

DISABILITY RIGHTS TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended September 30, 2020 and 2019

And Report of Independent Auditor

DISABILITY RIGHTS TENNESSEE

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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) (the "Organization"), which comprise the statements of financial position as of September 30, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 11, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Organization's operations. Although it is not possible to reasonably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of revenues and support could negatively impact the Organization's operations for an indeterminable time period. Our opinion is not modified with respect to this matter.

Other Matters**Other Information**

Our audits were 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* 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 May 14, 2021 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.



Nashville, Tennessee
May 14, 2021

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 989,623	\$ 907,407
Investments	106,229	-
Grant and contract receivables	55,931	114,754
Pledges receivable	71,977	52,362
Prepaid expenses and advances	37,152	23,822
Total Current Assets	<u>1,260,912</u>	<u>1,098,345</u>
Property and equipment, net	<u>69,419</u>	<u>54,608</u>
Total Assets	<u><u>\$ 1,330,331</u></u>	<u><u>\$ 1,152,953</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 2,088	\$ 10,698
Accrued wages and benefits	204,280	164,695
Deferred revenue	81,359	58,680
Total Liabilities	<u>287,727</u>	<u>234,073</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	533,105	355,623
Designated	437,522	510,895
Total Net Assets Without Donor Restrictions	<u>970,627</u>	<u>866,518</u>
With Donor Restrictions	<u>71,977</u>	<u>52,362</u>
Total Net Assets	<u>1,042,604</u>	<u>918,880</u>
Total Liabilities and Net Assets	<u><u>\$ 1,330,331</u></u>	<u><u>\$ 1,152,953</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Net Assets Without Donor Restrictions:		
Revenues and Support:		
Government grants	\$ 2,575,468	\$ 2,503,699
Contributions - including in-kind income of \$134,952 and \$130,393, respectively	394,150	181,792
Government fees and other	152,394	100,013
Attorney fees	-	4,920
Other income	9,352	28,748
Investment income	6,229	-
Net assets released from restriction	23,385	54,914
Total Net Assets Without Donor Restrictions	<u>3,160,978</u>	<u>2,874,086</u>
Expenses:		
Program services	2,798,752	2,694,621
Supporting services	228,354	276,790
Fundraising	29,763	62,300
Total Expenses	<u>3,056,869</u>	<u>3,033,711</u>
Change in Net Assets Without Donor Restrictions	<u>104,109</u>	<u>(159,625)</u>
Net Assets with Donor Restrictions:		
Contributions	43,000	44,956
Released from restriction	(23,385)	(54,914)
Change in Net Assets With Donor Restrictions	<u>19,615</u>	<u>(9,958)</u>
Change in net assets	123,724	(169,583)
Net assets at beginning of year	918,880	1,088,463
Net assets at end of year	<u>\$ 1,042,604</u>	<u>\$ 918,880</u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 1,742,164	\$ 157,515	\$ 1,449	\$ 1,901,128
Payroll taxes and employee benefits	412,228	43,754	205	456,187
Occupancy	185,253	903	-	186,156
In-kind expense	134,952	-	-	134,952
Rental and maintenance of equipment	70,147	129	-	70,276
Printing and publications	51,687	-	-	51,687
Contracted and professional services	24,234	20,132	1,000	45,366
Miscellaneous	9,100	2,061	27,108	38,269
Travel and automobile	34,456	1,359	-	35,815
Telephone	32,084	140	-	32,224
Supplies	30,654	1,013	1	31,668
Training, seminars, and conferences	26,884	1,121	-	28,005
Insurance	17,958	215	-	18,173
Participant support	7,692	-	-	7,692
Postage	2,176	12	-	2,188
Client cases	40	-	-	40
Total Expenses Before Depreciation	<u>2,781,709</u>	<u>228,354</u>	<u>29,763</u>	<u>3,039,826</u>
Depreciation	17,043	-	-	17,043
Total Expenses	<u><u>\$ 2,798,752</u></u>	<u><u>\$ 228,354</u></u>	<u><u>\$ 29,763</u></u>	<u><u>\$ 3,056,869</u></u>

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

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 these statements.

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 123,724	\$ (169,583)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	17,043	24,101
Loss on disposal of property and equipment	-	2,453
Unrealized and realized gain on investments	(5,944)	-
Changes in operating assets and liabilities:		
Grant and contract receivables	58,823	(18,675)
Pledges receivable	(19,615)	9,958
Prepaid expenses and advances	(13,330)	241
Accounts payable	(8,610)	(24,093)
Accrued wages and benefits	39,585	32,481
Deferred revenue	22,679	28,660
Net cash flows from operating activities	<u>214,355</u>	<u>(114,457)</u>
Cash flows from investing activities:		
Purchase of investments	(100,668)	-
Sale of investments	383	-
Purchase of property and equipment	(31,854)	(26,445)
Net cash flows from investing activities	<u>(132,139)</u>	<u>(26,445)</u>
Change in cash and cash equivalents	82,216	(140,902)
Cash and cash equivalents at beginning of year	907,407	1,048,309
Cash and cash equivalents at end of year	<u>\$ 989,623</u>	<u>\$ 907,407</u>

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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, 2020 AND 2019

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 7).

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, 2020 and 2019.

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.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income and realized and unrealized gains and losses are reported as changes in net assets without donor restrictions unless the use of income has been restricted by the donor. See Note 3 for additional information on fair value measurements.

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, 2020 and 2019.

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 7).

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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

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.

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 \$134,952 and \$130,393 of contributed support and services meeting the criteria to record during the years ended September 30, 2020 and 2019, respectively. These amounts are included in contributions and in-kind expenses in the statements of activities and statements of functional expenses, 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 May 14, 2021, when these financial statements were available to be issued.

Change in Accounting Principles – In June 2018, FASB issued Accounting Standards Update (“ASU”) 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization evaluated the new standard and determined that the accounting standard did not require a change to the Organization’s practices for recording contributions.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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

In January 2016, 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. The Organization evaluated the new standard and determined the accounting standard did not require a change to the Organization's practice for recording financial assets and liabilities.

Forthcoming Accounting Pronouncements – In May 2014, 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, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, 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.

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>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 989,623	\$ 907,407
Investments	106,229	-
Grant and contract receivables	55,931	114,754
Total financial assets	<u>1,151,783</u>	<u>1,022,161</u>
Less amounts not available to be used for general expenditures within one year:		
Designated	437,522	510,895
Financial assets not available to be used within one year	<u>437,522</u>	<u>510,895</u>
Financial assets available to meet general expenditures within one year	<u>\$ 714,261</u>	<u>\$ 511,266</u>

In addition, a line of credit arrangement is available for short-term borrowing of up to \$125,000 (see Note 6).

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 3—Investments and fair value measurements

U.S. GAAP establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at September 30, 2020.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 3—Investments and fair value measurements (continued)

The following table sets forth the Organization’s major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market accounts	\$ 2,061	\$ -	\$ -	\$ 2,061
Exchange-traded funds:				
Large blend	33,872	-	-	33,872
Foreign large blend	12,059	-	-	12,059
Precious metals	5,433	-	-	5,433
Real estate	4,998	-	-	4,998
Mutual funds:				
Mid cap blend	9,046	-	-	9,046
Foreign large blend	8,457	-	-	8,457
Diversified emerging markets	8,369	-	-	8,369
Intermediate core-plus bond	8,149	-	-	8,149
High yield bond	5,189	-	-	5,189
Nontraditional bond	5,157	-	-	5,157
Small growth	3,439	-	-	3,439
Total investments	<u>\$ 106,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,229</u>

Note 4—Pledges receivable

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

	<u>2020</u>	<u>2019</u>
Foundation, corporate, and other	\$ 71,456	\$ 49,956
Board of Directors and employees	521	2,406
	<u>\$ 71,977</u>	<u>\$ 52,362</u>

Note 5—Property and equipment

Property and equipment consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 210,262	\$ 173,605
Office equipment	100,367	105,290
	310,629	278,895
Less accumulated depreciation	(241,210)	(224,287)
	<u>\$ 69,419</u>	<u>\$ 54,608</u>

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 5—Property and equipment (continued)

Depreciation expense totaled \$17,043 and \$24,101 for the years ended September 30, 2020 and 2019, 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 6—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, 2020) on outstanding balances. There were no outstanding balances as of September 30, 2020 and 2019. 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 7—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>2020</u>	<u>2019</u>
Developmental Disabilities Basic Support and Advocacy	\$ 390,991	\$ 464,396
Protection and Advocacy for Mentally Ill	43,604	43,574
Protection and Advocacy for Beneficiaries of Social Security	1,767	1,766
Protection and Advocacy for Individual Rights	1,097	1,096
Advocacy Services for Assistive Technology	63	63
	<u>\$ 437,522</u>	<u>\$ 510,895</u>

Temporarily restricted net assets are available for the following purposes or periods as of September 30:

	<u>2020</u>	<u>2019</u>
Pledges receivable to be received in the next fiscal year	\$ 71,977	\$ 52,362

Note 8—Lease contracts

The Organization leases office space in Nashville, Knoxville, and Memphis, Tennessee under operating leases. Rent expense for all office operating leases totaled \$186,156 and \$190,026 for the years ended September 30, 2020 and 2019, 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, 2020.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 8—Lease contracts (continued)

Years Ending September 30,

2021	\$	74,775
2022		66,027
2023		63,824
2024		33,217
2025		13,954
	\$	<u>251,797</u>

Note 9—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, 2020 and 2019, employer contributions totaled \$47,862 and \$38,382, respectively.

Note 10—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 2020 and 2019, the Organization received approximately 80% and 87%, 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.

Note 11—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

SUPPLEMENTARY INFORMATION

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2020

	CFDA No.	Contract Number	Program or Award Amount	Balance October 1, 2019	Receipts	Expenditures	Other Additions	Balance September 30, 2020
Federal Awards:								
<u>U.S. Department of Education</u>								
Client Assistance Program	84.161A	H161A190043	\$ 224,717	\$ (18,111)	\$ -	\$ 18,111	\$ -	\$ -
Client Assistance Program	84.161A	H161A200043-20B	225,528	-	207,115	192,044	-	(15,071)
Total Program 84.161A			450,245	(18,111)	207,115	210,155	-	(15,071)
Protection & Advocacy for Individual Rights	84.240A	H240A190043	301,560	(14,507)	8,302	22,809	-	-
Protection & Advocacy for Individual Rights	84.240A	H240A200043-20B	302,653	-	231,610	217,723	-	(13,887)
Total Program 84.240A			604,213	(14,507)	239,912	240,532	-	(13,887)
Total U.S. Department of Education			1,054,458	(32,618)	447,027	450,687	-	(28,958)
<u>U.S. Department of Health & Human Services</u>								
Protection & Advocacy for Assistive Technology	93.843	G-1901TNPAAT-01	80,021	19,131	30,088	10,957	-	-
Protection & Advocacy for Assistive Technology	93.843	G-2001TNPAAT-03	80,840	-	62,451	77,604	-	15,153
Total Program 93.843			160,861	19,131	92,539	88,561	-	15,153
Developmental Disabilities Basic Support & Advocacy	93.630	G-1901TNPADD-02	647,601	52,737	52,737	-	-	-
Developmental Disabilities Basic Support & Advocacy	93.630	G-2001TNPADD-03	665,837	-	649,255	719,295	73,744	(3,704)
Total Program 93.630			1,313,438	52,737	701,992	719,295	73,744	(3,704)
Protection & Advocacy for Mentally III	93.138	5X98SM004797-19	590,750	(22,594)	213,884	236,478	-	-
Protection & Advocacy for Mentally III	93.138	6X98SM082548-01M001	590,472	-	374,725	329,780	-	(44,945)
Total Program 93.138+			1,181,222	(22,594)	588,609	566,258	-	(44,945)
Traumatic Brain Injury	93.873	1901TNPATB-01	69,585	1,513	33,432	31,919	-	-
Traumatic Brain Injury	93.873	2001TNPATB-03	70,054	-	34,249	31,247	-	(3,002)
Total Program 93.873			139,639	1,513	67,681	63,166	-	(3,002)

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

YEAR ENDED SEPTEMBER 30, 2020

	CFDA No.	Contract Number	Program or Award Amount	Balance October 1, 2019	Receipts	Expenditures	Other Additions	Balance September 30, 2020
Federal Awards (Continued):								
<u>U.S. Department of Health & Human Services (Continued)</u>								
Protection & Advocacy for Voter Access	93.618	1901TNPAVA-01	\$ 98,209	\$ (3,470)	\$ 65,298	\$ 68,013	\$ -	\$ (755)
Protection & Advocacy for Voter Access	93.618	2001TNPAVA-02	105,261	-	-	-	-	-
Total Program 93.618			203,470	(3,470)	65,298	68,013	-	(755)
Total U.S. Department of Health & Human Services			2,998,630	47,317	1,516,119	1,505,293	73,744	(37,253)
<u>Social Security Administration</u>								
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB19020369-01-01	117,012	22,087	23,534	1,447	-	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB19020369-01-01	117,012	-	103,662	124,852	-	21,190
Protection & Advocacy for Beneficiaries of Social Security	96.009	1-SPS18000050-01-00	587,305	19,284	185,101	165,817	-	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	5-SPS18000050-02-00	608,219	-	381,529	401,119	-	19,590
Total Program 96.009			1,429,548	41,371	693,826	693,235	-	40,780
Total Social Security Administration			1,429,548	41,371	693,826	693,235	-	40,780
Total Federal Awards			\$ 5,482,636	\$ 56,070	\$ 2,656,972	\$ 2,649,215	\$ 73,744	\$ (25,431)

+ Denotes major program

DISABILITY RIGHTS TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2020

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, 2020. The information in this Schedule is presented in accordance with the 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"). 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.

Note 3—Noncash awards

Disability Rights Tennessee did not receive noncash federal awards during the year ended September 30, 2020.

Note 4—Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although Disability Rights Tennessee expects such amounts, if any, to be immaterial.

**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, 2020, 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 we have issued our report thereon dated May 14, 2021.

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.



Nashville, Tennessee
May 14, 2021

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, 2020. 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, 2020.

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.



Nashville, Tennessee
May 14, 2021

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2020

Section I – Summary of Audit Results

Financial Statement Section

Type of auditor's report issued on whether financial statements were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified

_____ Yes x None Reported

Noncompliance material to financial statements noted

_____ Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified

_____ Yes x None Reported

Type of auditor's report on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes x No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Protection & Advocacy for Mentally Ill	93.138
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	<u> x </u> Yes _____ No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs – Major Federal Awards

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2020

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Schedule of Prior Year Audit Findings

There were no prior audit findings reported.