

**DISABILITY LAW & ADVOCACY CENTER
OF TENNESSEE**

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

September 30, 2009 and 2008

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Disability Law & Advocacy Center of Tennessee (a nonprofit organization) as of September 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disability Law & Advocacy Center of Tennessee as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2010, on our consideration of Disability Law & Advocacy Center of Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dem & Howard, PLLC

January 11, 2010

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF FINANCIAL POSITION
September 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 750,910	\$ 695,276
Grant and contract receivables	105,827	78,542
Attorney fees receivable	166,397	-
Prepaid expenses and advances	28,029	26,462
Total current assets	1,051,163	800,280
Property and equipment, net	55,511	68,426
Total assets	\$ 1,106,674	\$ 868,706
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 18,343	\$ 9,542
Accrued wages and benefits	132,453	112,215
Deferred revenue	17,120	21,737
Total current liabilities	167,916	143,494
Net assets:		
Unrestricted - substantially all program designated	938,758	725,212
Total net assets	938,758	725,212
Total liabilities and net assets	\$ 1,106,674	\$ 868,706

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues and support:		
Government grants	\$ 2,207,547	\$ 2,125,191
Attorney fees	232,308	13,479
Interest and other	5,841	68,166
Contributions	1,135	156
Loss on disposal of assets	<u>(1,137)</u>	<u>(662)</u>
Total revenues and support	<u>2,445,694</u>	<u>2,206,330</u>
Expenses:		
Program services	1,940,773	2,020,024
Supporting services	<u>291,375</u>	<u>274,482</u>
Total expenses	<u>2,232,148</u>	<u>2,294,506</u>
Change in net assets	213,546	(88,176)
Unrestricted net assets at beginning of year	<u>725,212</u>	<u>813,388</u>
Unrestricted net assets at end of year	<u>\$ 938,758</u>	<u>\$ 725,212</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended September 30, 2009 and 2008

	2009			2008		
	Program Services	Supporting Services	Total Expenses	Program Services	Supporting Services	Total Expenses
Salaries	\$ 1,136,247	\$ 211,236	\$ 1,347,483	\$ 1,185,239	\$ 211,015	\$ 1,396,254
Payroll taxes and employee benefits	238,497	49,771	288,268	218,809	37,373	256,182
Occupancy	216,828	-	216,828	211,284	-	211,284
Travel and automobile	71,950	11,208	83,158	68,831	8,226	77,057
Rental and maintenance of equipment	77,763	-	77,763	62,391	-	62,391
Printing and publications	42,767	-	42,767	45,034	-	45,034
Telephone	36,401	259	36,660	31,897	202	32,099
Training seminars and conferences	19,860	2,677	22,537	22,156	2,930	25,086
Miscellaneous general and administrative	19,256	2,498	21,754	73,759	2,274	76,033
Contracted and professional services	5,948	13,056	19,004	14,562	11,868	26,430
Supplies	17,464	531	17,995	22,081	372	22,453
Insurance	14,209	-	14,209	19,822	-	19,822
Participant support	10,000	-	10,000	10,000	-	10,000
Postage	4,895	139	5,034	6,348	222	6,570
Client cases	4,376	-	4,376	3,043	-	3,043
Total expenses before depreciation	1,916,461	291,375	2,207,836	1,995,256	274,482	2,269,738
Depreciation	24,312	-	24,312	24,768	-	24,768
Total expenses	\$ 1,940,773	\$ 291,375	\$ 2,232,148	\$ 2,020,024	\$ 274,482	\$ 2,294,506

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 213,546	\$ (88,176)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	24,312	24,768
Loss on disposal of property and equipment	1,137	662
Changes in operating assets and liabilities:		
Grant and contract receivables	(27,285)	7,427
Attorney fees receivable	(166,397)	-
Prepaid expenses and advances	(1,567)	2,741
Accounts payable	8,801	(12,276)
Accrued wages and benefits	20,238	56,753
Deferred revenue	(4,617)	208
Net cash provided by (used in) operating activities	<u>68,168</u>	<u>(7,893)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(12,534)</u>	<u>(39,712)</u>
Net cash used in investing activities	<u>(12,534)</u>	<u>(39,712)</u>
Net increase (decrease) in cash	55,634	(47,605)
Cash and cash equivalents at beginning of year	<u>695,276</u>	<u>742,881</u>
Cash and cash equivalents at end of year	<u>\$ 750,910</u>	<u>\$ 695,276</u>

See accompanying notes.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS
September 30, 2009 and 2008

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

Nature of Activity

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 brief description of the Organization's programs follows:

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

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

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

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

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

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

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

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 and 2008

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

Nature of Activities (Continued)

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

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

Basis of Presentation

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

Under generally accepted accounting principles, 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.

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

Permanently restricted net assets - net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization currently has no permanently restricted net assets.

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

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 and 2008

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

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Organization’s financial position, statement of activities, or cash flows.

Attorney Fees

From time to time, the Organization is awarded attorney’s 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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Grant and contract revenue is recognized as unrestricted revenue to the extent and in the period that applicable expenditures are made. The excess of such revenues received over applicable expenditures is recorded as deferred revenue until applicable expenditures are made.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. At times during the year, the Organization maintains cash balances at financial institutions in excess of FDIC insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 and 2008

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

Property and Equipment

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

Equipment and fixtures	3 to 5 years
Automobiles	3 to 5 years

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.

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 had no contributed support and services meeting the criteria to record during the years ended September 30, 2009 and 2008.

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.

NOTE 2 – CONCENTRATIONS

The Organization receives a substantial amount of its support from 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.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 and 2008

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2009	2008
Furniture and fixtures	\$ 144,431	\$ 147,605
Office equipment	121,073	120,687
Automobiles	50,592	50,592
	316,096	318,884
Less accumulated depreciation	(260,585)	(250,458)
	\$ 55,511	\$ 68,426

Depreciation expense totaled \$24,312 and \$24,768 for the years ended September 30, 2009 and 2008, respectively. Substantially all property and equipment has been acquired with government funds and as such, is to be used to further the respective programs of the Organization.

NOTE 4 – LINE OF CREDIT

The Organization maintains a bank line of credit arrangement allowing for maximum borrowings of \$75,000, with interest computed at the bank's national lending rate plus two percent (5.25% as of September 30, 2009) on outstanding balances. There were no outstanding balances as of September 30, 2009 and 2008. The note evidencing the arrangement matures in March 2010 and includes certain negative financial covenants.

NOTE 5 – NET ASSETS

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

Remaining cash available to expend under such program income follows:

	2009	2008
Developmental Disabilities Basic Support and Advocacy	\$ 677,253	\$ 606,563
Protection and Advocacy for Mentally Ill	17,553	7,489
Protection and Advocacy of Individual Rights	-	12,568
	\$ 694,806	\$ 626,620

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 and 2008

NOTE 6 – LEASE CONTRACTS

The Organization leases office space in Nashville, Knoxville, and Memphis, Tennessee under operating leases. Rent expense for all office operating leases was \$216,828 and \$211,284 for years ended September 30, 2009 and 2008, respectively. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of September 30, 2009.

<u>Year ending</u> <u>September 30,</u>	
2010	\$ 208,684
2011	219,790
2012	226,306
2013	219,902
2014	203,598
Thereafter	<u>17,637</u>
	<u>\$ 1,095,917</u>

NOTE 7 – EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution 401(k) retirement plan. Employees are eligible to participate in the plan after they have completed six months of service. The Organization matches employee contributions to the plan up to 3% of eligible employees' annual compensation. The plan is a contributory plan and all contributions (both employer and employee) vest immediately. Retirement expense for the years ended September 30, 2009 and 2008 totaled \$26,383 and \$24,580, respectively, and is included in employee benefits in the accompanying statements of functional expenses.

NOTE 8 – SUBSEQUENT EVENT - ATTORNEY FEES RECEIVABLE

The Organization evaluated subsequent events through January 11, 2010, when these financial statements were available to be issued. Other than described below, we are 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.

On November 25, 2009, the United States District Court ordered the award of \$166,397 for the reimbursement of attorneys' fees and expenses to the Organization related to litigation work performed prior to September 30, 2009. As of September 30, 2009, \$166,397 is recorded as revenue and a corresponding receivable.

SUPPLEMENTAL INFORMATION

**DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2009**

Federal CFDA Number	Grant or Contract Number	Program Name	Grantor Agency	Program or Award Amount	Balance 9/30/08	Cash Receipts	Expenditures	Other	Balance 9/30/09
84.161	H-161A080043 H-161A090043	Client Assistance Program Client Assistance Program	U.S. Department of Education	\$ 196,872	\$ (7,524)	\$ 35,864	\$ 43,388	\$ -	\$ (9,698)
				199,279	-	190,373	180,675	-	(9,698)
				396,151	(7,524)	226,237	224,063	-	(9,698)
84.240	H240A080043 H240A090043A	Protection & Advocacy for Individual Rights Protection & Advocacy for Individual Rights	U.S. Department of Education	270,552	33,381	45,123	11,742	-	-
				289,062	-	226,783	274,054	7,553	39,718
				559,614	33,381	271,906	285,796	7,553	39,718
93.630	G-0801TNP A43 G-0901TNP A43	Developmental Disabilities Basic Support & Advocacy Developmental Disabilities Basic Support & Advocacy	Department of Health and Human Services	743,005	13,497	147,862	134,365	-	-
				770,304	-	674,918	700,206	-	25,288
				1,513,309	13,497	822,780	834,571	-	25,288
93.138	3X98SM004797-08S1 2X98SM004797-09	Protection & Advocacy for Mentally III Protection & Advocacy for Mentally III	Department of Health and Human Services	551,262	5,693	52,608	46,915	-	-
				573,410	-	538,422	575,274	1,933	14,919
				1,124,672	5,693	611,030	622,189	1,933	14,919
84.343	H343A080043 H343A090043A	Advocacy Services of Assistive Technology Advocacy Services of Assistive Technology	Office of Special Education and Rehabilitative Services, Department of Education	66,593	17,413	56,073	43,511	-	4,851
				68,302	-	-	17,196	-	17,196
				134,895	17,413	56,073	60,707	-	22,047
96.008	17-B-20048-4-04 17-B-20048-4-05	Advocacy for Beneficiaries of Social Security Advocacy for Beneficiaries of Social Security	Social Security Administration	117,012	(14,213)	29,253	43,466	-	-
				117,012	-	68,257	60,835	-	(7,422)
				234,024	(14,213)	97,510	104,301	-	(7,422)
93.267	X82MC07253 X82MC11196	Traumatic Brain Injury Program Traumatic Brain Injury Program	Department of Health and Human Services	52,027	1,193	23,633	24,240	-	1,800
				56,010	-	-	-	-	-
				108,037	1,193	23,633	24,240	-	1,800
93.618	G-0803TNVOTIP G-0903TNVOTIP	Help America Vote Act Help America Vote Act	Department of Health and Human Services	70,000	7,365	66,477	61,167	-	2,055
				70,000	-	-	-	-	-
				140,000	7,365	66,477	61,167	-	2,055
97.084	N/A	Hurricane Katrina Case Management Initiative Program	Department of Homeland Security	208,508	-	-	-	-	-
				208,508	-	-	-	-	-
				\$ 4,419,210	\$ 56,805	\$ 2,175,646	\$ 2,217,034	\$ 9,486	\$ 88,707

+ 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.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of Disability Law & Advocacy Center of Tennessee (a nonprofit organization) as of and for the year ended September 30, 2009, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Disability Law & Advocacy Center of Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Disability Law & Advocacy Center of Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Disability Law & Advocacy Center of Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Fraser, Dean & Howard, PLLC

January 11, 2010



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CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited the compliance of Disability Law & Advocacy Center of Tennessee (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Disability Law & Advocacy Center of Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Disability Law & Advocacy Center of Tennessee's management. Our responsibility is to express an opinion on Disability Law & Advocacy Center of Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Disability Law & Advocacy Center of Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Disability Law & Advocacy Center of Tennessee's compliance with those requirements.

In our opinion, Disability Law & Advocacy Center of Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of Disability Law & Advocacy Center of Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Disability Law & Advocacy Center of Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

Frasier Dean & Harold PLLC

January 11, 2010

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2009

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Disability Law & Advocacy Center of Tennessee.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Disability Law & Advocacy Center of Tennessee were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Disability Law & Advocacy Center of Tennessee expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.138	Protection and Advocacy for Mentally Ill

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.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year ended September 30, 2009

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

DISABILITY LAW & ADVOCACY CENTER OF TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended September 30, 2008

None