

DISABILITY RIGHTS TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

*As of and for the Years Ended September 30, 2017
and 2016*

And Report of Independent Auditor

DISABILITY RIGHTS TENNESSEE

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Report of Independent Auditor

To the Board of Directors of
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 statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. 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. 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of September 30, 2016, were audited by other auditors whose report dated January 10, 2017 expressed an unmodified opinion on those statements.

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 10, 2018 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.

Cheng Bekant LLP

Nashville, Tennessee
January 10, 2018

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,051,898	\$ 1,075,437
Grant and contract receivables	86,757	64,325
Other receivables	-	44,311
Pledges receivable	40,211	-
Prepaid expenses and advances	22,750	29,150
Total Current Assets	<u>1,201,616</u>	<u>1,213,223</u>
Property and equipment, net	<u>35,040</u>	<u>56,528</u>
Total Assets	<u><u>\$ 1,236,656</u></u>	<u><u>\$ 1,269,751</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 4,302	\$ 360
Accrued wages and benefits	118,974	118,279
Deferred revenue	36,198	37,765
Total Liabilities	<u>159,474</u>	<u>156,404</u>
Net Assets:		
Unrestricted:		
Designated	613,287	659,717
Undesignated	423,684	453,630
Total Unrestricted Net Assets	<u>1,036,971</u>	<u>1,113,347</u>
Temporarily restricted	<u>40,211</u>	<u>-</u>
Total Net Assets	<u>1,077,182</u>	<u>1,113,347</u>
Total Liabilities and Net Assets	<u><u>\$ 1,236,656</u></u>	<u><u>\$ 1,269,751</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets:		
Revenues and Support:		
Government grants	\$ 2,136,032	\$ 2,182,410
Attorney fees	156,097	140,000
Contributions	74,454	140,764
Government fees and other	40,542	120,378
Other income	6,626	7,740
Total Unrestricted Revenues and Support	<u>2,413,751</u>	<u>2,591,292</u>
Expenses:		
Program services	2,146,475	2,201,993
Supporting services	317,627	283,694
Fundraising	26,025	7,920
Total Expenses	<u>2,490,127</u>	<u>2,493,607</u>
(Decrease) Increase in Unrestricted Net Assets	(76,376)	97,685
Temporarily Restricted Net Assets:		
Contributions	40,211	-
Increase in Temporarily Restricted Net Assets	<u>40,211</u>	<u>-</u>
Change in net assets	(36,165)	97,685
Net assets at beginning of year	<u>1,113,347</u>	<u>1,015,662</u>
Net assets at end of year	<u>\$ 1,077,182</u>	<u>\$ 1,113,347</u>

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF FUNCTIONAL EXPENSES

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	<u>2,125,977</u>	<u>317,627</u>	<u>26,025</u>	<u>2,469,629</u>
Depreciation	20,498	-	-	20,498
Total expenses	<u><u>\$ 2,146,475</u></u>	<u><u>\$ 317,627</u></u>	<u><u>\$ 26,025</u></u>	<u><u>\$ 2,490,127</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Supporting Services	Fundraising	Total
Salaries	\$ 1,270,742	\$ 199,016	\$ 3,199	\$ 1,472,957
Payroll taxes and employee benefits	295,181	63,281	359	358,821
Occupancy	175,367	-	-	175,367
Client cases	91,182	-	-	91,182
Miscellaneous	68,737	274	4,255	73,266
Travel and automobile	56,160	4,231	3	60,394
Rental and maintenance of equipment	59,496	-	-	59,496
Telephone	42,627	58	20	42,705
Contracted and professional services	24,252	14,502	-	38,754
Printing and publications	38,309	-	-	38,309
Supplies	24,766	172	84	25,022
Training, seminars, and conferences	10,749	2,160	-	12,909
Insurance	12,818	-	-	12,818
Participant support	6,600	-	-	6,600
Postage	2,925	-	-	2,925
Total expenses before depreciation	<u>2,179,911</u>	<u>283,694</u>	<u>7,920</u>	<u>2,471,525</u>
Depreciation	22,082	-	-	22,082
Total expenses	<u><u>\$ 2,201,993</u></u>	<u><u>\$ 283,694</u></u>	<u><u>\$ 7,920</u></u>	<u><u>\$ 2,493,607</u></u>

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

DISABILITY RIGHTS TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (36,165)	\$ 97,685
Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operating activities:		
Depreciation	20,498	22,082
Loss on disposal of property and equipment	2,381	341
Changes in operating assets and liabilities:		
Grant and contract receivables	(22,432)	19,420
Other receivables	(40,211)	(14,099)
Pledges receivable	44,311	-
Prepaid expenses and advances	6,400	654
Accounts payable	3,942	(1,411)
Accrued wages and benefits	695	(5,665)
Deferred revenue	(1,567)	5,804
Net cash (used in) provided by operating activities	<u>(22,148)</u>	<u>124,811</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(1,391)</u>	<u>(8,925)</u>
Net cash used in investing activities	<u>(1,391)</u>	<u>(8,925)</u>
Net (decrease) increase in cash and cash equivalents	(23,539)	115,886
Cash and cash equivalents at beginning of year	<u>1,075,437</u>	<u>959,551</u>
Cash and cash equivalents at end of year	<u>\$ 1,051,898</u>	<u>\$ 1,075,437</u>

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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.

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.

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

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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

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, 2017 and 2016.

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, 2017 and 2016.

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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 \$26,428 and \$61,187 of contributed support and services meeting the criteria to record during the years ended September 30, 2017 and 2016, respectively.

Reclassifications – Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation.

Subsequent Events – The Organization evaluated subsequent events through January 10, 2018, when these financial statements were available to be issued. Except as disclosed in Note 4, 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.

Note 2—Pledges receivable

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

	<u>2017</u>	<u>2016</u>
Foundation, corporate, and other	\$ 35,500	\$ -
Board of Directors and employees	4,711	-
	<u>\$ 40,211</u>	<u>\$ -</u>

DISABILITY RIGHTS TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

Note 3—Property and equipment

Property and equipment consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 156,583	\$ 161,882
Office equipment	84,137	97,382
	<u>240,720</u>	<u>259,264</u>
Less accumulated depreciation	(205,680)	(202,736)
	<u>\$ 35,040</u>	<u>\$ 56,528</u>

Depreciation expense totaled \$20,498 and \$22,082 for the years ended September 30, 2017 and 2016, 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 (6.25% as of September 30, 2017) on outstanding balances. There were no outstanding balances as of September 30, 2017 and 2016. 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.

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>2017</u>	<u>2016</u>
Developmental Disabilities Basic Support and Advocacy	\$ 567,959	\$ 609,911
Protection and Advocacy for Mentally Ill	43,498	43,479
Protection and Advocacy for Beneficiaries of Social Security	1,763	1,762
Advocacy Services for Assistive Technology	63	63
Protection and Advocacy for Individual Rights	4	4,502
	<u>\$ 613,287</u>	<u>\$ 659,717</u>

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

	<u>2017</u>	<u>2016</u>
Pledges receivable to be received in the next fiscal year	\$ 40,211	\$ -

DISABILITY RIGHTS TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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 \$184,045 and \$175,367 for the years ended September 30, 2017 and 2016, 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, 2017.

Year Ending September 30,

2018	\$	173,710
2019		151,890
2020		129,814
2021		9,374
2022		-
Thereafter		-
	\$	<u>464,788</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, 2017 and 2016, employer contributions totaled \$26,128 and \$27,690, respectively.

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, 2017

	CFDA No.	Contract Number	Program or Award Amount	Balance September 30, 2016	Receipts	Expenditures	Other Additions	Balance September 30, 2017
Federal Awards:								
<u>U.S. Department of Education</u>								
Client Assistance Program	84.161A	H161A150043-16A	\$ 224,055	\$ (18,758)	\$ 118,846	\$ 137,604	\$ -	\$ -
Client Assistance Program	84.161A	H161A160043-17B	223,930	-	152,799	138,141	-	(14,658)
Total Program 84.161A			447,985	(18,758)	271,645	275,745	-	(14,658)
Protection & Advocacy for Individual Rights	84.240A	H240A160043-16A	300,658	25,481	36,070	10,589	-	-
Protection & Advocacy for Individual Rights	84.240A	H240A170043-17B	300,491	-	271,688	298,094	4,500	21,906
Total Program 84.240A			601,149	25,481	307,758	308,683	4,500	21,906
Total U.S. Department of Education			1,049,134	6,723	579,403	584,428	4,500	7,248
<u>U.S. Department of Health & Human Services</u>								
Protection & Advocacy for Assistive Technology	93.843	G-1601TNPAAT	72,296	16,564	37,084	20,520	-	-
Protection & Advocacy for Assistive Technology	93.843	G-1701TNPAAT	71,829	-	48,887	63,815	-	14,928
Total Program 93.843			144,125	16,564	85,971	84,335	-	14,928
Developmental Disabilities Basic Support & Advocacy	93.630	G-1601TNPADD	745,415	5,030	5,030	-	-	-
Developmental Disabilities Basic Support & Advocacy	93.630	G-1701TNPADD	716,285	-	607,353	689,344	62,364	19,627
Total Program 93.630			1,461,700	5,030	612,383	689,344	62,364	19,627
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-16S1	587,219	(17,290)	11,971	29,261	-	-
Protection & Advocacy for Mentally Ill	93.138	3X98SM004797-17S2	588,878	-	490,015	469,328	-	(20,687)
Total Program 93.138			1,176,097	(17,290)	501,986	498,589	-	(20,687)
Traumatic Brain Injury	93.267	G-1601TNPATB	53,898	(102)	2,399	2,501	-	-
Traumatic Brain Injury	93.267	G-1701TNPATB	53,894	-	51,705	50,853	-	(852)
Total Program 93.267			107,792	(102)	54,104	53,354	-	(852)

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

YEAR ENDED SEPTEMBER 30, 2017

	CFDA No.	Contract Number	Program or Award Amount	Balance September 30, 2016	Receipts	Expenditures	Other Additions	Balance September 30, 2017
Federal Awards (Continued):								
<u>U.S. Department of Health & Human Services (Continued)</u>								
Protection & Advocacy for Voter Access	93.618	G-1603TNVOTP	70,000	(1,615)	33,636	35,251	-	-
Protection & Advocacy for Voter Access	93.618	G-1703TNVOTP	70,000	-	36,187	46,917		10,730
Total Program 93.618			140,000	(1,615)	69,823	82,168	-	10,730
Total U.S. Department of Health & Human Services			3,029,714	2,587	1,324,267	1,407,790	62,364	23,746
<u>Social Security Administration</u>								
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB13020272-01-04	117,012	17,250	115,419	98,169	-	-
Protection & Advocacy for Beneficiaries of Social Security	96.009	6-PAB13020272-01-05	117,012	-	92,945	112,510	-	19,565
Total Program 96.009			234,024	17,250	208,364	210,679	-	19,565
Total Social Security Administration			234,024	17,250	208,364	210,679	-	19,565
Total Federal Awards			\$ 4,312,872	\$ 26,560	\$ 2,112,034	\$ 2,202,897	\$ 66,864	\$ 50,559

+ Denotes major program

DISABILITY RIGHTS TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

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, 2017. 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").

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 of
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, 2017, 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 10, 2018.

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 Bekeant LLP

Nashville, Tennessee
January 10, 2018

**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 of
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, 2017. 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, 2017.

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.

Chung Bekant LLP

Nashville, Tennessee
January 10, 2018

DISABILITY RIGHTS TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

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