contributions.

NOTE 7 – CONCENTRATIONS

The Organization receives a substantial amount of its support from federal governmental grants and contracts which are subject to annual renewal. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and services.

SUPPLEMENTAL INFORMATION

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

	CFDA No.	Contract Number	Program or Award Amount	Balance 9/30/2012	Receipts	Expenditures	Other Additions	Balance 9/30/2013
Federal Awards:								
<u>U.S. Department of Education</u>								
Client Assistance Program	84.161A	H-161A120043-12B	\$ 212,592	\$ (14,948)	\$ 78,451	\$ 93,399	\$ -	\$ -
Client Assistance Program	84.161A	H-161A130043	201,398	-	90,669	74,697	-	(15,972)
Total Program 84.161A			413,990	(14,948)	169,120	168,096	-	(15,972)
Protection & Advocacy for Individual Rights	84.240A	H-240A120043-12B	307,512	37,354	123,884	86,530	-	-
Protection & Advocacy for Individual Rights	84.240A	H-240A130043	291,359	-	144,403	189,446	6,521	38,522
Total Program 84.240A			598,871	37,354	268,287	275,976	6,521	38,522
Protection & Advocacy for Users of Assistive Technology	84.343A	H343A120043-12B	68,486	19,876	41,666	21,790	-	-
Protection & Advocacy for Users of Assistive Technology	84.343A	H343A130043	62,666	-	32,929	52,316	3	19,384
Total Program 84.343A			131,152	19,876	74,595	74,106	3	19,384
<u>U.S. Department of Health & Human Services</u>								
Developmental Disabilities Basic Support & Advocacy	93.630	G-1201TNPA43	793,941	17,906	102,310	84,404	-	-
Developmental Disabilities Basic Support & Advocacy	93.630	G-1301TNPADD	747,696	-	698,111	748,831	37,938	12,782
Total Program 93.630			1,541,637	17,906	800,421	833,235	37,938	12,782
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-12S1	595,224	9,385	86,648	77,263	-	-
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-13S3	560,968	-	541,824	543,376	-	1,552
Total Program 93.138			1,156,192	9,385	628,472	620,639	-	1,552
Traumatic Brain Injury	93.267	X82MC16905	56,010	2,959	14,546	11,587	-	-
Traumatic Brain Injury	93.267	X82MC16905	54,112	-	38,629	40,080	-	1,451
Total Program 93.267			110,122	2,959	53,175	51,667	-	1,451
Protection & Advocacy for Voter Access	93.618	G-1203TNVOTP	70,000	(147)	45,327	45,474	-	-
Protection & Advocacy for Voter Access	93.618	G-1303TNVOTP	70,000	-	31,563	38,877	-	7,314
Total Program 93.618			140,000	(147)	76,890	84,351	-	7,314

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the year ended September 30, 2013

	CFDA No.	Contract Number	Program or Award Amount	Balance 9/30/2012	Receipts	Expenditures	Other Additions	Balance 9/30/2013
Federal Awards (Continued):								
<u>U.S. Department of Health & Human Services</u>								
<u>passed through State of Tennessee.</u>								
Protection & Advocacy for Voter Access	93.617	N/A	60,000	(7,148)	37,988	45,136	-	-
Total Program 93.617			60,000	(7,148)	37,988	45,136	-	-
<u>Social Security Administration</u>								
Protection & Advocacy for Beneficiaries								
of Social Security	96.009	5-PAB05020241-07-00	89,527	(19,633)	15,265	34,898	-	-
Protection & Advocacy for Beneficiaries								
of Social Security	96.009	1-PAB13020272-01-00	117,012	-	58,506	46,868	-	(11,638)
Total Program 96.009			206,539	(19,633)	73,771	81,766	-	(11,638)
Total Federal Awards			\$ 4,358,503	\$ 45,604	\$ 2,182,719	\$ 2,234,972	\$ 44,462	\$ 53,395

+ 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.



**INDEPENDENT AUDITOR'S 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, 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 Law & Advocacy Center of Tennessee (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2013, 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 January 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Disability Law & Advocacy Center of Tennessee'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 Disability Law & Advocacy Center of Tennessee'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 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*.

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.

Frasier, Dean + Howard, PLLC

Nashville, Tennessee
January 15, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Disability Law & Advocacy Center of Tennessee'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Disability Law & Advocacy Center of Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, Disability Law & Advocacy Center of 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, 2013.

Internal Control Over Compliance

Management of Disability Law & Advocacy Center of Tennessee 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 Disability Law & Advocacy Center of Tennessee'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 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Frasier, Dean + Howard, PLLC

Nashville, Tennessee
January 15, 2014

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Disability Law & Advocacy Center of Tennessee.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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 material weaknesses or significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required By 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 unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.138	Protection & Advocacy Program for Individuals with Mental Illness

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, 2013**

None