Disability Rights Arkansas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

with

INDEPENDENT AUDITOR'S REPORT

HCJ CPAs & Advisors PLLC

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Disability Rights Arkansas, Inc.
Little Rock, Arkansas

Opinion

We have audited the accompanying financial statements of Disability Rights Arkansas, Inc. (DRA) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disability Rights Arkansas, Inc. (a nonprofit organization), as of September 30, 2023, and 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Disability Rights Arkansas, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Disability Rights Arkansas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Disability Rights Arkansas, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Disability Rights Arkansas, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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* 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 schedule of expenditures of federal awards 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 March 26, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Disability Rights Arkansas, Inc.'s 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.

HCJ CPAs & Advisors, PLLC

Little Rock, Arkansas
March 26, 2024

FINANCIAL STATEMENTS

DISABILITY RIGHTS ARKANSAS, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2023

Assets	
Current Assets:	
Cash	$ 70,948
Restricted Cash	135,658
Federal Grants and Contracts Receivable	232,062
Prepaid Expenses and Other Assets	35,157
Total Current Assets	473,825
Property and Equipment, Net	11,420
Operating Lease Right-of-Use Asset, Net	396,756
Total Assets	$ 882,001
Liabilities and Net Assets	
Current Liabilities:	
Line of Credit	$ 35,000
Current Operating Lease Liability	132,799
Accounts Payable	41,459
Accrued Compensations, Benefits, and Taxes	131,213
Other Liabilities	10,539
Total Current Liabilities	351,010
Noncurrent Operating Lease Liability	305,125
Total Liabilities	656,135
Net Assets:	
Without Donor Restriction	90,208
With Donor Restriction	135,658
Total Net Assets	225,866
Total Liabilities and Net Assets	$ 882,001

See accompanying notes.

DISABILITY RIGHTS ARKANSAS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Federal Grants and Contracts	$ 2,449,797	$ -	$ 2,449,797
Program Revenue	19,915	9,928	29,843
Other	35,377	-	35,377
Net Assets Released from Restrictions	71,466	(71,466)	-
Total Revenue and Support	2,576,555	(61,538)	2,515,017
Expenses:			
Program Services	2,108,206	-	2,108,206
Management and General	442,100	-	442,100
Fundraising	673	-	673
Total Expenses	2,550,979	-	2,550,979
Change in Net Assets	25,576	(61,538)	(35,962)
Net Assets - Beginning of Year	64,632	197,196	261,828
Net Assets - End of Year	$ 90,208	$ 135,658	$ 225,866

See accompanying notes.

DISABILITY RIGHTS ARKANSAS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2023

	Program Services	Management and General	Fundraising	Total
Compensation	$ 1,172,099	$ 267,041	$ 432	$ 1,439,572
Payroll Taxes and Fringe Benefits	295,182	67,251	109	362,542
Utilities	21,323	4,858	8	26,189
Building and Parking Rent and Fees	108,888	27,641	44	136,573
Equipment Rental	13,081	1,454	-	14,535
Outreach/Exhibits	57,351	-	-	57,351
Insurance	22,532	1,679	3	24,214
Dues and Memberships	43,151	10,554	7	53,712
Printing and Postage	15,573	776	-	16,349
Professional Fees	39,419	8,980	14	48,413
Contract Labor	115,821	24,723	25	140,569
Office Supplies	30,879	6,878	11	37,768
Travel, Training, and Conferences	114,740	8,242	5	122,987
Advisory Council	517	-	-	517
Board Meetings and Advocacy	31,507	7,178	11	38,696
Miscellaneous	26,143	4,845	4	30,992
Total	$ 2,108,206	$ 442,100	$ 673	$ 2,550,979

See accompanying notes.

DISABILITY RIGHTS ARKANSAS, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2023

Cash Flows from Operating Activities:		
Change in Net Assets	$	(35,962)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities:		
Depreciation		1,592
Amortization of Operating Lease Right-of-Use Asset		114,816
Changes in Operating Assets and Liabilities:		
Federal Grants and Contracts Receivable		9,122
Prepaid Expenses and Other Assets		(13,795)
Accounts Payable		1,086
Accrued Compensations, Benefits, and Taxes		11,991
Other Liabilities		(1,216)
Operating Lease Liability		(122,352)
Net Cash Used in Operating Activities		(34,718)
Net Cash Flows from Investing Activities:		
Purchases of Property and Equipment		(6,137)
Net Cash Flows from Financing Activities:		
Net Repayments of Line of Credit		(55,000)
Net Change in Cash		(95,855)
Cash and Resticted Cash, Beginning of Year		302,461
Cash and Resticted Cash, End of Year	$	206,606
Reconciliation of Cash and Restricted Cash to the Statements of Financial Position:		
Cash	$	70,948
Restricted Cash		135,658
	$	206,606

See accompanying notes.

Note 1: Nature of Operations and Summary of significant Accounting Policies

Nature of Operations

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 of Arkansas to implement the federally authorized protection and advocacy systems. DRA's office is 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.

Basis of Accounting and Presentation

The financial statements of DRA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). DRA follows the recommendations of the Financial Accounting Standards Board (FASB) in the Not-For-Profit Entities Topic of the FASB Accounting Standards Codification (ASC). Under these recommendations, DRA is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

Net assets, 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 as follows:

> Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions.
>
> With Donor Restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions on net assets are permanent in nature. These donor-imposed stipulations neither expire by passage of time, nor can be fulfilled, or otherwise removed by DRA. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Recently Adopted Accounting Standards

In February of 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessors and lessees). In June of 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which defers the effective date of this standard to annual and interim periods beginning after December 15, 2021; however, early adoption was permitted for annual and interim reporting periods beginning after December 15, 2018. The standard requires the following:

- Lessees – Leases are accounted for using a dual approach, classifying leases as either operating or finance based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification determines whether the lease expense is recognized on a straight-line basis over the term of the lease (for operating leases) or based on an effective interest method (for finance leases). A lessee is also required to record a right-of-use asset and a lease liability on its statement of financial position for all leases with a term of greater than 12 months regardless of their classification as operating or finance leases. Leases with a term of 12 months or less are accounted for similar to legacy guidance for operating leases in ASC 840, *Leases* ("ASC 840").

DRA adopted the provisions of the New Lease Standard as required October 1, 2022. DRA elected the package of practical expedients available under the transition provisions of the New Lease Standard, including (i) not reassessing whether expired or existing contracts contain leases, (ii) not reassessing lease classification, and (iii) not revaluing initial direct costs for existing leases.

In July 2018, the FASB issued an amendment to the lease standard, which includes a practical expedient that provides lessees an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single component under the leases standard. The amendment also provides a transition option that permits the application of the new guidance as of the adoption date rather than to all periods presented. DRA elected the practical expedient to account for both its lease and non-lease components as a single component under the leases standard and elected the new transition option as of the date of adoption effective October 1, 2022.

See Note 5 for disclosures related to leases.

Cash, Cash Equivalents, and Restricted Cash

DRA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted cash is comprised of earnings from program income activities. Program income funds are restricted by the associated federal program and may only be used to further eligible program objectives.

Revenues and Contracts Receivable

DRA receives funds through grants and contracts to provide services to its clients. These grants and contracts are from various federal awards. The federal awards are issued on a reimbursement basis. Revenues under cost-reimbursement type contracts are recognized by DRA as earned when the related services are performed, or expenditures incurred and are based on billings submitted for reimbursement that are subject to audit. Retroactive adjustments may be made by the funding agencies. No such adjustments were made for the year ended September 30, 2023. Receivables associated with these contracts totaled $232,062 as of September 30, 2023.

DRA also receives support through contributions and from program income earned through attorney fees received on behalf of clients. Contribution and program income are recognized when earned.

DRA uses the allowance method to estimate uncollectible receivables. All federal grants and contracts receivable as of September 30, 2023, are expected to be collected in less than one year. Management considers receivables fully collectible, and therefore, there is no allowance for doubtful accounts as of September 30, 2023.

Property and Equipment

Property and equipment are recorded at cost if purchased, and at fair value on the date of receipt, if contributed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to ten years. DRA capitalizes property and equipment purchases with a cost of $5,000 or more per item and life expectancy of one year or more.

Leases

DRA determines if an arrangement is a lease at inception. Operating leases are included in Operating Lease Right-of-Use Assets, Current Operating Lease Liabilities, and Noncurrent Operating Lease Liabilities in the Statement of Financial Position. At September 30, 2023, DRA did not have any finance leases.

Right-of-use assets represent DRA’s right to use an underlying asset for the lease term, and lease liabilities represent DRA’s obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the right-of-use asset value is derived from the calculation of the lease liability. Lease payments include fixed and in-substance fixed payments. DRA uses the estimated risk-free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments, in cases where the actual implicit rates of its leases are not known and a comparable incremental borrowing rate is not readily determinable. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company combines lease and non-lease components for all asset groups. The Company's lease term includes any option to extend the lease when it is reasonably certain to be exercised based on considering all relevant economic factors. DRA has elected ASC 842’s practical expedient for all leases with terms of 12 months or shorter. Under this practical expedient, DRA will not apply the recognition requirements of ASC 842 to short-term leases. These short-term lease payments will be expensed monthly, and a right-of-use asset and related lease liability will not be recorded on the statement of financial position.

Advertising

DRA expenses advertising costs as they are incurred.

Functional Allocation of 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 include expenses for public awareness, marketing DRA's services, and other fundraising activities. There were $673 in fundraising expenses during the year ended September 30, 2023.

DISABILITY RIGHTS OF ARKANSAS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

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.

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 certain estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in these financial statements include 1) estimates related to collectability of receivables and related allowance for doubtful accounts, 2) estimates used in the valuation of right-of-use assets and liabilities in accordance with FASB ASC 842 3) estimates used in the allocation of expenses by function. Accordingly, actual results could differ from those estimates.

Subsequent Events

DRA has evaluated all subsequent events for potential recognition and disclosure through March 26, 2024, the date these financial statements were available to be issued.

Note 2: Restrictions on Net Assets

Net assets with donor restrictions are restricted for the following purposes at September 30, 2023:

Subject to the Passage of Time or Expenditure for Specific Purpose:		
Program Income pertaining to the following programs:		
Social Security State Grants for Work Incentive Assistance to Disabled Beneficiaries	$	2,500
Developmental Disabilities Basic Support and Advocacy Grant		60,424
Protection and Advocacy of Individuals with Mental Illness		72,734
Total Net Assets with Donor Restrictions	$	135,658

Note 3: Property and Equipment

Property and equipment consisted of the following as of September 30, 2023:

Equipment	$	13,619
Leasehold Improvements		9,405
Software		5,489
		28,513
Accumulated Depreciation		(17,093)
Property and Equipment, Net	$	11,420

Depreciation expense for the year ended September 30, 2023 was $1,592.

Note 4: Line of Credit

DRA has a revolving bank line of credit with total available borrowings of $100,000 with a fixed interest rate of 7.50% which expires February 1, 2024. The line of credit was renewed on February 1, 2024, with a maturity date of February 1, 2025 and a fixed interest rate of 7.50%. There were $35,000 of outstanding borrowings on the line of credit as of September 30, 2023.

Total interest expense paid on the line of credit during the year ended September 20, 2023, was $3,074, which is included in Miscellaneous expenses on the statement of functional expenses.

Note 5: Leases

DRA leases office space in Little Rock, Arkansas and equipment under operating lease agreements.

Future minimum maturities of lease liabilities are as follows at September 30, 2023:

2024	$ 148,065
2025	151,486
2026	142,784
2027	11,955
2028	11,955
Thereafter	997
Total Lease Payments	467,242
Less Imputed Interest	(29,318)
Total Lease Obligations	437,924
Less Current Operating Lease Liability	(132,799)
Operating Lease Liability, Less Current Portion	$ 305,125

Total rent expense was $151,108 for the year ended September 30, 2023, including monthly rent installments and maintenance, and is included in the Equipment Rental and Building/Parking Rent and Fees expenses on the statement of functional expenses.

Average operating lease term and discount rate at September 30, 2023, was as follows:

Remaining Lease Term (Years)	3.19
Discount Rate	4.18%

The following summarizes non-cash information as of September 30, 2023:

Right-of-use assets obtained in exchange for operating lease obligations	$ 560,276

Note 6: 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.

Note 7: Commitments and Contingencies

Occasionally, DRA may be involved in legal proceedings, generally related to employment issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the operations of DRA. In the opinion of management, such proceedings are substantially covered by insurance and the ultimate disposition of such proceedings are not expected to have a material adverse effect on DRA's financial position, changes in its net assets or cash flows.

Note 8: Employee Benefit Plan

DRA maintains a defined contribution retirement plan (the Plan) in which eligible employees may contribute through payroll deductions. Employer contributions may be made in the form of discretionary contributions and discretionary matching contributions of 100% of employee deferrals up to 2% of participant compensation. DRA incurred an expense of approximately $88,800 of employer contributions during the year ended September 30, 2023.

Note 9: Liquidity and Availability

DRA's financial assets available for general expenditures, liabilities, and other obligations within one year of the September 30, 2023, statement of financial position are as follows:

Cash	$ 70,948
Federal Grants and Contracts Receivable	232,062
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 303,010

DRA is dependent upon grants received from the federal government to meet its obligations as they come due and for general expenditures that DRA needs to operate and fulfill its mission. DRA's funding remains heavily dependent on a few major programs. However, management believes these grants will continue to provide sufficient revenues to continue its operations.

SUPPLEMENTARY INFORMATION

DISABILITY RIGHTS ARKANSAS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass Through Grantor / Program Title	Pass Through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Health and Human Services			
Developmental Disabilities Basic Support and Advocacy Grants:			
Developmental Disabilities Basic Support and Advocacy Grant		93.630	$ 472,147
Expanding the Public Health Workforce within the Disability Network - ARPA		93.630	78,531
Passed through the State of Arkansas Governor's Council on Developmental Disabilities:			
The Arkansas Alliance for Disability Advocacy Project	1710847443B5	93.630	402,088
Total Developmental Disabilities Basic Support and Advocacy Grants			952,766
Protection and Advocacy of Individuals with Mental Illness		93.138	444,285
Traumatic Brain Injury Protection and Advocacy		93.873	83,005
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems		93.618	142,028
Protection and Advocacy for Assisted Technology		93.843	55,516
Total U.S. Department of Health and Human Services			1,677,600
U.S. Department of Education			
Rehabilitation Services Client Assistance Program		84.161	161,426
Protection and Advocacy for Individual Rights		84.240	171,782
Total U.S. Department of Education			333,208
U.S. Department of Social Security Administration			
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries		96.009	524,667
Total Expenditures of Federal Awards			$ 2,535,475

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. This accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of Disability Rights Arkansas (DRA) under programs of the federal government for the year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, 025(the 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.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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*

To the Board of Directors of
Disability Rights Arkansas, Inc.
Little Rock, Arkansas

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., (DRA) (a nonprofit organization) which comprise the statement of financial position as of September 30, 2023, 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 March 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DRA'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 DRA's internal control. Accordingly, we do not express an opinion on the effectiveness of DRA'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Disability Rights Arkansas, Inc.'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*.

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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 DRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors PLLC
Little Rock, Arkansas
March 26, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Disability Rights Arkansas, Inc.
Little Rock, Arkansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Disability Rights Arkansas, Inc.'s (DRA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of DRA's major federal programs for the year ended September 30, 2023. DRA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, DRA 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, 2023.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of DRA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of DRA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to DRA's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on DRA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about DRA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding DRA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of DRA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 DRA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

HCJ CPAs & Advisors, PLLC

Little Rock, Arkansas
March 26, 2024

DISABILITY RIGHTS ARKANSAS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):

   ☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

2. The independent auditor's report on internal control over financial reporting described:

   Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

   Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

   Material weakness(es) identified? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:

   ☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance? ☐ Yes ☒ No

7. The Auditee's major programs were:

Cluster/Program	Assistance Number
Development Disabilities Basic Support and Advocacy Grant	93.630

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was $750,000.

9. The Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance? ☒ Yes ☐ No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None noted.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

None noted.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted.

DISABILITY RIGHTS ARKANSAS, INC.

SUPPLEMENTAL DATA SHEET

SEPTEMBER 30, 2023

Entity Full Name:	Disability Rights Arkansas, Inc.
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EIN:	71-0536689
Phone:	501.296.1775
Executive Director and Contact Person:	Mr. Tom Masseau