

**Audited Financial Statements,
Supplementary Information,
and Compliance Reports**

DISABILITY RIGHTS NORTH CAROLINA, INC.

Years Ended September 30, 2015 and 2014

Audited Financial Statements, Supplementary Information, and Compliance Reports

Disability Rights North Carolina, Inc.

Years Ended September 30, 2015 and 2014

Audited Financial Statements

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Independent Auditors' Report

Board of Directors
Disability Rights North Carolina, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Disability Rights North Carolina, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 North Carolina, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report--Continued

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal, state, and other awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 December 1, 2015, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Romer, Wiggins + Company, L.L.P.

Raleigh, North Carolina
December 1, 2015

Statements of Financial Position

Disability Rights North Carolina, Inc.

September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 696,536	\$ 398,498
Grants and contracts receivable	242,506	213,260
Prepaid expenses	49,387	48,094
Other assets	705	1,073
TOTAL CURRENT ASSETS	<u>989,134</u>	<u>660,925</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	47,130	38,702
Less: Accumulated depreciation	<u>(14,710)</u>	<u>(4,486)</u>
	32,420	34,216
TOTAL ASSETS	<u>\$ 1,021,554</u>	<u>\$ 695,141</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 80,253	\$ 91,180
Accrued leave	126,582	113,188
Deferred revenue	2,420	7,090
TOTAL CURRENT LIABILITIES	<u>209,255</u>	<u>211,458</u>
NET ASSETS		
Unrestricted net assets	716,622	483,683
Temporarily restricted	<u>95,677</u>	<u>0</u>
TOTAL NET ASSETS	<u>812,299</u>	<u>483,683</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,021,554</u>	<u>\$ 695,141</u>

See independent auditors' report and notes to financial statements.

Statement of Activities

Disability Rights North Carolina, Inc.

Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Net Asset Classes</u>
SUPPORT AND REVENUE			
Grants and contracts	\$	\$ 3,436,427	\$ 3,436,427
Contributions	223,659		223,659
Interest income	117		117
Other income	0		0
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>3,340,750</u>	<u>(3,340,750)</u>	<u>0</u>
TOTAL REVENUES AND OTHER SUPPORT	3,564,526	95,677	3,660,203
EXPENSES			
Program Services:			
Protection and advocacy	2,659,865		2,659,865
Legal services	<u>110,654</u>		<u>110,654</u>
Total program services	<u>2,770,519</u>	<u>0</u>	<u>2,770,519</u>
Support services:			
Fund raising	120,885		120,885
Management and general	<u>440,183</u>		<u>440,183</u>
	<u>561,068</u>		<u>561,068</u>
TOTAL EXPENSES	<u>3,331,587</u>	<u>0</u>	<u>3,331,587</u>
CHANGE IN NET ASSETS	232,939	95,677	328,616
Net assets - beginning of year	<u>483,683</u>	<u>0</u>	<u>483,683</u>
NET ASSETS - END OF YEAR	\$ <u>716,622</u>	\$ <u>95,677</u>	\$ <u>812,299</u>

See independent auditors' report and notes to financial statements.

Statement of Activities

Disability Rights North Carolina, Inc.

Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Net Asset Classes</u>
SUPPORT AND REVENUE			
Grants and contracts	\$	\$ 2,913,953	\$ 2,913,953
Contributions	93,742		93,742
Interest income	106		106
Other income	500		500
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,923,691</u>	<u>(2,923,691)</u>	<u>0</u>
TOTAL REVENUES AND OTHER SUPPORT	3,018,039	(9,738)	3,008,301
EXPENSES			
Program Services:			
Protection and advocacy	2,303,813		2,303,813
Legal services	<u>176,143</u>		<u>176,143</u>
Total program services	<u>2,479,956</u>	<u>0</u>	<u>2,479,956</u>
Support services:			
Fund raising	99,612		99,612
Management and general	<u>419,136</u>		<u>419,136</u>
	<u>518,748</u>	<u>0</u>	<u>518,748</u>
TOTAL EXPENSES	<u>2,998,704</u>	<u>0</u>	<u>2,998,704</u>
CHANGE IN NET ASSETS	19,335	(9,738)	9,597
Net assets - beginning of year	<u>464,348</u>	<u>9,738</u>	<u>474,086</u>
NET ASSETS - END OF YEAR	\$ <u>483,683</u>	\$ <u>0</u>	\$ <u>483,683</u>

See independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Disability Rights North Carolina, Inc.

Year Ended September 30, 2015

	Program Services		Support Services		Total
	Protection and Advocacy	Legal Services	Fund Raising	Management and General	
Salaries, benefits and taxes	2,078,839	68,403	44,958	411,312	2,603,512
Personnel procurement	53,278	363	3,665	5,136	62,442
Occupancy	167,901	4,832	2,859	0	175,592
Client services	152,773	5,978	20,327	1,826	180,904
Board meetings	29,933	1,217	536	8	31,694
Office expense	63,840	882	18,911	3,098	86,731
Communications	26,531	899	307	2,512	30,249
Professional fees	70,143	27,590	26,664	15,980	140,377
Maintenance expense	6,885	91	169	311	7,456
Miscellaneous	0	106	2,300	0	2,406
Depreciation	9,742	293	189	0	10,224
	<u>2,659,865</u>	<u>110,654</u>	<u>120,885</u>	<u>440,183</u>	<u>3,331,587</u>

See independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Disability Rights North Carolina, Inc.

Year Ended September 30, 2014

	Program Services		Support Services		Total
	Protection and Advocacy	Legal Services	Fund Raising	Management and General	
Salaries, benefits and taxes	1,677,722	95,866	37,515	396,175	2,207,278
Personnel procurement	46,794	1,260	3,310	2,477	53,841
Occupancy	205,166	6,040	11,096	7,170	229,472
Client services	152,725	14,531	16,633	1,283	185,172
Board meetings	18,561	562	805	5,669	25,597
Office expense	39,245	380	16,578	3,312	59,515
Communications	27,929	1,037	1,200	2,330	32,496
Professional fees	93,710	55,163	8,875	0	157,748
Maintenance expense	37,465	1,104	1,358	220	40,147
Miscellaneous	0	72	2,074	500	2,646
Depreciation	4,496	128	168	0	4,792
	<u>2,303,813</u>	<u>176,143</u>	<u>99,612</u>	<u>419,136</u>	<u>2,998,704</u>

See independent auditors' report and notes to financial statements.

Statements of Cash Flows

Disability Rights North Carolina, Inc.

Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 328,616	\$ 9,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,224	4,791
Gain on sale of furniture and equipment	0	(500)
Decrease (increase) in operating assets:		
Grants and contracts receivable	(29,246)	(185)
Other assets	368	436
Prepaid expenses	(1,293)	(5,124)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(10,927)	(11,233)
Accrued leave	13,394	9,453
Deferred revenue	(4,670)	7,090
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>306,466</u>	<u>14,325</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(8,428)	(38,102)
Proceeds from sale of furniture and equipment	0	500
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,428)</u>	<u>(37,602)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	298,038	(23,277)
Cash and cash equivalents, beginning of year	<u>398,498</u>	<u>421,775</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 696,536</u>	<u>\$ 398,498</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 0	\$ 0

See independent auditors' report and notes to financial statements.

Notes to Financial Statements

Disability Rights North Carolina, Inc.

Years Ended September 30, 2015 and 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization: Disability Rights North Carolina, Inc. ("the Organization") is a nonprofit corporation whose purpose is to protect the legal rights of people with disabilities through individual and system advocacy throughout North Carolina. Services provided include representation of clients with disabilities, policy advocacy, public education and training on issues affecting people with disabilities, technical assistance to lawyers and lay advocates, and contracts for training, referral, technical assistance, litigation and special projects.

Net Asset Presentation: The accompanying financial statements are prepared in accordance with FASB ASC 958-205, 210, 225 which requires presentation of a statement of financial position and a statement of activities that displays classes of net assets categorized as unrestricted, temporarily restricted, and permanently restricted and their changes during the period. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use, either as to time or purpose. Temporarily restricted net assets are reclassified to unrestricted net assets upon expiration or satisfaction of the restriction. The Organization had no permanently restricted net assets at September 30, 2015 and 2014.

Method of Accounting: The financial statements are prepared on the accrual basis of accounting.

Recognition of Support: The Organization records "unconditional promises to give" in the period such promises are made and reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. Substantially all federal, state, and other grants have stipulations that require reimbursement if such funds are not spent for their intended purpose. Management considers these awards to be "conditional promises to give" and recognizes support therefrom when the possibility of not satisfying such conditions becomes remote.

Donated Services: Donated services are recorded as both a revenue and an expense (or a fixed asset) if the services either enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are valued at the fair value of such services or what the Organization would have had to pay for the donated services if such services had been purchased.

Donated Property and Equipment: Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Cash Equivalents: The Organization considers all highly liquid investments having an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows exclude permanently restricted cash and cash equivalents.

Grants and Contracts Receivable: Receivables consist primarily of grant awards from federal and state agencies. The Organization has provided no provision for uncollectible accounts since management believes all amounts are collectible. Receivables are scheduled for funding within a year and are primarily unsecured.

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Property and Equipment: Property and equipment are stated at cost or, if donated, at the estimated fair value at the date of the donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Furniture and equipment are capitalized if the estimated useful life is more than one year. The estimated useful lives of the respective assets range from 3 to 10 years. Property and equipment purchases of less than \$5,000 are expensed when incurred.

Impairment of Long-Lived Assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Accrued Leave: Accrued leave is based on unused leave (subject to certain limitations) at the end of the period.

Expense Allocation: The Organization allocates its expenses on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among programs and support services based on estimated usage and/or benefit.

Income Tax Status: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable state tax statutes. Therefore, no provision for federal or state income taxes has been made in the financial statements. In addition, the Internal Revenue Service has determined the Organization is not a private foundation within the meaning of Section 509(a). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(2)(a).

The Organization evaluates its uncertain tax positions using provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 740-10-25, *Recognition of a Tax Position*. Accordingly, it is the Organization's policy to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of September 30, 2015 or 2014. Tax years subsequent to 2011 remain subject to examination by major tax jurisdictions.

Fair Value of Financial Instruments: The carrying values of cash equivalents, receivables, accounts payable, and other accrued liabilities are considered to approximate fair value at September 30, 2015 and 2014, due to the short-term maturity of these financial instruments.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of management's estimates. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

NOTE B -- GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable include amounts awarded at September 30, 2015 but not yet received. At September 30, 2015, the Organization had \$242,506 in grants and contracts receivable which are expected to be collected during fiscal year 2016.

NOTE C -- SIGNIFICANT CONCENTRATIONS

Concentration of Credit Risk: Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash balances in several financial institutions located in the United States of America. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2015, the Organization's uninsured cash balances total \$0.

Concentration of Support: During the years ended September 30, 2015 and 2014, the Organization received approximately 57% and 63%, respectively of its revenues and other support from the United States Department of Health and Human Services.

NOTE D -- NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events as specified by the donors as follows:

	September 30,	
	<u>2015</u>	<u>2014</u>
North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (IOLTA)	\$ 31,405	\$ 46,490
Protection and Advocacy for Development Disabilities	1,090,191	1,017,409
Protection and Advocacy for Traumatic Brain Injury	52,794	81,401
Protection and Advocacy for Beneficiaries of Social Security	186,380	118,838
Protection and Advocacy for Individuals with Mental Illness	904,251	731,389
Protection and Advocacy for Help America Vote Act	102,774	68,952
Protection and Advocacy for Assistive Technology	89,958	114,464
Protection and Advocacy for Individual Rights	548,382	447,984
Representative Payee	247,247	155,371
NCDHHS - Options Counseling	1,495	5,765
LANC - Statewide Navigator Project	0	49,454
NC Citizens for Justice	0	3,488
Disability Law Fellowship	6,884	0
Adult Care Home Transition	78,989	81,686
Other	0	1,000
	<u>\$ 3,340,750</u>	<u>\$ 2,923,691</u>

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

NOTE E -- TEMPORARILY RESTRICTED NET ASSETS

Grants and other contract support are reported as temporarily restricted support until the program services for which the restrictions were imposed have been satisfied. Once the restrictions have been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available from the following sources to protect the legal rights of people with disabilities:

	September 30,	
	<u>2015</u>	<u>2014</u>
North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (IOLTA)	\$ 2,561	\$ 0
Ireland Family Foundation	<u>93,116</u>	<u>0</u>
	<u>\$ 95,677</u>	<u>\$ 0</u>

NOTE F -- EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution pension plan covering employees who have completed one year of service. The Organization contributed \$99,666 and \$92,808 to the plan for the years ended September 30, 2015 and 2014, respectively, on behalf of eligible participants.

NOTE G -- LEASE COMMITMENTS

Effective October 28, 2013, the Organization entered into a noncancelable operating lease for new office space beginning July 1, 2014 and expiring October 31, 2021. During August 2014, this lease was amended to obtain additional office space. The future minimum rent payments required under the operating lease are as follows:

2016	\$ 180,783
2017	186,239
2018	191,798
2019	197,511
2020	203,480
Thereafter	<u>227,432</u>
	<u>\$ 1,187,243</u>

Rent expense for the years ended September 30, 2015 and 2014 approximated \$171,000 and \$223,000, respectively.

The Organization is also obligated under a five-year lease agreement for a copier. The lease was cancelled in October 2013. Rent expense under this lease totaled \$0 and \$274 for the years ended September 30, 2015 and 2014.

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

NOTE H -- FAIR VALUE MEASUREMENTS

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable, and apply only when there is little or no market activity for the asset or liability and have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

The following represents assets measured at fair value on a recurring basis by the Organization at September 30, 2015 and 2014:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>September 30, 2015</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash equivalents (Note A)	\$ <u>543,383</u>	\$ <u>543,383</u>	\$ <u>0</u>	\$ <u>0</u>
<u>September 30, 2014</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash equivalents (Note A)	\$ <u>250,032</u>	\$ <u>250,032</u>	\$ <u>0</u>	\$ <u>0</u>

Level 1: Cash equivalents are held in a bank's insured cash sweep account.

As of September 30, 2015 and 2014, the Organization has no assets or liabilities classified within Level 2 or 3 of the fair value hierarchy.

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

NOTE I -- SHORT TERM BORROWINGS

Effective February 15, 2014, the Organization renewed its \$500,000 line of credit with a bank, due on February 28, 2016. Interest is assessed at the higher of 4.5% or the one month libor rate plus three percent and is payable monthly in arrears. The one month libor rate at September 30, 2015 is .199%. \$0 was outstanding on the line at September 30, 2015 and 2014. The line is secured by a first security interest in certain of the Organization's personal property.

NOTE J -- COMMITMENTS AND CONTINGENCIES

Financial assistance from various awarding agencies is subject to audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. Consequently, no provision has been made for liabilities, if any, that may arise from such audits.

NOTE K -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 1, 2015, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Schedule of Federal, State, and Other Awards
Disability Rights North Carolina, Inc.
Year Ended September 30, 2015

Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures	State and Other Awards	
			Receipts	Disbursements
Federal Awards				
<u>U.S. Department of Health and Human Services:</u>				
Protection and Advocacy for Individuals with Mental Illness	93.138	\$ 904,251 *		
Protection and Advocacy for Traumatic Brain Injury	93.267	52,794		
Protection and Advocacy for Help America Vote Act	93.618	102,774		
Protection and Advocacy for Developmental Disabilities	93.630	1,090,191 *		
Protection and Advocacy for Assisted Technology	93.843	43,487		
<u>NC Department of Health and Human Services:</u>				
Pass-Through from North Carolina Council on Developmental Disabilities: Adult Care Home Transition to the Community	93.630	78,989		
<u>Social Security Administration:</u>				
Protection and Advocacy for Beneficiaries of Social Security	96.009	186,380		
Pass-through from National Disability Rights Network: Representative Payee	93.631	247,247		
<u>U.S. Department of Education:</u>				
Protection and Advocacy for Assisted Technology	84.343A	46,471		
Protection and Advocacy for Individual Rights	84.240A	<u>548,382</u> *		
Total Expenditures of Federal Awards		\$ <u>3,300,966</u>		
Other Awards				
<u>Ireland Family Foundation:</u>				
Disability Law Fellowship			\$ 100,000	\$ 6,884
<u>North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts:</u>				
Legal Services for the Poor			<u>34,909</u>	<u>31,405</u>
Total Other Awards			\$ <u>134,909</u>	\$ <u>38,289</u>

* Programs having compliance requirements that could have a direct and material effect on the Organization's financial statements.

See independent auditors' report as pertains to supplementary information and note to schedule of federal, state, and other awards.

Note to Schedule of Federal, State, and Other Awards

Disability Rights North Carolina, Inc.

Year Ended September 30, 2015

Note A -- Basis of Presentation

The accompanying schedule of federal, state, and other awards includes the federal, state, and certain other grant activity of Disability Rights North Carolina, Inc. Federal expenditures are presented on the accrual basis of accounting in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Receipts and disbursements of state and other awards are presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

COMPLIANCE REPORTS



Geoffrey E. Wiggins
Jeffrey S. Romeo
Angela B. Goodwin
J. Kelly Lanier
Joseph L. Hill, Jr.

Independent Auditors' 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
Disability Rights North Carolina, Inc.
Raleigh, North Carolina

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 North Carolina, Inc., which comprise the statement of financial position as of September 30, 2015, 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 December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Disability Rights North Carolina, 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 North Carolina Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Disability Rights North Carolina 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 North Carolina 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*.

Board of Directors
Disability Rights North Carolina, Inc.
Page Two

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.

Romo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
December 1, 2015



Geoffrey E. Wiggins
Jeffrey S. Romeo
Angela B. Goodwin
J. Kelly Lanier
Joseph L. Hill, Jr.

Independent Auditors' Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133

Board of Directors
Disability Rights North Carolina, Inc.
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Disability Rights North Carolina, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Disability Rights North Carolina, Inc.'s major federal programs for the year ended September 30, 2015. Disability Rights North Carolina Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Disability Rights North Carolina Inc.'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Disability Rights North Carolina, 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 each major federal program. However, our audit does not provide a legal determination of Disability Rights North Carolina, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Disability Rights North Carolina, Inc. 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, 2015.

Report on Internal Control Over Compliance

Management of Disability Rights North Carolina, 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 North Carolina 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 OMB Circular A-133, 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 North Carolina 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Romer, Wiggins & Company, L.P.

Raleigh, North Carolina
December 1, 2015

Schedule of Findings and Questioned Costs

Disability Rights North Carolina, Inc.

Year Ended September 30, 2015

Section I - Summary of Auditors' Results

Type of auditors' report issued on financial statements: *Unqualified*

Internal control over financial reporting:

- ◆ Material weakness(es) identified? yes no
- ◆ Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements, as required to be reported in accordance with *Government Auditing Standards*. yes no

Federal Awards

Internal control over major federal award programs:

- ◆ Material weakness(es) identified? yes no
- ◆ Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to major federal award programs? yes no

Type of auditors' report issued on compliance for major programs: *Unqualified*

Audit findings related to major programs, as required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major program(s):

CFDA Number(s)
93.138

Name of Federal Program or Cluster
U.S. Department of Health and
Human Services-Protection and
Advocacy for Individuals with Mental Illness

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs--Continued

Disability Rights North Carolina, Inc.

Section II - Financial Statement Findings

No such findings to report.

Section III - Federal Award Findings and Questioned Costs

No such findings to report.

Summary Schedule of Prior Audit Findings

Disability Rights North Carolina, Inc.

Year Ended September 30, 2015

No federal award findings were reported in connection with the prior audit.