

DISABILITY RIGHTS TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

*As of and for the Years Ended September 30, 2018
and 2017*

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), which comprise the statements of financial position as of September 30, 2018 and 2017, 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, 2018 and 2017, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019 on our consideration of Disability Rights Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Disability Rights Tennessee's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee
January 22, 2019

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,048,309	\$ 1,051,898
Grant and contract receivables	96,079	86,757
Pledges receivable	62,320	40,211
Prepaid expenses and advances	24,063	22,750
Total Current Assets	<u>1,230,771</u>	<u>1,201,616</u>
Property and equipment, net	<u>54,717</u>	<u>35,040</u>
Total Assets	<u><u>\$ 1,285,488</u></u>	<u><u>\$ 1,236,656</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 34,791	\$ 4,302
Accrued wages and benefits	132,214	118,974
Deferred revenue	30,020	36,198
Total Liabilities	<u>197,025</u>	<u>159,474</u>
Net Assets:		
Unrestricted:		
Designated	583,029	613,287
Undesignated	443,114	423,684
Total Unrestricted Net Assets	<u>1,026,143</u>	<u>1,036,971</u>
Temporarily restricted	<u>62,320</u>	<u>40,211</u>
Total Net Assets	<u>1,088,463</u>	<u>1,077,182</u>
Total Liabilities and Net Assets	<u><u>\$ 1,285,488</u></u>	<u><u>\$ 1,236,656</u></u>

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Unrestricted Net Assets:		
Revenues and Support:		
Government grants	\$ 2,194,937	\$ 2,136,032
Contributions	69,668	74,454
Government fees and other	40,000	40,542
Attorney fees	29,408	156,097
Other income	19,353	6,626
Net assets released from restriction	36,248	-
Total Unrestricted Revenues and Support	<u>2,389,614</u>	<u>2,413,751</u>
Expenses:		
Program services	2,023,523	2,146,475
Supporting services	318,219	317,627
Fundraising	58,700	26,025
Total Expenses	<u>2,400,442</u>	<u>2,490,127</u>
Decrease in Unrestricted Net Assets	(10,828)	(76,376)
Temporarily Restricted Net Assets:		
Contributions	58,357	40,211
Released from restriction	(36,248)	-
Increase in Temporarily Restricted Net Assets	<u>22,109</u>	<u>40,211</u>
Change in net assets	11,281	(36,165)
Net assets at beginning of year	1,077,182	1,113,347
Net assets at end of year	<u>\$ 1,088,463</u>	<u>\$ 1,077,182</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, 2018

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 1,175,366	\$ 227,395	\$ 4,301	\$ 1,407,062
Payroll taxes and employee benefits	294,710	67,160	349	362,219
Occupancy	179,451	-	-	179,451
Contracted and professional services	42,986	16,076	33,825	92,887
Miscellaneous	50,882	26	19,890	70,798
Travel and automobile	60,798	5,622	240	66,660
Rental and maintenance of equipment	54,831	-	-	54,831
Printing and publications	39,360	-	89	39,449
Supplies	35,296	84	6	35,386
Telephone	29,216	388	-	29,604
Training, seminars, and conferences	15,663	1,468	-	17,131
Insurance	15,950	-	-	15,950
Participant support	5,625	-	-	5,625
Postage	2,091	-	-	2,091
Client cases	1,374	-	-	1,374
Total expenses before depreciation	2,003,599	318,219	58,700	2,380,518
Depreciation	19,924	-	-	19,924
Total expenses	<u>\$ 2,023,523</u>	<u>\$ 318,219</u>	<u>\$ 58,700</u>	<u>\$ 2,400,442</u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 1,202,376	\$ 227,140	\$ 7,295	\$ 1,436,811
Payroll taxes and employee benefits	306,478	61,337	934	368,749
Occupancy	184,045	-	-	184,045
Client cases	134,735	-	-	134,735
Travel and automobile	58,527	9,028	44	67,599
Rental and maintenance of equipment	51,481	-	-	51,481
Miscellaneous	33,296	21	17,600	50,917
Telephone	44,093	643	-	44,736
Contracted and professional services	25,592	15,000	-	40,592
Printing and publications	37,691	-	113	37,804
Supplies	16,227	343	39	16,609
Training, seminars, and conferences	10,154	4,115	-	14,269
Insurance	13,274	-	-	13,274
Participant support	5,450	-	-	5,450
Postage	2,558	-	-	2,558
Total expenses before depreciation	2,125,977	317,627	26,025	2,469,629
Depreciation	20,498	-	-	20,498
Total expenses	<u>\$ 2,146,475</u>	<u>\$ 317,627</u>	<u>\$ 26,025</u>	<u>\$ 2,490,127</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,281	\$ (36,165)
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities:		
Depreciation	19,924	20,498
Loss on disposal of property and equipment	66	2,381
Changes in operating assets and liabilities:		
Grant and contract receivables	(9,322)	(22,432)
Other receivables	-	(40,211)
Pledges receivable	(22,109)	44,311
Prepaid expenses and advances	(1,313)	6,400
Accounts payable	30,489	3,942
Accrued wages and benefits	13,240	695
Deferred revenue	(6,178)	(1,567)
Net cash provided by (used in) operating activities	<u>36,078</u>	<u>(22,148)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(39,667)</u>	<u>(1,391)</u>
Net cash used in investing activities	<u>(39,667)</u>	<u>(1,391)</u>
Net decrease in cash and cash equivalents	(3,589)	(23,539)
Cash and cash equivalents at beginning of year	<u>1,051,898</u>	<u>1,075,437</u>
Cash and cash equivalents at end of year	<u>\$ 1,048,309</u>	<u>\$ 1,051,898</u>

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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.

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 of America, 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.

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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

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 5).

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 statements of activities as net assets released from restrictions.

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, 2018 and 2017.

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

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 5).

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.

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, 2018 and 2017.

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

Note 1—Nature of activities 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:

Furniture and fixtures	3 to 5 years
Office equipment	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 services, supporting services, and fundraising based on estimates 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 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.

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 \$41,151 and \$26,428 of contributed support and services meeting the criteria to record during the years ended September 30, 2018 and 2017, respectively.

Subsequent Events – The Organization evaluated subsequent events through January 22, 2019, 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.

New Accounting Pronouncements – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requiring reporting of expenses by function and nature, as well as enhanced endowment disclosures. This standard is effective for all fiscal years beginning after December 31, 2017. The Organization has elected not to early adopt ASU 2016-14.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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

In June 2018, the FASB issued ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new standard is effective for annual periods beginning after December 15, 2018. The Organization is evaluating the impact of this ASU on the financial statements.

Note 2—Pledges receivable

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

	<u>2018</u>	<u>2017</u>
Foundation, corporate, and other	\$ 58,357	\$ 35,500
Board of Directors and employees	3,963	4,711
	<u>\$ 62,320</u>	<u>\$ 40,211</u>

Note 3—Property and equipment

Property and equipment consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 154,282	\$ 156,583
Office equipment	119,031	84,137
	273,313	240,720
Less accumulated depreciation	(218,596)	(205,680)
	<u>\$ 54,717</u>	<u>\$ 35,040</u>

Depreciation expense totaled \$19,924 and \$20,498 for the years ended September 30, 2018 and 2017, 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 \$125,000, with interest computed at the bank's national lending rate plus two percent (7.25% as of September 30, 2018) on outstanding balances. There were no outstanding balances as of September 30, 2018 and 2017. The note evidencing the arrangement matured in September 2017 and was renewed through September 2019 for substantially the same terms and includes certain negative financial covenants.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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 attorney fees.

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

	<u>2018</u>	<u>2017</u>
Developmental Disabilities Basic Support and Advocacy	\$ 536,834	\$ 567,959
Protection and Advocacy for Mentally Ill	43,519	43,498
Protection and Advocacy for Beneficiaries of Social Security	1,764	1,763
Protection and Advocacy for Individual Rights	849	4
Advocacy Services for Assistive Technology	63	63
	<u>\$ 583,029</u>	<u>\$ 613,287</u>

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

	<u>2018</u>	<u>2017</u>
Pledges receivable to be received in the next fiscal year	\$ 62,320	\$ 40,211

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 totaled \$179,451 and \$184,045 for the years ended September 30, 2018 and 2017, 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, 2018.

Years Ending September 30,

2019	\$ 185,990
2020	188,163
2021	60,796
2022	34,100
2023	31,258
	<u>\$ 500,307</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 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, 2018 and 2017, employer contributions totaled \$31,914 and \$26,128, respectively.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

Note 8—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 RIGHTS TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

	CFDA No.	Contract Number	Program or Award Amount	Balance October 1, 2017	Receipts	Expenditures	Other Additions	Balance September 30, 2018
Federal Awards:								
<u>U.S. Department of Education</u>								
Client Assistance Program	84.161A	H161A170043-17B	\$ 223,930	\$ (14,658)	\$ 71,131	\$ 85,789	\$ -	\$ -
Client Assistance Program	84.161A	H161A180043-18D	224,422	-	199,345	181,250	-	(18,095)
Total Program 84.161A			448,352	(14,658)	270,476	267,039	-	(18,095)
Protection & Advocacy for Individual Rights	84.240A	H240A170043-17B	300,491	21,906	28,803	6,897	-	-
Protection & Advocacy for Individual Rights	84.240A	H240A180043-18D	301,152	-	252,813	293,230	-	40,417
Total Program 84.240A			601,643	21,906	281,616	300,127	-	40,417
Total U.S. Department of Education			1,049,995	7,248	552,092	567,166	-	22,322
<u>U.S. Department of Health & Human Services</u>								
Protection & Advocacy for Assistive Technology	93.843	G-1701TNPAAT	71,829	14,928	22,942	8,014	-	-
Protection & Advocacy for Assistive Technology	93.843	G-1801TNPAAT	80,369	-	48,862	65,792	-	16,930
Total Program 93.843			152,198	14,928	71,804	73,806	-	16,930
Developmental Disabilities Basic Support & Advocacy	93.630	G-1701TNPADD	716,285	19,627	108,932	89,305	-	-
Developmental Disabilities Basic Support & Advocacy	93.630	G-1801TNPADD	719,167	-	580,508	665,126	59,979	24,639
Total Program 93.630+			1,435,452	19,627	689,440	754,431	59,979	24,639
Protection & Advocacy for Mentally III	93.138	3X98SM004797-17S2	588,878	(20,687)	98,863	119,550	-	-
Protection & Advocacy for Mentally III	93.138	3X98SM004797-18S2	589,859	-	441,568	434,724	-	(6,844)
Total Program 93.138			1,178,737	(20,687)	540,431	554,274	-	(6,844)
Traumatic Brain Injury	93.873	G-1701TNPATB	53,894	(852)	2,189	3,041	-	-
Traumatic Brain Injury	93.873	G-1801TNPATB	69,802	-	48,871	52,799	-	3,928
Total Program 93.873			123,696	(852)	51,060	55,840	-	3,928

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

YEAR ENDED SEPTEMBER 30, 2018

	CFDA No.	Contract Number	Program or Award Amount	Balance October 1, 2017	Receipts	Expenditures	Other Additions	Balance September 30, 2018
Federal Awards (Continued):								
<u>U.S. Department of Health & Human Services (Continued)</u>								
Protection & Advocacy for Voter Access	93.618	G-1703TNVOTP	\$ 70,000	\$ 10,730	\$ 33,813	\$ 23,083	\$ -	\$ -
Protection & Advocacy for Voter Access	93.618	G-1803TNVOTP	98,209	-	45,140	40,060		(5,080)
Total Program 93.618			168,209	10,730	78,953	63,143	-	(5,080)
Total U.S. Department of Health & Human Services			3,058,292	23,746	1,431,688	1,501,494	59,979	33,573
<u>Social Security Administration</u>								
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB13020272-01-05	117,012	19,565	24,067	4,502	-	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB13020272-01-07	117,012	-	107,233	118,816	1,804	9,779
Protection & Advocacy for Beneficiaries of Social Security	96.009	1-SPS18000050-01-00	587,305	-	64,358	64,743	-	385
Total Program 96.009			821,329	19,565	195,658	188,061	1,804	10,164
Total Social Security Administration			821,329	19,565	195,658	188,061	1,804	10,164
Total Federal Awards			\$ 4,929,616	\$ 50,559	\$ 2,179,438	\$ 2,256,721	\$ 61,783	\$ 66,059

+ Denotes major program

DISABILITY RIGHTS TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Disability Rights Tennessee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Disability Rights Tennessee.

Note 2—Summary of significant accounting policies

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

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

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

To the Board of Directors
Disability Rights Tennessee
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Disability Rights Tennessee (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of September 30, 2018, 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 22, 2019.

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.

Cheng BeKaant LLP

Nashville, Tennessee
January 22, 2019

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, 2018. 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, 2018.

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
January 22, 2019

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2018

I. Summary of Independent Auditor’s Results

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.630	Developmental Disabilities Basic Support & Advocacy

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

II. Findings – Financial Statement Audit

None

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

None