

Audited Financial Statements

DISABILITY RIGHTS NORTH CAROLINA, INC.

Years Ended September 30, 2012 and 2011

Audited Financial Statements

Disability Rights North Carolina, Inc.

Years Ended September 30, 2012 and 2011

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

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Disability Rights North Carolina, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Romeo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
December 10, 2012

Statements of Financial Position

Disability Rights North Carolina, Inc.

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 362,105	\$ 231,185
Grants and contracts receivable	147,735	188,372
Prepaid expenses	60,882	60,394
Other assets	48,158	45,134
TOTAL CURRENT ASSETS	<u>618,880</u>	<u>525,085</u>
PROPERTY AND EQUIPMENT:		
Furniture and equipment	59,505	88,541
Less: Accumulated depreciation	<u>(57,394)</u>	<u>(81,947)</u>
	2,111	6,594
TOTAL ASSETS	<u>\$ 620,991</u>	<u>\$ 531,679</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 80,226	\$ 70,130
Accrued leave	111,764	126,670
TOTAL CURRENT LIABILITIES	<u>191,990</u>	<u>196,800</u>
NET ASSETS:		
Unrestricted net assets	415,045	313,141
Temporarily restricted	13,956	21,738
TOTAL NET ASSETS	<u>429,001</u>	<u>334,879</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 620,991</u>	<u>\$ 531,679</u>

See independent auditors' report and notes to financial statements.

Statement of Activities

Disability Rights North Carolina, Inc.

Year Ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Support:				
Grants and contracts	\$	\$ 3,228,780	\$	\$ 3,228,780
Contributions	63,872			63,872
In-kind contributions	18,000			18,000
Interest income	452			452
Other income	0			0
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,236,562</u>	<u>(3,236,562)</u>		<u>0</u>
TOTAL SUPPORT, REVENUE AND OTHER INCOME	<u>3,318,886</u>	<u>(7,782)</u>		<u>3,311,104</u>
EXPENSES:				
Program Services:				
Protection and advocacy	2,657,122			2,657,122
Legal services	<u>72,516</u>			<u>72,516</u>
Total program services	2,729,638	-	-	2,729,638
Support services:				
Fund raising	54,882			54,882
Management and general	<u>432,462</u>			<u>432,462</u>
Total expenses	3,216,982	-	-	3,216,982
CHANGE IN NET ASSETS	101,904	(7,782)	-	94,122
Net assets - beginning of year	<u>313,141</u>	<u>21,738</u>	<u>-</u>	<u>334,879</u>
NET ASSETS - END OF YEAR	<u>\$ 415,045</u>	<u>\$ 13,956</u>	<u>\$ -</u>	<u>\$ 429,001</u>

See independent auditors' report and notes to financial statements.

Statement of Activities

Disability Rights North Carolina, Inc.

Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Support:				
Grants and contracts	\$	\$ 3,288,542	\$	\$ 3,288,542
Contributions	65,410			65,410
In-kind contributions	28,303			28,303
Interest income	555			555
Other income	101			101
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,299,675</u>	<u>(3,299,675)</u>		<u>0</u>
TOTAL SUPPORT, REVENUE AND OTHER INCOME	<u>3,394,044</u>	<u>(11,133)</u>		<u>3,382,911</u>
EXPENSES:				
Program Services:				
Protection and advocacy	2,723,971			2,723,971
Legal services	<u>112,105</u>			<u>112,105</u>
Total program services	2,836,076	-	-	2,836,076
Support services:				
Fund raising	31,777			31,777
Management and general	<u>439,962</u>			<u>439,962</u>
Total expenses	3,307,815	-	-	3,307,815
CHANGE IN NET ASSETS	86,229	(11,133)	-	75,096
Net assets - beginning of year	<u>226,912</u>	<u>32,871</u>	<u>-</u>	<u>259,783</u>
NET ASSETS - END OF YEAR	<u>\$ 313,141</u>	<u>\$ 21,738</u>	<u>\$ -</u>	<u>\$ 334,879</u>

See independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Disability Rights North Carolina, Inc.

Year Ended September 30, 2012

	Program Services		Support Services		Total
	Protection and Advocacy	Legal Services	Fund Raising	Management and General	
Salaries, benefits and taxes	\$ 1,978,563	\$ 33,325	\$ 33,824	\$ 415,565	\$ 2,461,277
Personnel procurement	52,019	373	511	1,354	54,257
Occupancy	265,205	3,133	2,228	0	270,566
Client services	211,606	34,049	11,907	2,497	260,059
Board meetings	17,490	197	180	7,457	25,324
Office expense	47,727	383	3,986	2,515	54,611
Communications	31,063	327	269	1,293	32,952
Professional fees	18,571	203	201	0	18,975
Maintenance expense	30,513	384	312	1,781	32,990
Miscellaneous	0	76	1,412	0	1,488
Depreciation	4,365	66	52	0	4,483
	<u>\$ 2,657,122</u>	<u>\$ 72,516</u>	<u>\$ 54,882</u>	<u>\$ 432,462</u>	<u>\$ 3,216,982</u>

See independent auditors' report and notes to financial statements.

Statement of Functional Expenses

Disability Rights North Carolina, Inc.

Year Ended September 30, 2011

	Program Services		Support Services		Total
	Protection and Advocacy	Legal Services	Fund Raising	Management and General	
Salaries, benefits and taxes	\$ 2,023,057	\$ 61,459	\$ 15,825	\$ 423,957	\$ 2,524,298
Personnel procurement	56,757	223	1,286	1,134	59,400
Occupancy	262,156	2,180	768	0	265,104
Client services	197,712	46,805	4,746	2,464	251,727
Board meetings	22,566	274	204	5,763	28,807
Office expense	49,885	513	7,196	3,332	60,926
Communications	31,222	229	171	1,291	32,913
Professional fees	34,019	34	199	150	34,402
Maintenance expense	34,562	251	147	1,829	36,789
Miscellaneous	0	46	1,157	42	1,245
Depreciation	12,035	91	78	0	12,204
	<u>\$ 2,723,971</u>	<u>\$ 112,105</u>	<u>\$ 31,777</u>	<u>\$ 439,962</u>	<u>\$ 3,307,815</u>

See independent auditors' report and notes to financial statements.

Statements of Cash Flows

Disability Rights North Carolina, Inc.

Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ 94,122	\$ 75,096
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,483	12,204
Increase (decrease) in:		
Grants and contracts receivable	40,637	38,386
Other assets	(3,024)	(17,181)
Prepaid expenses	(488)	(1,791)
Accounts payable and accrued expenses	10,096	(14,747)
Accrued leave	<u>(14,906)</u>	<u>(13,452)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>130,920</u>	<u>78,515</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,920	78,515
Cash and cash equivalents at beginning of year	<u>231,185</u>	<u>152,670</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 362,105</u>	<u>\$ 231,185</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, 2012 and 2011

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.

Basis of Presentation: The accompanying financial statements have been prepared on an accrual basis and are in conformity with the standards promulgated by the American Institute of Certified Public Accountants.

Net Asset Presentation: The accompanying financial statements are prepared in accordance with FASB ASC 958-205, 210, 225 (prior authoritative literature: SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*) 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, 2012 and 2011.

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. Effective July 1, 2007, purchases of less than \$5,000 are expensed when incurred. Prior to July 1, 2007, the Organization expensed purchases less than \$500 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.

Functional Expenses: The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Certain indirect expenses are allocated to programs based on estimated usage and/or benefit.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 Council's policy to record a liability for any tax position taken that is beneficial to the Council, 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 June 30, 2012 or 2011. Tax years subsequent to 2008 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, 2012 and 2011, due to the short-term maturity of these financial instruments. The carrying value of long-term debt approximates its fair value given that interest approximates market rates for debt with similar terms and remaining maturities.

NOTE B -- GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable include amounts awarded at September 30, 2012 but not yet received. At September 30, 2012, the Organization had \$147,735 in grants and contracts receivable which are expected to be collected during fiscal year 2013.

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

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.

Non-interest bearing accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 through December 31, 2013. At times, cash balances at financial institutions are in excess of FDIC insurance coverage. The cash balances are maintained at financial institutions with high credit - quality ratings and the Organization believes no significant risk of loss exists with respect to those balances.

Concentration of Support: During the years ended September 30, 2012 and 2011, the Organization received approximately 69% and 67% of its revenues and other support from the United States Department of Health and Human Services.

NOTE D -- RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets were released from restrictions upon satisfaction of the following purpose restrictions:

	September 30,	
	<u>2012</u>	<u>2011</u>
Z. Smith Reynolds	\$ 0	\$ 25,000
North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (IOLTA)	37,090	39,733
Protection and Advocacy for Development Disabilities	1,124,289	1,137,711
Protection and Advocacy for Traumatic Brain Injury	90,027	54,140
Protection and Advocacy for Beneficiaries of Social Security	211,466	167,600
Protection and Advocacy for Individuals with Mental Illness	946,769	927,556
Protection and Advocacy for Help America Vote Act	113,823	145,453
Protection and Advocacy for Assistive Technology	93,392	98,523
Protection and Advocacy for Individual Rights	402,632	583,956
Representative Payee	164,352	61,298
NCDHHS -- Options Counseling	18,925	0
Fair Trial Initiative	8,432	15,800
NC Citizens for Justice	25,000	0
National Disability Rights Network	0	42,500
Other	<u>365</u>	<u>405</u>
	<u>\$ 3,236,562</u>	<u>\$3,299,675</u>

Temporarily restricted net assets consist of the following at:

	September 30,	
	<u>2012</u>	<u>2011</u>
North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts (IOLTA)	\$ 13,956	\$ 13,306
Fair Trial Initiative	<u>0</u>	<u>8,432</u>
	<u>\$ 13,956</u>	<u>\$ 21,738</u>

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

NOTE E -- EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution pension plan covering employees who have completed one year of service. The Organization contributed \$91,521 and \$95,269 to the plan for the years ended September 30, 2012 and 2011, respectively, on behalf of eligible participants.

NOTE F -- LEASE COMMITMENTS

The Organization maintains a noncancelable operating lease for its office space through June 30, 2014. The future minimum rent payments required under the operating lease are as follows:

2013	\$ 246,198
2014	188,820
2015	0
2016	0
2017	0
Thereafter	<u>0</u>
	<u>\$ 435,018</u>

Rent expense for the years ended September 30, 2012 and 2011 approximated \$246,000 and \$242,000, respectively.

Effective April 1, 2011, the Organization entered into a noncancelable operating lease expiring March 31, 2013, for office space in Asheville, North Carolina at a rate of \$1,568 per month. Rent expense under this lease totaled \$18,816 for the year ended September 30, 2012. The future minimum rent payments required under this operating lease is \$9,408 in 2013.

In March 2010, the Organization leased additional office space in Asheville, North Carolina through March 31, 2011 at a rate of \$1,050 per month. Rent expense approximated \$0 and \$6,300 in 2012 and 2011, respectively.

The Organization also leases additional office space in Asheville, North Carolina on annual basis at a rate of \$420 per month. The lease was cancelled March 31, 2011 upon the signing of the aforementioned office space lease in Asheville. Rent expense approximated \$0 and \$2,520 in 2012 and 2011, respectively.

The Organization is also obligated under a five-year lease agreement for a copier. The agreement expires December 31, 2013. Rent expense under this lease totaled \$2,463 for the years ended September 30, 2012 and 2011. The future minimum rent payments required under this operating lease is \$2,463 in 2013, \$616 in 2014, \$0 in 2015, \$0 in 2016, \$0 in 2017, and none thereafter.

NOTE G -- SHORT TERM BORROWINGS

The Organization has a \$500,000 line of credit with a bank, due on February 28, 2013. 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, 2012 is .2135%. \$0 was outstanding on the line at September 30, 2012 and 2011. The line is secured by a first security interest in certain of the Organization's personal property.

Notes to Financial Statements--Continued

Disability Rights North Carolina, Inc.

NOTE H -- 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 I -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2012, the date on which the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

Schedule of Federal, State, and Other Awards

Disability Rights North Carolina, Inc.

Year Ended September 30, 2012

Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number/ State Contract Number	Federal Expenditures	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	N/A	\$ 946,769 *		
Protection and Advocacy for Traumatic Brain Injury	93.267	N/A	90,027		
Protection and Advocacy for Help America Vote Act	93.618	N/A	113,823		
Protection and Advocacy for Developmental Disabilities	93.630	N/A	1,124,289 *		
<u>NC Department of Health and Human Services:</u>					
Division of Aging and Adult Services: Options Counseling	93.048	N/A	18,925		
<u>Social Security Administration:</u>					
Protection and Advocacy for Beneficiaries of Social Security	96.009	N/A	211,466		
Pass-through from National Disability Rights Network: Representative Payee	93.631	N/A	164,352		
<u>U.S. Department of Education:</u>					
Protection and Advocacy for Assisted Technology	84.343A	N/A	93,392		
Protection and Advocacy for Individual Rights	84.240A	N/A	<u>402,632</u> *		
Total Expenditures of Federal Awards			\$ <u><u>3,165,675</u></u>		

Other Awards

North Carolina State Bar Plan for Interest on Lawyers' Trust Accounts:

Legal Services for the Poor	\$ 39,405	<u>37,090</u>
Total Expenditures of Other Awards	\$ <u><u>39,405</u></u>	\$ <u><u>37,090</u></u>

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

See independent auditors' report 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, 2012

Note A -- Basis of Presentation

The accompanying schedule of federal, state, and other awards includes the federal, state, and 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.

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 the financial statements of Disability Rights North Carolina, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Disability Rights North Carolina, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Disability Rights North Carolina, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.
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This report is intended solely for the information and use of management, the Finance Committee, Board of Directors, federal and other awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Romeo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
December 10, 2012



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

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Disability Rights North Carolina, Inc. (a nonprofit organization) 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 its major federal programs for the year ended September 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Disability Rights North Carolina, Inc.'s management. Our responsibility is to express an opinion on Disability Rights North Carolina, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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, 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. Our audit does not provide a legal determination of Disability Rights North Carolina, Inc.'s compliance with those requirements.

In our opinion, Disability Rights North Carolina, Inc. complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Disability Rights North Carolina, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Disability Rights North Carolina, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Board of Directors
Disability Rights North Carolina, Inc.
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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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance Committee, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Renee, Wiggins & Company, L.L.C.

Raleigh, North Carolina
December 10, 2012

Schedule of Findings and Questioned Costs

Disability Rights North Carolina, Inc.

Year Ended September 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

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):

<u>CFDA#</u>	<u>Name of Federal Program or Cluster</u>
93.63	U.S. Department of Health and Human Services-Protection and Advocacy for Developmental Disabilities
84.240A	U.S. Department of Education-Protection and Advocacy for Individual Rights

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

Auditee qualified as low-risk auditee? yes no

Summary Schedule of Prior Audit Findings

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

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