

DISABILITY LAW COLORADO

Financial Statements As Of September 30, 2016
(With Summarized Financial Information
As Of September 30, 2015)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Disability Law Colorado:

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Legal Advocacy, dba Disability Law Colorado (a Colorado nonprofit corporation) which comprise the statement of financial position as of September 30, 2016, and the related statement of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Members:

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Independent Auditors' Report (Continued)

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 Law Colorado as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Reporting on Summarized Comparative Information

Disability Law Colorado's September 30, 2015, financial statements were audited by other auditors, which issued an unmodified opinion on those financial statements in their report dated March 10, 2016, and have been included in this report for summarized comparative purposes only.

Supplemental 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 on pages 19 to 20 is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and relates 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 a report dated February 23, 2017, on our consideration of Disability Law Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 in considering the Disability Law Colorado's internal control over financial reporting and compliance.

JDS Professional Group

February 23, 2017

DISABILITY LAW COLORADO

Statement Of Financial Position

As Of September 30, 2016

(With Summarized Financial Information As Of September 30, 2015)

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ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 81,959	\$ 18,669
Investments	526,131	507,238
Accounts receivable, net of allowance of \$2,000	4,351	9,741
Government and contracts receivable	138,038	176,566
Publication inventory	58,627	67,051
Prepaid expenses	13,154	44,726
Property and equipment	<u>11,897</u>	<u>21,955</u>
 Total Assets	 <u><u>\$ 834,157</u></u>	 <u><u>\$ 845,946</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 26,057	\$ 25,044
Accrued payroll costs	92,377	123,155
Capital lease obligations	12,971	22,797
Deferred revenue	100	2,747
Line of credit		<u>45,000</u>
Total Liabilities	<u>131,505</u>	<u>218,743</u>

Net Assets:

Unrestricted	184,277	119,966
Temporarily restricted	105,670	101,227
Permanently restricted	<u>412,705</u>	<u>406,010</u>
Total Net Assets	<u>702,652</u>	<u>627,203</u>

TOTAL LIABILITIES AND NET ASSETS

	<u><u>\$ 834,157</u></u>	<u><u>\$ 845,946</u></u>
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The accompanying notes are an integral part of the financial statements

DISABILITY LAW COLORADO

Statement Of Activities

For The Year Ended September 30, 2016

(With Summarized Financial Information For The Year Ended September 30, 2015)

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support And Revenue:					
Government contracts	\$ 2,184,726	\$	\$	\$ 2,184,726	\$ 2,038,294
Contributions	82,220	52,920		135,140	157,392
In-kind contributions	14,941			14,941	13,062
Special events	9,950			9,950	20,067
Publications, net of cost of goods sold of \$23,372	20,941			20,941	15,934
Workshops and client fees	118,887			118,887	3,109
Other income	5,519			5,519	5,187
Investment income, net		20,975	6,695	27,670	(49,662)
Net assets released from restriction - satisfaction of purpose restrictions	69,452	(69,452)			
Total Support And Revenue	<u>2,506,636</u>	<u>4,443</u>	<u>6,695</u>	<u>2,517,774</u>	<u>2,203,383</u>
Expenses:					
Program Services -					
Developmental Disabilities	459,007			459,007	524,428
Mental Illness	353,446			353,446	366,444
Older Americans	353,928			353,928	355,380
P & A for Individual Rights	187,908			187,908	228,561
Medicare/Medicaid Advocacy	182,330			182,330	
Client Assistance Program	178,716			178,716	154,991
Other programs	325,882			325,882	360,006
Total Program Services	<u>2,041,217</u>			<u>2,041,217</u>	<u>1,989,810</u>
Supporting Services -					
Management and general	295,438			295,438	225,609
Fundraising	105,670			105,670	86,953
Total Supporting Services	<u>401,108</u>			<u>401,108</u>	<u>312,562</u>
Total Expenses	<u>2,442,325</u>			<u>2,442,325</u>	<u>2,302,372</u>
Changes in net assets	64,311	4,443	6,695	75,449	(98,989)
Net Assets, Beginning Of Year	119,966	101,227	406,010	627,203	726,192
NET ASSETS, END OF YEAR	<u>\$ 184,277</u>	<u>\$ 105,670</u>	<u>\$ 412,705</u>	<u>\$ 702,652</u>	<u>\$ 627,203</u>

The accompanying notes are an integral part of the financial statements

DISABILITY LAW COLORADO

**Statement Of Functional Expenses
For The Year Ended September 30, 2016
(With Comparative Financial Information As Of September 30, 2015)**

	Program Services										Supporting Services		
	Developmental Disabilities	Mental Illness	Older Americans	Protection and Advocacy for Individual Rights	Medicaid Advocacy	Medicare and Medicaid Advocacy	Client Assistance Program	Other Programs	Total Program Services	Management and General	Fundraising	2016 Total	2015 Total
Salaries	\$ 275,612	\$ 215,083	\$ 197,308	\$ 111,957	\$ 110,556	\$ 100,578	\$ 151,223	\$ 1,162,317	\$ 181,629	\$ 40,063	\$ 1,384,009	\$ 1,283,363	
Payroll taxes and benefits	65,850	54,808	69,963	31,029	26,301	26,738	40,298	314,987	39,009	12,645	366,641	375,836	
Rent	50,831	36,028	29,805	19,145	14,152	24,334	27,790	202,085	28,799	6,053	236,937	222,433	
Professional, contract services	3,787	2,589	6,160	1,457	4,171	891	22,427	41,482	21,340	19,623	82,445	106,129	
Dues and subscriptions	12,158	8,930	6,901	4,859	3,245	4,450	13,828	54,371	855	1,431	56,657	54,861	
Staff and board development	12,818	4,486	9,929	4,685	7,215	3,591	13,503	56,227	362	504	57,093	38,573	
Travel	5,450	2,957	7,308	825	1,417	3,951	10,196	32,104	364	118	32,586	31,640	
Supplies	5,649	4,428	4,380	2,672	8,159	2,258	3,484	31,030	5,150	7,039	43,219	28,084	
Telephone	4,751	3,090	4,386	1,733	1,175	2,514	2,526	20,175	2,345	395	22,915	20,627	
Postage and printing	1,994	1,746	5,627	1,170	807	824	7,714	19,882	1,219	2,578	23,679	21,501	
Equipment	1,932	961	639	625	300	1,257	1,231	6,945	952	123	8,020	12,934	
Repair and maintenance	3,308	2,298	1,908	1,209	882	1,733	1,783	13,121	2,531	390	16,042	22,224	
Insurance	3,250	2,624	2,398	1,285	1,140	1,154	1,662	13,513	2,230	467	16,210	14,824	
Outreach	3,310	2,988	1,996	1,293	889	985	10,083	21,544	2,390	5,006	28,940	23,505	
Meetings	326	1,344	275	132	271	188	438	2,974	814	45	3,833	6,515	
File storage	1,307	883	717	508	337	681	693	5,126	939	145	6,210	5,849	
Interest	298	239	206	109	98	110	3,391	4,451	336	41	4,828	5,363	
Utilities	1,209	258		318		1,296	918	3,999			3,999	2,740	
Bank and finance charges									2,021		2,021	1,671	
All other	3,288	6,260	2,574	2,128	469	452	11,342	26,513	898	8,570	35,981	13,279	
Depreciation	457,128	352,000	352,480	187,139	181,584	177,985	324,530	2,032,846	294,183	105,236	2,432,265	2,291,951	
	1,879	1,446	1,448	769	746	731	1,352	8,371	1,255	434	10,060	10,421	
\$ 459,007	\$ 353,446	\$ 353,928	\$ 187,908	\$ 182,330	\$ 178,716	\$ 178,716	\$ 325,882	\$ 2,041,217	\$ 295,438	\$ 105,670	\$ 2,442,325	\$ 2,302,372	

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

DISABILITY LAW COLORADO

Statement Of Cash Flows

For The Year Ended September 30, 2016

(With Summarized Financial Information For The Year Ended September 30, 2015)

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	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ 75,449	\$ (98,989)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,058	10,421
(Gains) losses on investments	(10,228)	70,942
Changes in assets and liabilities -		
(Increase) decrease in accounts receivables	5,390	(2,815)
(Increase) decrease in government contracts receivables	38,528	(31,307)
(Increase) decrease in prepaid expenses	31,571	(18,270)
(Increase) decrease in publication inventory	8,424	(8,818)
Increase (decrease) in accounts payable	736	8,050
Increase (decrease) in deferred revenue	(2,648)	2,648
Increase (decrease) in accrued payroll costs	(30,778)	13,565
Net cash provided by (used in) operating activities	<u>126,502</u>	<u>(54,573)</u>
Cash flows from investing activities:		
Purchases of fixed assets		(17,355)
Purchase of investments	(40,792)	(30,584)
Sales of investments	32,406	15,000
Net cash (used in) investing activities	<u>(8,386)</u>	<u>(32,939)</u>
Cash flows from financing activities:		
Proceeds from line-of-credit	215,000	
Payments on line-of-credit	(260,000)	45,000
Payments on and provided by capital lease obligation	(9,826)	5,183
Net cash (used in) provided by financing activities	<u>(54,826)</u>	<u>50,183</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,290	(37,329)
Cash And Cash Equivalents, Beginning Of Year	<u>18,669</u>	<u>55,998</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 81,959</u>	<u>\$ 18,669</u>
Supplemental Cash Flow Information:		
Cash paid for interest	<u>\$ 4,828</u>	<u>\$ 5,363</u>

The accompanying notes are an integral part of the financial statements

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Notes To Financial Statements
For The Year Ended September 30, 2016

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(1) Nature Of Activities

The mission of Disability Law Colorado (the “Organization”) is to protect and promote the rights of people with disabilities and older people in Colorado through direct legal representation, advocacy, education and legislative analysis. The Organization provides legal assistance to persons with disabilities and their advocates, including parents or guardians where: 1) the disability is central to rather than incidental to the legal dispute; 2) special knowledge of the disabling condition is required; 3) special knowledge of the applicable law is required that is not generally available in the generic legal system. The Organization is supported primarily through government support and private contributions.

The Organization has concluded that the government support it receives consists entirely of fee for service contracts. Fee for service contracts are required by the accounting guidance to be reported as unrestricted support even though they fund specific services provided by the Organization.

The Organization operates the following major programs:

- Protection and Advocacy for Individuals with Intellectual and Developmental Disabilities (PADD) -This program was created to protect and advocate for the rights of people with intellectual and developmental disabilities within the State who are or who may be eligible for treatment or services, or who are being considered for a change in living arrangements. This program has the authority to investigate incidents of abuse and neglect if the incidents are reported to the system or if there is probable cause to believe that the incident occurred.
- Protection and Advocacy for Individuals with Mental Illness (PAIMI) - This program is mandated to investigate cases of abuse and neglect of individuals with mental illness and to insure the provision of their legal rights. In order to focus on those people most at risk of experiencing abuse, neglect and rights violations, the statute prioritizes eligibility to those people living in 24-hour treatment facilities.
- Older Americans - The purpose of the Long-Term Care Ombudsman program is to investigate complaints of residents of long-term care facilities (including nursing homes and assisted living residences) of their family members regarding care, treatment or rights violations. The Legal Assistance Developer provides leadership for improving the quality and quantity of legal and advocacy assistance to ensure a comprehensive elder rights system. This includes developing, monitoring, evaluating and coordinating available legal services for older persons statewide. The developer also provides technical assistance to the State Long-Term Care Ombudsman program on issues of drafting legislation and interpretation of current laws as well as training.

DISABILITY LAW COLORADO

Notes To Financial Statements
For The Year Ended September 30, 2016

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- Protection and Advocacy for Individual Rights (PAIR) - This program was created to protect the rights of people with disabilities who are ineligible for services from the protection and advocacy programs for people with mental illness or developmental disabilities or ineligible for services from the Client Assistant Program. The federal statute specifically charges this program with helping to implement the Fair Housing Act and the Americans with Disabilities Act.
- Medicare and Medicaid Advocacy Program - This program is designed for full benefit Medicare and Medicaid beneficiaries who are enrolled in Colorado's Accountable Care Collaborative the "Collaborative"). The goals of the Collaborative is to improve health outcomes; improve the enrollee experience through enhanced coordination and quality of care; and decrease unnecessary and duplicative services. The Medicare/Medicaid Advocate is available to assist people who are having difficulty receiving health services, behavioral health services, durable medical equipment or other benefits and services to which they are entitled. These individual generally have very complex health needs and need assistance navigating the health care system
- Client Assistance Program (CAP) - This program provides information on the available services and benefits under the Rehabilitation Act and Title 1 of the Americans with Disabilities Act to people with disabilities in Colorado, especially those who have been unserved or under served by vocational rehabilitation programs. Upon the request of clients and client applications for services under the Rehabilitation Act, CAP will assist and advocate for them in their relationships with projects and programs. CAP may also provide assistance and advocacy with respect to services that are directly related to the employment of the individual. .
- Other Programs - Other Programs includes Voting Protection and Advocacy, Assistive Technology, Traumatic Brain Injury, ADX Project, Protection and Advocacy for Beneficiary of Social Security and Publications.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis Of Accounting

The Organization is required to report information regarding its financial position and activities

DISABILITY LAW COLORADO

Notes To Financial Statements
For The Year Ended September 30, 2016

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according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash And Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Government Contract and Accounts Receivables

The Organization states government contract and accounts receivables at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restriction.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how long the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted report. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment of \$5,000 or more. The fair value of donated assets is similarly capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of between 3 and 5 years of the assets.

Fair Value Measurements

The Organization follows fair value measurements which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Exchange traded funds: The fair value of funds is based on quoted net asset values of the shares as reported by the fund. The funds held by the Organization are open-end funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at their price. The funds held by the Organization are considered to be actively traded.

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Notes To Financial Statements
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Life insurance policy: The fair value is based upon the cash surrender value, which is the cash amount that would be offered to the Organization by the issuing life carrier upon cancellation of the contract. Management believes that the sensitivity in the fair value measurement of the life insurance is related to market fluctuations, as the investments held in the life insurance are primarily marketable securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivables, government contract receivable, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Publications Inventory

Publications inventory consists of book and other publications valued at the lower of cost of market. Cost is determined by the first-in, first-out method.

Functional Reporting of Expenses

For the year ended September 30, 2016, the costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional

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Notes To Financial Statements
For The Year Ended September 30, 2016

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expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

Management has evaluated subsequent events through February 23, 2017, the date the financial statements were available to be distributed.

(3) Tax Exempt Status

The Organization is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to the Organization.

The Organization follows *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming the tax position is examined by the appropriate taxing authority that has knowledge of all relevant information. During the year ended September 30, 2016, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on it tax-exempt status.

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Notes To Financial Statements
For The Year Ended September 30, 2016

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The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to September 30, 2014. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

(4) Investments And Concentration Of Credit Risks

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Life insurance policy	\$	\$	\$ 7,755	\$ 7,755
Money markets	14,955			14,955
Exchange traded funds -				
Bond Funds	63,626			63,626
Trust Funds	127,080			127,080
Index Funds	201,996			201,996
Power Shares Preferred	91,340			91,340
Emerging Markets	2,910			2,910
High Yield Funds	4,186			4,186
Small Cap Value Funds	12,283			12,283
Total Investments	<u>\$ 518,376</u>	<u>\$</u>	<u>\$ 7,755</u>	<u>\$ 526,131</u>

Following is the reconciliation of Level 3 investments as of September 30, 2016:

Beginning Balance	\$ 7,755
Change in value of life insurance policy	
Ending Balance	<u>\$ 7,755</u>

The Organization's cash demand deposits are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. As of September 30, 2016, there were no funds at risk.

The Organization received approximately 53% of its total revenue from Department of Health and Human Service during the year ended September 30, 2016.

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Notes To Financial Statements
For The Year Ended September 30, 2016

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(5) Publication Inventory

Publication inventory consisted of the following as of September 30, 2016:

Residents' rights products	\$ 35,963
Booklets and manuals	22,664
	<u>\$ 58,627</u>

(6) Endowment

On September 18, 2002, the Organization and representatives of the Estate of Alexander R. Aitken entered into an agreement to create the Alexander R. Aitken permanently restricted endowment and the Fellow Travelers Fund. Under the agreement, earnings are defined as interest and dividends and do not include depreciation or appreciation. Additionally, capital gains will not be considered income, but will be reinvested in the endowment. Annually, not more than 70% of the earnings of the permanently restricted endowment may be transferred to the Fellow Travelers Fund which is classified as temporarily restricted. Such funds are restricted for legal problems for persons with a mental disability that is organically or otherwise caused.

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended September 30, 2016, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	91,727	\$ 406,011	\$ 497,738
Investment return -			
Investment income	20,178	2,258	22,436
Net realized and unrealized gain	2,001	8,504	10,505
Management fees	(1,204)	(4,068)	(5,272)
Net investment return	<u>20,975</u>	<u>6,694</u>	<u>27,669</u>
Distributions -			
Appropriation of endowment assets pursuant to spending-rate policy	<u>(7,032)</u>		<u>(7,032)</u>
Endowment net assets, end of year	<u>\$ 105,670</u>	<u>\$ 412,705</u>	<u>\$ 518,375</u>

DISABILITY LAW COLORADO

Notes To Financial Statements
For The Year Ended September 30, 2016

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As of September 30, 2016, the Organization had the following endowment net asset composition:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment assets	\$ 105,670	\$ 412,705	\$ 518,375

(7) Property and Equipment

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

Furniture and equipment	\$ 150,340
Capital leases	14,265
Leasehold improvements	48,150
Total	<u>212,755</u>
Less: accumulated depreciation	(200,858)
Net property and equipment	<u>\$ 11,897</u>

Depreciation expense amounted to \$10,058 during the year ended September 30, 2016.

(8) Line of Credit

As of September 30, 2016, there was no balance owed on a \$200,000 line-of-credit with a financial institution. Interest accrued on outstanding balances are based on the published Wall Street Journal Prime Rate, which as of September 30, 2016, was 3.50%, plus 2.75% percentage points above the index, not less than 6.250% per annum. In the case of default on the note, the creditor holds the right of offset against other accounts currently held at the financial institution. The line of credit is secured by receivables, cash, inventory and other assets.

DISABILITY LAW COLORADO

Notes To Financial Statements
For The Year Ended September 30, 2016

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(9) **Lease Commitments**

The Organization leases office space in Denver and Grand Junction, Colorado. The future minimum lease payments are as follows as of September 30, 2016:

2017	\$	210,479
2018		216,579
2019		181,577
2020		186,108
2021		15,855
Total	\$	<u>810,598</u>

(10) **Restricted Net Assets**

Temporarily restricted net assets as of September 30, 2016, consists of the Fellow Travelers Fund in the amount of \$105,670. Permanently restricted net assets as of September 30, 2016, consists of the Alexander Aitken Fund in the amount of \$412,705. A portion of the income distribution of the Alexander Aitken Fund are transferred to the Fellow Travelers Fund.

(11) **In-Kind Contributions**

Donated goods and services are reflected in the accompanying statements at their estimated values at date of receipt. During the year ended September 30, 2016, donated goods and services amounted to \$14,941 for legal advocacy services and reflected in program services.

(12) **Pension Plan**

The Organization has a defined contribution plan covering all employees with at least one year of service. The Organization makes contributions of two percent to nine percent based on years of service. In addition, the Organization will match 50 percent of the employees' contribution provided the employee elects to contribute at least 2 percent of their salary. The maximum match an employee can receive is 3 percent of their annual salary, while the maximum contribution the Organization will make for an individual employee can be 12 percent of an individual's salary. Pension expense amounted to \$75,200 during the year ended September 30, 2016.

DISABILITY LAW COLORADO

Supplementary Schedule Of Expenditures Of Federal Awards For The Year Ended September 30, 2016

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Federal Grantor and Program Title	CFDA Number	Identifying Number	Program Award Amount	Federal Expenditures
Department of Health and Human Services				
P&A for Developmental Disabilities	93.630*			
2016 Award		1601COPADD	\$ 461,839	\$ 461,839
Development Disabilities Council				
2014 Award		POGG1HBA20150000	80,000	13,289
Help America Vote Act P&A	93.618			
2015 Award		1503COVOTP	70,000	43,228
2016 Award		1603COVOTP	70,000	21,551
			140,000	64,779
P&A for Assistive Technology	93.843			
2015 Award		90AV0055-01-00	49,945	18,066
2016 Award		1601COPAAT	59,121	35,120
			109,066	53,186
P&A for Traumatic Brain Injury	93.267			
2016 Award		1601COPATB	50,433	44,458
P&A for Individuals w/Mental Illness	93.138			
2015 Award		15SMP08970	433,624	74,620
2016 Award		16SMP08970	437,326	328,893
			870,950	403,513
Long Term Care Ombudsman Program	93.044			
2015 Award		CMS #14 IHA 55229	120,000	54,359
Long Term Care Ombudsman Program	93.042			
2015 Award		CMS #14 IHA 55229	30,000	30,000
Ombudsman for Medicare-Medicaid Clients Program	93.640			
2014 Award		1J1CMS331359-01-00	224,042	204,876
Total Department of Health and Human Services			\$2,086,330	\$ 1,330,299

The accompanying notes are an integral part of the schedule.

DISABILITY LAW COLORADO

Supplementary Schedule Of Expenditures Of Federal Awards
For The Year Ended September 30, 2016

Federal Grantor and Program Title	CFDA Number	Identifying Number	Program Award Amount	Federal Expenditures
U.S. Department of Education				
Client Assistance Program	2015 Award 84.161A	H161A150005	\$ 181,853	\$ 44,410
	2016 Award 84.161A	H161A160005	183,225	159,581
			365,078	203,991
P&A for Individual Rights	2015 Award 84.240A	H240A150006	244,030	16,387
	2016 Award 84.240A	H240A160006	245,869	191,216
			489,899	207,603
Total U.S. Department of Education			\$ 854,977	\$ 411,594
Social Security Administration				
P&A for Beneficiaries of Social Security	96.009			
	2016 Award	PAB 13020296-01-14	\$ 100,000	\$ 100,000
			\$3,041,307	\$ 1,841,893

* Major Program

The accompanying notes are an integral part of the schedule.

DISABILITY LAW COLORADO

Notes To Supplementary Schedule of Expenditures Of Federal Awards
For The Year Ended June 30, 2016

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(1) **Method Of Accounting**

The schedule of expenditures of federal awards has been prepared on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for all new federal awards received on or after December 26, 2014, and for funding increments (additional funding on existing awards) with modified terms and conditions that are awarded on or after that date, and OMB A-133 for federal awards made prior to December 26, 2014. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

The Organization has elected not to use a de minimis indirect cost rate as allowed under the Uniform Guidance. The Organization utilizes a federally-approved indirect cost rate approved by its cognizant agency.

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 Law Colorado:

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 Law Colorado, which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Disability Law Colorado's basic financial statements, and have issued our report thereon dated February 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Disability Law Colorado'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 Law Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of Disability Law Colorado'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 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.

Members:

*American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
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Independent Auditors' Report (Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Disability Law Colorado's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JDS Professional Group

February 23, 2017

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

To the Board of Directors of
Disability Law Colorado:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Disability Law Colorado with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Disability Law Colorado's major federal programs for the year ended September 30, 2016. Disability Law Colorado's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Disability Law Colorado's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Disability Law Colorado'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 Law Colorado's compliance.

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Independent Auditor's Report (Continued)

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The management of Disability Law Colorado 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 Law Colorado'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Disability Law Colorado'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 non compliance 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 on 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 Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

JDS Professional Group

February 23, 2017

DISABILITY LAW COLORADO

Schedule Of Findings And Questioned Costs
For The Year Ended September 30, 2016

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Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report: unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiencies identified
that are not considered to be material
weaknesses? ___ yes X none reported

Noncompliance material to financial
statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiencies identified
that are not considered to be material
weakness(es)? ___ yes X none reported

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

Any audit findings disclosed that are
required to be reported in accordance
with section 2 CFR 200.516(a)? ___ yes X no

DISABILITY LAW COLORADO

Schedule Of Findings And Questioned Costs (Continued)
For The Year Ended September 30, 2016

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Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
93.630	Department of Health and Human Services - Development Disabilities Council

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings And Questioned Costs

None

DISABILITY LAW COLORADO

Summary Schedule of Prior Audit Findings
For The Year Ended September 30, 2016

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None.