

DISABILITY RIGHTS ARKANSAS, INC.

*Financial Statements and Supplementary Information
as of and for the Year Ended September 30, 2016,
with Independent Auditor's Reports*

DISABILITY RIGHTS ARKANSAS, INC.

TABLE OF CONTENTS	PAGE
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION:	
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE	14
SUPPLEMENTARY SCHEDULES:	
Schedule of Expenditures of Federal Awards	16
Notes to the Schedule of Expenditures of Federal Awards	17
Schedule of Expenditures of State Awards	18
Schedule of Prior Audit Findings	19
Schedule of Findings and Questioned Costs	20
Supplemental Data Sheet	21

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Disability Rights Arkansas, Inc.:**

Report on the Financial Statements

We have audited the accompanying financial statements of Disability Rights Arkansas, Inc., which comprise the statement of financial position as of September 30, 2016, 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 from 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 Arkansas, Inc. as of September 30, 2016, 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.

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 and related notes, Schedule of Prior Audit Findings, and Schedule of Findings and Questioned Costs 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*, and Schedule of Expenditures of State Awards and Supplemental Data Sheet as required by the Arkansas Department of Human Services, are presented for purposes of additional analysis and are 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 13, 2017, on our consideration of Disability Rights Arkansas, Inc.'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 Arkansas, Inc.'s internal control over financial reporting and compliance.

JPMS Cox, PLLC
January 13, 2017

DISABILITY RIGHTS ARKANSAS, INC.

STATEMENT OF FINANCIAL POSITION, SEPTEMBER 30, 2016

ASSETS

Cash	\$	244,907
Federal grants and contracts receivable		136,104
Prepaid expenses and other assets		25,852
Property and equipment, net		<u>39,054</u>

TOTAL ASSETS **\$ 445,917**

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$	13,677
Accrued compensation, benefits and taxes		103,295
Deferred rent payable		38,805
Line of credit		<u>-</u>

TOTAL LIABILITIES 155,777

NET ASSETS, UNRESTRICTED 290,140

TOTAL LIABILITIES AND NET ASSETS **\$ 445,917**

See Notes to Financial Statements.

DISABILITY RIGHTS ARKANSAS, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

UNRESTRICTED SUPPORT AND REVENUES:

Federal grants and contracts	\$ 1,251,058
Program revenue	70,783
Contributions	2,486
Gain on investment	106
Interest and dividends	<u>556</u>

TOTAL UNRESTRICTED SUPPORT AND REVENUES 1,324,989

EXPENSES:

Program services	944,988
Management and general	394,714
Fundraising	<u>-</u>

TOTAL EXPENSES 1,339,702

CHANGE IN NET ASSETS (14,713)

NET ASSETS, BEGINNING OF YEAR 304,853

NET ASSETS, END OF YEAR \$ 290,140

See Notes to Financial Statements.

DISABILITY RIGHTS ARKANSAS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Functional Expenses</u>
Compensation	\$ 534,109	\$ 227,599	\$ -	\$ 761,708
Payroll taxes and fringe benefits	136,167	58,486	-	194,653
Utilities	9,578	4,081	-	13,659
Building rent	58,762	25,042	-	83,804
Equipment rental	11,001	4,688	-	15,689
Equipment maintenance and repairs	2,860	1,218	-	4,078
Outreach/exhibits	12,485	-	-	12,485
Insurance	9,850	4,198	-	14,048
Dues and memberships	23,955	10,072	-	34,027
Printing and postage	8,223	1,304	-	9,527
Professional fees	17,296	7,370	-	24,666
Contract labor	30,533	12,172	-	42,705
Office supplies	26,115	11,127	-	37,242
Travel, training, and conference expenses	45,643	9,308	-	54,951
Board expenses	-	6,812	-	6,812
Advisory council expenses	11,351	1,155	-	12,506
Miscellaneous expenses	7,060	10,082	-	17,142
TOTAL EXPENSES	<u>\$ 944,988</u>	<u>\$ 394,714</u>	<u>\$ -</u>	<u>\$ 1,339,702</u>

See Notes to Financial Statements.

DISABILITY RIGHTS ARKANSAS, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (14,713)
Adjustments to reconcile decrease in net assets to net cash used in operating activities	
Depreciation	8,857
Loss on disposal of property and equipment	148
Gain on investment	(106)
Change in operating assets and liabilities:	
Federal grants and contracts receivable	(8,137)
Prepaid expenses and other assets	(9,545)
Accounts payable	(2,839)
Accrued compensation, benefits and taxes	(18,184)
Deferred rent payable	<u>38,805</u>
Total adjustments	<u>8,999</u>
Net cash used in operating activities	<u>(5,714)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Sale of investment	24,054
Purchase of property and equipment	<u>(19,568)</u>
Net cash provided by investing activities	<u>4,486</u>

CHANGE IN CASH (1,228)

CASH, BEGINNING OF YEAR 246,135

CASH, END OF YEAR \$ 244,907

See Notes to Financial Statements.

DISABILITY RIGHTS ARKANSAS, INC.

NOTES TO FINANCIAL STATEMENTS, SEPTEMBER 30, 2016

1. ORGANIZATION

Disability Rights Arkansas, Inc. (“DRA”) was incorporated in 1977 as a nonprofit corporation to advocate for individuals with disabilities throughout the state. DRA is designated by the Governor to implement the federally authorized protection and advocacy systems. DRA’s offices are located in Little Rock, Arkansas. All eight protection and advocacy programs operated at DRA are federally funded. DRA has the authority to provide advocacy services and legal representation based on priorities approved each year by the Board of Directors. The agency also provides training and outreach to individuals with disabilities in Arkansas. All agency services are free and available statewide. DRA is a member of the National Disability Rights Network (“NDRN”), which is a nonprofit, voluntary membership association for DRA and similar agencies. DRA receives payment for reviews performed for the Social Security Administration Representation Payee Review Project on behalf of NDRN.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of DRA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash and Cash Equivalents – For purposes of the statement of cash flows, DRA considers all highly liquid instruments with a maturity date of three months or less when purchased to be cash equivalents. There were no cash equivalents as of September 30, 2016.

Federal Grants and Contracts Receivable – Federal grants and contracts receivable are recognized when expenses that qualify for reimbursement under the grant or contract are incurred.

Property and Equipment – Property and equipment are recorded at cost, if purchased, and at fair value at date of receipt, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. DRA capitalizes property and equipment purchases of \$5,000 or more.

Net Assets Classification – DRA distinguishes between unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets in the accompanying financial statements. DRA has no temporarily or permanently restricted net assets as of September 30, 2016. A description of net asset classifications is as follows:

Unrestricted net assets – Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets.

Temporarily restricted net assets – Net assets are classified as temporarily restricted if they are subject to donor-imposed stipulations that may or will be met either by action of DRA and/or the passage of time.

Permanently restricted net assets – Permanently restricted net assets have been restricted by donors to be maintained by DRA in perpetuity.

Support and Revenues – Funds for DRA are received by means of grants and contracts to provide services to their clients. These grants and contracts are from various federal awards. DRA also receives support through contributions and from program income earned through contract fees received for services provided on behalf of the NDRN and attorney fees received on behalf of clients.

Advertising – DRA expenses advertising costs as they are incurred.

Functional Expenses – Functional expenses have been allocated between program services, management and general, and fundraising based on an analysis of personnel time utilized for the related activities and on a specific review of direct expenses.

Program services expenses are directly associated with performing activities that accomplish the charitable mission of DRA, such as providing legal services and advocacy and protection for individuals with disabilities.

Management and general expenses are incurred for those activities that are not identifiable with a specific program or fundraising activity but are necessary in the conduct of such activities and to DRA's existence, including DRA management, accounting expenses, and other expenses.

Fundraising expenses are incurred for public awareness, marketing DRA's services, and other fundraising activities.

Income Taxes – DRA is a publicly supported organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and similar provisions of state law. Additionally, DRA qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). Management is not aware of any course of action or series of events that have occurred that might adversely affect the qualified status of DRA.

Under U.S. GAAP, management is required to evaluate tax positions taken by DRA and recognize a tax liability if DRA has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated DRA's tax positions and concluded that DRA had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, DRA is no longer subject to income tax examinations by the United States federal, state, and local tax authorities for fiscal years before 2013.

Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing U.S. GAAP revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which extends the effective date one year from that stated in ASU 2014-09. The guidance in ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods after December 15, 2016. DRA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. DRA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. Early adoption is permitted, and should be applied on a retrospective basis. DRA is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. DRA is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

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 accounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events – DRA has evaluated subsequent events for recognition and disclosure through January 13, 2017, the date the financial statements were issued.

3. FEDERAL GRANTS AND CONTRACTS RECEIVABLE

DRA uses the allowance method to estimate uncollectible receivables. All federal grants and contracts receivable as of September 30, 2016, are expected to be collected in less than one year.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2016:

Equipment	\$ 58,912
Leasehold Improvements	5,489
Software	9,405
	<hr/>
	73,806
Accumulated depreciation	(34,752)
Property and equipment, net	<hr/> <u>\$ 39,054</u>

5. LINE OF CREDIT

During the year ended September 30, 2016, DRA maintained a line of credit agreement. The line of credit allowed for borrowings up to \$100,000 through the maturity date of October 8, 2016, with an interest rate of 6.00%.

6. OPERATING LEASE

DRA leases office space in Little Rock, Arkansas, under an operating lease agreement through September 30, 2026. Future minimum lease payments under this operating lease are as follows:

2017	\$ 87,943
2018	88,852
2019	89,762
2020	92,006
2021	94,311
Thereafter	508,247
Total	<hr/> <u>\$ 961,121</u>

7. CONCENTRATIONS

Support and revenues are primarily from awards received through federal grants and contracts. These federal funds are subject to review and audit by the federal grantor agencies. Such audits could result in a request for reimbursement by these agencies for expenditures disallowed under the terms and conditions of the agreements. In the opinion of management, such disallowances, if any, would not be significant.

8. EMPLOYEE BENEFIT PLAN

DRA maintains a defined contribution retirement plan (the “Plan”) in which eligible employees may contribute through payroll deductions. DRA incurred an expense of approximately \$53,000 to remit to the Plan in the form of employer contributions, during the year ended September 30, 2016.

SUPPLEMENTARY INFORMATION

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

**Board of Directors of
Disability Rights Arkansas, Inc.:**

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 Arkansas, Inc., which comprise the statement of financial position as of September 30, 2016, 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 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Disability Rights Arkansas, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Disability Rights Arkansas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Disability Rights Arkansas, Inc.'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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Disability Rights Arkansas, Inc.'s financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JPMS Cox, PLLC

January 13, 2017

Little Rock, Arkansas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors of Disability Rights Arkansas, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Disability Rights Arkansas, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Disability Rights Arkansas, Inc.'s major federal program for the year ended September 30, 2016. Disability Rights Arkansas, Inc.'s major federal program is 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 statues, 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 Disability Rights Arkansas, Inc.'s major federal program 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 Disability Rights Arkansas, Inc.'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 the major federal program. However, our audit does not provide a legal determination of Disability Rights Arkansas, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Disability Rights Arkansas, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of Disability Rights Arkansas, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Disability Rights Arkansas, Inc.'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 Disability Rights Arkansas, Inc.'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 a 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 preceding paragraph 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.

JPMS Cox, PLLC

January 13, 2017

Little Rock, Arkansas

DISABILITY RIGHTS ARKANSAS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:		
Protection and Advocacy for Individuals with Mental Illness	93.138	\$ 413,231
Developmental Disabilities Basic Support and Advocacy Grant	93.630	373,199
Traumatic Brain Injury Protection and Advocacy	93.873	58,502
Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems	93.618	52,865
Protection and Advocacy for Assisted Technology	93.843	<u>47,662</u>
Total U.S. Department of Health and Human Services		<u>945,459</u>
 U.S. Department of Education:		
Protection and Advocacy for Individual Rights	84.240	123,398
Client Assistance Program	84.161	<u>71,746</u>
Total U.S. Department of Education		<u>195,144</u>
 U.S. Social Security Administration:		
Protection and Advocacy for Beneficiaries of Social Security	96.009	<u>110,455</u>
 Total expenditures of federal awards		<u>\$ 1,251,058</u>

See Notes to the Schedule of Expenditures of Federal Awards.

DISABILITY RIGHTS ARKANSAS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant and contract activity of Disability Rights Arkansas, Inc. (“DRA”) for the year ended September 30, 2016. No federal awards were passed-through by state or local agencies. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of DRA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of DRA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No indirect cost rate has been elected by DRA.

NOTE 3 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, no federal awards were provided to subrecipients.

DISABILITY RIGHTS ARKANSAS, INC.

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>State Grantor/Program Title</u>	<u>Contract Number</u>	<u>State Revenues</u>	<u>State Expenditures</u>
None	N/A	<u>\$ -</u>	<u>\$ -</u>

DISABILITY RIGHTS ARKANSAS, INC.

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The prior year single audit, for the year ended September 30, 2015, disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from the prior audit's *Summary of Prior Audit Findings*.

DISABILITY RIGHTS ARKANSAS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Part I – Summary of Auditor’s Results

Financial Statements

- (i) Type of auditor’s report issued: Unqualified
- (ii) Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- (iii) Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

- (iv) Internal control over major program(s):
- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- (v) Type of auditor’s report issued on compliance for major federal program(s): Unqualified
- (vi) Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes X No

- (vii) Identification of major program(s):

CFDA Number

Name of Federal Program or Cluster

93.138

United States Department of Health and Human Services:
Protection and Advocacy of Individuals with Mental
Illness

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes _____ No

Part II – Financial Statement Findings

None noted

Part III – Findings and Questioned Costs for Federal Awards

None noted

DISABILITY RIGHTS ARKANSAS, INC.

SUPPLEMENTAL DATA SHEET, SEPTEMBER 30, 2016

Entity Full Name: Disability Rights Arkansas, Inc.

Address: 400 W. Capital, Suite 1200
Little Rock, AR 72201

EIN: 71-0536689

Phone: 501-296-1775

Executive Director and Contact Person: Mr. Tom Masseur