

DISABILITY RIGHTS NEW MEXICO

FINANCIAL STATEMENTS

For the Year Ended September 30, 2018



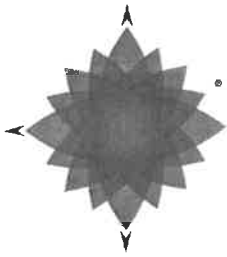
DISABILITY RIGHTS NEW MEXICO
Board of Directors
As of September 30, 2018

Jeanne A. Hamrick President
John Foley..... Vice-President
Jonathan Toledo Secretary/Treasurer
Michael J. Rourke Board Member
Sam Cueto Board Member
Marijo Rymer..... Board Member
Doris Dennison Board Member
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Gail Falconer..... Board Member
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Danny Palma..... Board Member
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DISABILITY RIGHTS NEW MEXICO
AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Year Ended September 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Disability Rights New Mexico
Albuquerque, New Mexico

We have audited the accompanying financial statements of the Disability Rights New Mexico (DRNM) a New Mexico nonprofit corporation, which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DRNM as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

The prior year comparative information has been derived from DRNM's 2017 financial statements that were audited by a predecessor auditor, and they expressed an unmodified audit opinion on those audited financial statements in their report dated February 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of DRNM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Disability Rights New Mexico's internal control over financial reporting and compliance.

Integrity Accounting & Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
January 18, 2019

DISABILITY RIGHTS NEW MEXICO
STATEMENT OF FINANCIAL POSITION
As of September 30, 2018

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 59,716	139,631
Investments	4	555,402	504,994
Investments - deferred compensation	4, 7	126,231	119,152
Grants and contracts receivable		216,427	127,951
Prepaid expenses		22,926	22,998
Security deposits		400	2,523
Total current assets		<u>981,102</u>	<u>917,249</u>
Other non-current assets			
Property and equipment, net	6	<u>960,620</u>	<u>983,288</u>
TOTAL ASSETS		<u>\$ 1,941,722</u>	<u>1,900,537</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Deferred revenues		\$ 16,688	912
Funds held for others		59	59
Current portion of note payable	8	<u>29,409</u>	<u>28,227</u>
Total current liabilities		<u>46,156</u>	<u>29,198</u>
Other non-current liabilities			
Compensated absences payable		59,034	71,609
Deferred compensation payable	7	126,231	119,152
Notes payable	8	<u>757,147</u>	<u>786,556</u>
Total non-current liabilities		<u>942,412</u>	<u>977,317</u>
Total liabilities		988,568	1,006,515
Net Assets:			
Unrestricted net assets:			
Net investment in property and equipment		174,064	168,505
Undesignated		<u>779,090</u>	<u>725,517</u>
Total unrestricted net assets		<u>953,154</u>	<u>894,022</u>
Total net assets		<u>953,154</u>	<u>894,022</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,941,722</u>	<u>1,900,537</u>

SEE INDEPENDENT AUDITOR'S REPORT

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

DISABILITY RIGHTS NEW MEXICO
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2018

	<u>2018</u> <u>Totals</u>	<u>2017</u> <u>Totals</u>
Support, Revenue		
Grant revenue		
Federal grants	\$ 1,538,215	1,577,013
State grants and contracts	154,847	91,275
Other grants	9,757	1,675
Contributions	39,075	14,225
Program service fees	157,691	172,340
Investment income	50,409	54,182
Total Support and Revenue	<u>1,949,994</u>	<u>1,910,710</u>
Operating Expenses		
Program services		
Developmental disabilities	682,762	644,039
Mental health	421,340	426,299
Protection and advocacy for individual rights	137,803	175,326
Client assistance program	118,529	118,668
Protection and advocacy for beneficiaries of Social Security	76,486	97,493
Civil legal services	106,587	82,744
Traumatic brain injury	47,864	46,797
Help America Vote Act	55,765	45,715
Assistive technology	32,214	36,495
Research fellowship	4,198	-
SSA Rep Payee	28,795	-
Total program services	<u>1,712,343</u>	<u>1,673,576</u>
Supporting services		
Management and general	178,519	180,642
Total Operating Expenses	<u>1,890,862</u>	<u>1,854,218</u>
Change in net assets	59,132	56,492
Net assets, beginning	<u>894,022</u>	<u>837,530</u>
Net assets, ending	<u>\$ 953,154</u>	<u>894,022</u>

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

DISABILITY RIGHTS NEW MEXICO
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2018

	Develop- mental Disabilities	Mental Health	Individual Rights	Client Assistance Program	Beneficiaries of Social Security	Civil Legal Services	Traumatic Brain Injury	Help America Vote Act
Personnel expense:								
Salaries	\$ 275,790	174,198	67,143	52,557	37,161	46,149	23,146	23,926
Payroll taxes and benefits	58,235	41,401	12,327	10,740	6,379	9,810	4,725	4,525
Professional fees - consulting	53,275	6,649	12	100	-	-	-	78
Travel and mileage	41,145	11,837	353	4,206	1,385	2,999	370	2,800
Mortgage interest	-	-	-	-	-	-	-	-
Telephone and utilities	971	1,898	971	277	-	-	-	-
Dues and publications	1,761	1,712	686	528	400	-	200	393
Repairs and maintenance	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Rent	3,336	9,017	553	457	358	171	131	258
Bookkeeping and audit	-	-	-	-	-	-	-	-
Supplies	591	27	-	10	-	274	-	18
Board of Directors expense	-	4,634	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Printing	350	27	-	1,042	-	39	-	1,035
Conference registration	380	25	-	350	-	-	-	-
Postage	-	-	25	-	-	-	-	-
Minor equipment	-	-	-	-	-	-	-	-
Advertising	-	181	-	-	-	-	-	112
Staff Training	-	-	-	-	-	-	-	-
Stipends	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	115	-	-
Total expenses before program support allocation	<u>435,834</u>	<u>251,606</u>	<u>82,070</u>	<u>70,267</u>	<u>45,683</u>	<u>59,557</u>	<u>28,572</u>	<u>33,145</u>
Program support	<u>246,928</u>	<u>169,734</u>	<u>55,733</u>	<u>48,262</u>	<u>30,803</u>	<u>47,030</u>	<u>19,292</u>	<u>22,620</u>
Total expenses	<u>\$ 682,762</u>	<u>421,340</u>	<u>137,803</u>	<u>118,529</u>	<u>76,486</u>	<u>106,587</u>	<u>47,864</u>	<u>55,765</u>

DISABILITY RIGHTS NEW MEXICO
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2018

Assistive Technology	Research Fellowship	SSA Rep Payee	Program Support	Total Program Services	Management and General	2018 Total	2017 Total
14,091	3,360	8,728	341,790	1,068,039	91,124	1,159,163	1,163,388
2,357	623	2,247	109,608	262,977	31,171	294,148	300,324
81	-	83	15,603	75,881	4,525	80,406	75,468
1,067	215	1,306	22,612	90,295	4,741	95,036	67,046
-	-	-	30,045	30,045	2,881	32,926	34,153
277	-	17	27,205	31,616	815	32,431	32,662
200	-	116	23,224	29,220	51	29,271	28,548
-	-	-	26,841	26,841	1,468	28,309	25,610
-	-	-	20,685	20,685	1,983	22,668	22,668
209	-	-	4,131	18,621	254	18,875	21,820
-	-	-	-	-	20,908	20,908	20,711
-	-	2,924	13,852	17,696	66	17,762	14,172
-	-	-	293	4,927	16,580	21,507	13,802
-	-	-	8,394	8,394	-	8,394	7,843
496	-	-	4,550	7,539	58	7,597	6,759
100	-	-	2,060	2,915	440	3,355	4,929
-	-	-	2,637	2,662	36	2,698	3,093
-	-	-	861	861	-	861	667
-	-	1,727	5,471	7,491	242	7,733	1,225
-	-	-	431	431	-	431	326
-	-	-	37	37	-	37	-
-	-	-	5,056	5,171	1,176	6,347	9,004
<hr/>							
18,878	4,198	17,148	665,386	1,712,344	178,519	1,890,863	1,854,218
13,336	-	11,647	(665,385)	-	-	-	-
32,214	4,198	28,795	1	1,712,344	178,519	1,890,863	1,854,218

DISABILITY RIGHTS NEW MEXICO
STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash received from:		
Grants and contracts	\$ 1,630,120	1,703,358
Contributions	39,075	14,225
Program service fees	157,691	172,340
Investment income	8,875	20,605
Total cash received from operations	<u>1,835,761</u>	<u>1,910,528</u>
Less used for:		
Employees and benefits	1,440,735	1,465,875
Vendors and other program	404,914	335,247
Interest	32,926	34,153
Total cash used for operations	<u>1,878,575</u>	<u>1,835,275</u>
Net cash provided/(used) by operating activities	<u>(42,814)</u>	<u>75,253</u>
Cash Flows From Investing Activities:		
Cash used to purchase investments	(37,602)	(23,031)
Cash received from sale of investments	28,728	12,475
Net cash provided/(used) by investing activities	<u>(8,874)</u>	<u>(10,556)</u>
Cash Flows From Financing Activities:		
Cash used to pay note payable	(28,227)	(18,217)
Net cash provided/(used) by financing activities	<u>(28,227)</u>	<u>(18,217)</u>
Net increase/(decrease) in cash balance	(79,915)	46,480
Beginning cash balance	<u>139,631</u>	<u>93,151</u>
Ending cash balance	\$ <u><u>59,716</u></u>	<u><u>139,631</u></u>
Reconciliation of Change in Net Assets To Cash Provided by Operating Activities		
Change in net assets	\$ 59,132	56,492
Adjustments for:		
Depreciation expense	22,668	22,668
Realized market investment (gain) loss	(28,727)	(2,426)
Unrealized market investment (gain) loss	(12,807)	(31,151)
Changes in operating assets and liabilities		
(Increase)/Decrease in grants and contracts receivable	(88,475)	32,483
(Increase)/Decrease in prepaid expenses	72	11,634
(Increase)/Decrease in security deposits	2,123	-
(Decrease)/increase in payables	-	(17,522)
(Decrease)/increase in accrued liabilities	(12,576)	2,163
(Decrease)/increase in deferred revenues	15,776	912
Net cash provided by operating activities	\$ <u><u>(42,814)</u></u>	<u><u>75,253</u></u>

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Disability Rights New Mexico (the Organization), a nonprofit corporation, formerly known as Protection & Advocacy System, was incorporated under the laws of the State of New Mexico on September 17, 1979. The Organization's purpose is to improve the status, rights, and well-being of and services for individuals in New Mexico with developmental disabilities and other physical and/or mental disabilities. The Organization is supported primarily through federal grants, program service revenue, and other government grants and contracts.

Programs supported by these funding sources are as follows:

- *Information and Referral* - Provide information about legal rights of persons with disabilities and services to which they may be entitled and where those services may be obtained.
- *Client Advocacy* - Negotiate on behalf of individuals, or to support self-advocacy efforts, to resolve discrimination issues and violation of individual rights.
- *Group Advocacy* - Work to change policies, practices, regulations, and laws to improve and expand disability services or legal rights.
- *Training* - Provide workshops and presentations on legal rights issues and on how to obtain benefits and services. Handbooks and other materials are also available.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

The financial statements of DRNM have been prepared on the accrual basis. Under the accrual method of accounting, revenues are recognized when earned rather than when received and expenses are recognized when the related liability is incurred rather than when paid. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

1) Classes of Net Assets:

DRNM follows FASB ASC 958. Under FASB ASC 958, DRNM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted and Board Designated Net Assets

Unrestricted amounts are those net assets currently available at the discretion of the Board for use in DRNM's programs, and those resources invested in land, buildings and equipment.

Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions and other inflows of assets whose use by DRNM is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of DRNM pursuant to those stipulations.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions and other inflows of assets whose use by DRNM is limited by donor-imposed stipulations that cannot be removed by actions of DRNM.

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

2) Public Support:

DRNM primarily receives its revenue in the form of grants from federal and state entities. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 restrictions. Temporarily restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions or other donor stipulations. Absent explicit donor stipulations for the length of time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Contribution income is recorded when cash is received or when ownership of donated assets is transferred. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

3) Functional Expenses:

For the year ended September 30, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program support costs are allocated to programs based on actual monthly salary allocations.

4) Fair Value of Measurements:

Fair Value Measurements – DRNM has adopted ASC 820-10 which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820-10, fair value is 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. In determining fair value, DRNM uses various methods including market, income, and cost approaches. Based on these approaches, DRNM often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. DRNM utilized valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques DRNM is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers of brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Cash and cash equivalents, money market accounts, receivables, accounts payable and accrued expenses – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments in debt and equity securities – The fair value of investments in securities or mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2018 are as follows:

Description	Level 1	Level 2	Level 3	Total
American Century Equity Income Fund	\$ 142,088	-	-	142,088
American Century Short-term Gov't Fund	14,485	-	-	14,485
Fidelity Telecom and Utilities Fund	136,428	-	-	136,428
Fidelity Contrafund	150,043	-	-	150,043
Fidelity Total Bond	112,357	-	-	112,357
Fidelity Stock Selector All Cap	126,231	-	-	126,231
Total	\$ 681,632	-	-	681,632

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

Fair values of assets and liabilities measured on a recurring basis at September 30, 2017 are as follows:

Description	Level 1	Level 2	Level 3	Total
American Century Equity Income Fund	\$ 132,630	-	-	132,630
American Century Short-term Gov't Fund	14,490	-	-	14,490
Fidelity Telecom and Utilities Fund	124,453	-	-	124,453
Fidelity Contrafund	120,344	-	-	120,344
Fidelity Total Bond	113,077	-	-	113,077
Fidelity Stock Selector All Cap	119,152	-	-	119,152
Total	\$ 624,146	-	-	624,146

5) Cash and Cash Equivalents:

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

6) Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

7) Property & Equipment:

DRNM capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Routine repairs and maintenance are expensed as incurred.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Type	Useful Lives
Land	Perpetuity
Buildings and improvements	20 - 40 years
Equipment	5 years

8) Impairment of Long Lived Assets:

DRNM accounts for long-lived assets in accordance with the provisions of FASB ASC 360-10 and subsections. FASB ASC 360-10 requires that long-lived assets be 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

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

carrying amount of an asset to future undiscounted 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 the fair value less costs to sell. Management does not believe impairment indicators are present as of September 30, 2018.

9) Income Taxes:

DRNM qualifies as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been included in the financial statements. However, any unrelated business income may be subject to taxation. Currently, DRNM has no obligation for any unrelated business income tax. The organization is still required to file an annual Form 990 information return to the Internal Revenue Service. DRNM is generally no longer subject to examination by federal and state taxing authorities for years prior to 2015.

For the years ended September 30, 2018 and 2017, no interest or penalties were recorded or included in the financial statements. DRNM has adopted the provisions of FASB ASC 740-10. Under ASC 740-10, an organization must recognize the tax benefit/liability associated with any uncertain tax positions taken by the organization when it is more likely than not the position will be sustained by review of the taxing authority. An analysis performed by management during the year ended September 30, 2018 of DRNM's tax positions revealed no positions that met the requirements for disclosure as identified by ASC 740-10.

10) Use of Estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

11) Comparative Financial Statements:

The financial statements include certain prior-year summarized comparative information in total, but not by net asset 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 DRNM's financial statements for the year ended September 30, 2017 from which the summarized information was derived. Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash consists of the following at September 30:

<u>Type</u>		<u>2018</u>	<u>2017</u>
Checking accounts	\$	59,607	137,686
Money market accounts		-	1,837
Cash held for others- interest on Lawyer Trust Account (IOLTA)		59	59
Petty cash		50	50
Total cash and cash equivalents		<u>59,716</u>	<u>139,632</u>

DRNM maintains its cash balances in two financial institutions located in New Mexico. The balances at both institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2018 and 2017 all of DRNM's cash balances were covered by FDIC insurance. DRNM maintains its cash balances with high quality financial institutions which the organization believes limits any custodial credit risk to an acceptable level.

NOTE 4 – INVESTMENTS

Investments consist of mutual funds held by two brokerage companies. They are presented in the financial statements in the aggregate at the current market value. Market risk could occur and is dependent on the future changes in market prices of the various investments held. The total fair market value and cost consists of the following at September 30:

<u>Description</u>	<u>2018</u>		<u>2017</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
American Century Equity Income Fund	142,088	135,053	132,630	119,826
American Century Short-term Gov't Fund	14,485	14,937	14,490	14,713
Fidelity Telecom and Utilities Fund	136,428	109,630	124,453	99,670
Fidelity Contrafund	150,043	81,550	120,344	72,773
Fidelity Total Bond	112,357	114,675	113,077	111,223
Fidelity Stock Selector All Cap	126,231	75,518	119,152	78,975
Total	<u>681,632</u>	<u>531,363</u>	<u>624,146</u>	<u>497,180</u>

Investments totaling \$126,231 have been set aside to fund a deferred compensation agreement with a former director of the organization.

Investment activity for the years ended September 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest, dividends, and earnings	8,874	20,605
Realized gain/(losses)	28,727	2,426
Unrealized gain/(losses)	12,807	31,151
Net realized and unrealized gains/(losses)	<u>41,534</u>	<u>33,577</u>
Investment earnings, end of year	<u>50,408</u>	<u>54,182</u>

The above chart does not reflect any activity related to the investments set aside for the deferred compensation agreement.

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

The following tabulation summarizes the relationship between the cost-basis and fair values of investment assets.

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Balance at beginning of year	\$ 497,180	624,146	126,966
Balance at end of year	\$ 531,363	681,632	150,269

NOTE 5 – GRANTS AND CONTRACTS RECEIVABLE

DRNM is the recipient of various federal and state grants and contracts, the revenue of which is recorded in these financial statements based on both cost-reimbursement and fee for service agreements. No allowance for doubtful accounts has been recorded as management believes all amounts are fully collectible.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2018:

<u>Type</u>	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Depreciable property and equipment				
Building and improvements	\$ 669,989	-	-	669,989
Equipment	10,380	-	-	10,380
Subtotal	680,369	-	-	680,369
Less: Accumulated depreciation	(27,881)	(22,668)	-	(50,549)
Total depreciable property and equipment, net	652,488	(22,668)	-	629,820
Non-depreciable property and equipment				
Land	330,800	-	-	330,800
Total non-depreciable property and equipment	330,800	-	-	330,800
Total property and equipment, net	\$ 983,288	(22,668)	-	960,620

Depreciation expense for the years ended September 30, 2018 and 2017 was \$22,668 and \$22,668, respectively.

NOTE 7 – INVESTMENTS -DEFERRED COMPENSATION LIABILITY

A non-qualified deferred compensation plan was established for the Executive Director in January 2003. Funding of the plan is at the discretion of the Board of Directors. The Executive Director has no access to the account except upon retirement from the Organization, or upon death or disability while in the employ of the Organization. Upon retirement, the balance of the account will be paid to the Executive Director in 10 installments, over a 10-year period. The Director retired from the organization during the year ended September 30, 2018. A disbursement totaling \$12,737 was made from the fund to the director during the year ended September 30, 2018. As of September 30, 2018, the balance of the deferred compensation liability and the related investment account was \$126,231.

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 8 – NOTE PAYABLE

Notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Agreement dated June 23, 2016, with a local bank in the amount of \$833,000; matures January 23, 2027; interest-only payments for the first 7 months; monthly principal and interest payments of \$5,096 beginning February 23, 2017, and a balloon payment of \$503,920 is due January 23, 2027; interest rate is fixed at 4.05%; secured by the property.	\$ <u>786,556</u>

The future scheduled maturities on the note for the years ending September 30th are:

<u>Year Ended</u> <u>September 30</u>	<u>Amount</u>
2019	\$ 29,408
2020	30,553
2021	31,917
2022	33,253
2023	34,644
Thereafter	626,781
	\$ <u>786,556</u>

NOTE 9 – COMMITMENTS

Office Lease

During the year, the Organization leased office space in Las Cruces, New Mexico, and Las Vegas, New Mexico, and as of year-end, none of the leases have a term in excess of one year. The lease agreement for the office in Las Vegas was terminated during the course of the year. Rental expense for the year ended September 30, 2018, was \$18,874.

The Organization also leases office equipment, and the rental expense for the year ended September 30, 2018, was \$4,035. The future minimum lease payments for office equipment for leases with remaining terms in excess of one year as of September 30, 2018, are:

<u>Fiscal year</u>	<u>Amount</u>
2019	\$ 8,635
	\$ <u>8,635</u>

NOTE 10 – PENSION PLAN

During the year ended September 30, 2018, the Organization contributed 4 percent of eligible employees' gross salaries to a Simplified Employee Pension (SEP) plan. Employees are eligible for the SEP plan after 6 months of employment, and amounts contributed vest to the employee immediately. Retirement expense for the year ended September 30, 2018 was \$43,758.

DISABILITY RIGHTS NEW MEXICO
NOTES TO AUDITED FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

NOTE 11 – CONCENTRATIONS

Government Grants and Contracts

The Organization is primarily supported by federal grants, making up 79 percent of all revenues and support during the fiscal year ended September 30, 2018. Management of the Organization expects these grants to continue into the foreseeable future. However, if a significant portion of these funds are reduced or not continued, the Organization's ability to continue all programs would be diminished.

NOTE 12 – CONTINGENCIES

During the normal course of operations, the Organization receives grant funds from various federal and state agencies. These grants are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The amount of disallowed claims, if any, that may arise as a result of these audits is not believed to be material.

Periodically, the Organization is involved in litigation related to protecting and advocating for the rights of persons with disabilities, and the resolution of litigation can result in a financial settlement. Due to the uncertainty of the outcome, any settlements received by the Organization are recorded in the period when the settlement is finalized and the amount awarded is known. Expenses related to the litigation are recorded in the period in which the expenses are incurred.

NOTE 13 – RELATED PARTY

The Executive Director of Disability Rights New Mexico is a statutory member of the New Mexico Developmental Disabilities Planning Council (DDPC), a State of New Mexico governmental entity with approximately 25 voting members. The DDPC administers funds provided under federal and state laws related to individuals with disabilities. During the year ended September 30, 2018, the DDPC provided \$103,356 in federal grant pass-through funds to the Organization. Per DDPC's policies, the Executive Director of Disability Rights New Mexico abstains from discussions and votes related to the potential awarding of funds from the DDPC to the Organization.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. DRNM recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. DRNM's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The organization has evaluated subsequent events through January 18, 2019, which is the date the financial statements were available to be issued.

◦

SUPPLEMENTARY INFORMATION

DISABILITY RIGHTS NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2018

Federal Grantor/ Pass-through Agency Program Title	CFDA Number	Grant Control Number	Total Federal Expenditures	Expenditures to Subrecipients
INDIRECT PROGRAMS				
<u>US Department of Health and Human Services</u>				
Received as a sub-recipient from				
<i>New Mexico Developmental Disabilities</i>				
<i>Planning Council</i>				
Developmental Disabilities Basic Support and Advocacy Grants				
Policy and Legislative Action Network				
	93.630	18-647-P727-20756	\$ 31,201	\$ -
	93.630	19-647-P727-21502	4,984	-
Special Education				
	93.630	18-647-P727-20761	32,596	-
	93.630	19-647-P272-21495	9,212	-
Disability Coalition				
	93.630	18-647-P727-20754	20,379	-
	93.630	19-647-P727-21493	4,984	-
Total indirect federal assistance			<u>103,356</u>	<u>-</u>
DIRECT PROGRAMS				
<u>US Department of Health and Human Services</u>				
<i>Administration on Community Living</i>				
Developmental Disabilities Basic Support and Advocacy Grants				
	93.630	1701NMPADD	91,649	-
	93.630	1801NMPADD	350,656	-
			<u>442,305</u>	<u>-</u>
Total for CFDA #93.630			<u>545,661</u>	<u>-</u>
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems				
	93.618	1703NMVOTP	43,912	-
	93.618	1803NMVOTP	17,201	-
Total for CFDA #93.618			<u>61,113</u>	<u>-</u>
State Grants for Protection and Advocacy Services				
	93.873	1801NMPATB	50,000	-
Total for CFDA #93.873			<u>50,000</u>	<u>-</u>
ACL Assistive Technology State Grants for Protection and Advocacy				
	93.843	1701NMPAAT	8,738	-
	93.843	1801NMPAAT	26,566	-
Total for CFDA #93.843			<u>35,304</u>	<u>-</u>
<i>Substance Abuse and Mental Health Services Administration</i>				
Protection and Advocacy for Individuals with Mental Illness				
	93.138	98SM003597-17	33,418	-
	93.138	98SM003597-18	412,853	-
Total for CFDA #93.138			<u>446,271</u>	<u>-</u>
Total US Department of Health and Human Services			<u>1,138,349</u>	<u>-</u>

See independent auditors' report.

US Department of Education

Rehabilitation Services Client Assistance Program

84.161	H161A170032	21,300	-
84.161	H161A180032	108,596	-
Total for CFDA #84.161		129,896	-

Program of Protection and Advocacy of Individual Rights

84.240	H240A170032	12,821	-
84.240	H240A180032	136,058	-
Total for CFDA #84.240		148,879	-
Total US Department of Education		278,775	-

US Social Security Administration

Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries

96.009	PAB13020270-01-06	83,820	-
96.009	SPS1800038-01-00	31,555	-
Total for CFDA #96.009		115,375	-
Total US Social Security Administration		115,375	-
Total direct federal assistance		1,429,143	-
Total Expenditures of Federal Awards		\$ 1,532,499	-

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Disability Rights New Mexico under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Because the Schedule presents only a selected portion of the operations of Disability Rights New Mexico, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Disability Rights New Mexico.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

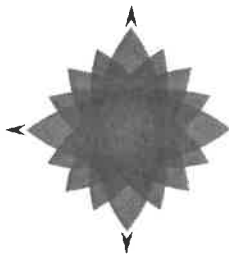
1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. Disability Rights New Mexico is not eligible to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance due to DRNM already having an approved 9.59% Indirect Cost Rate that it utilizes on its applicable grants.

3. DRNM has no federally funded insurance.

NOTE C - PAYMENTS TO SUBRECIPIENTS

Disability Rights New Mexico did not have any subrecipients during the year ended September 30, 2018.



**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**

The Board of Directors of
Disability Rights New Mexico
Albuquerque, New Mexico

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 New Mexico (DRNM) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control over Financial Reporting

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

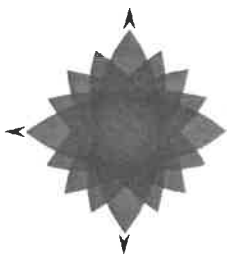
As part of obtaining reasonable assurance about whether DRNM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Integrity Accounting & Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
January 18, 2019



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

The Board of Directors of
Disability Rights New Mexico
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Disability Rights New Mexico's (DRNM) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DRNM's major federal programs for the year ended September 30, 2018. DRNM's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of DRNM'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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DRNM'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 DRNM's compliance.

Opinion on Each Major Federal Program

In our opinion, Disability Rights New Mexico 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, 2018.

Report on Internal Control Over Compliance

Management of DRNM 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 DRNM's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DRNM'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Integrity Accounting & Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
January 18, 2019

**DISABILITY RIGHTS NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|----------------------------------------------------------------------------------|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|-------------------------------------------------------------------------------------------------------|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 4. Identification of major programs: | |

CFDA
Number
93.138

Federal Program
Protection and Advocacy for Individuals with Mental Illness

- | | |
|-----------------------------------------------------------------------------|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

**DISABILITY RIGHTS NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

SECTION II FINDINGS – FINANCIAL STATEMENTS

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

None

SECTION III FINDINGS – FEDERAL AWARDS

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

None