TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017 AND 2016

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2017 AND 2016

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TENNESSEE VOICES FOR CHILDREN, INC.

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2017

BOARD OF DIRECTORS

President: Bill Kirby
President Elect: Molly Rollins
Treasurer: Devika Kumar
Secretary: Vince Foster
Bama Wood
Rhonda Ashley-Dixon
Kristin Brownlee
Andrew Buckwalter
Katrina Donaldson
Laura Fair
Krischan Krayer
Patrick Sims
Debbie Webb

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Voices for Children, Inc.
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tennessee Voices for Children, Inc. which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Voices for Children, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

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 (CFR)* Part 200*, Uniform Administrative Requirement, 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. The schedule of expenditures of state awards, as required by the State of Tennessee Audit Manual, is also presented for 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of Tennessee Voices for Children, Inc.'s internal control over financial reporting and on our test 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 Tennessee Voices for Children, Inc.'s internal control over financial reporting and compliance.

Kraft CPAs PLLC

Nashville, Tennessee
December 12, 2017

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash	$ 339,274	$ 595,382
Investments	2,886,491	1,773,426
Grants receivable	257,152	399,556
Contributions receivable	65,000	130,000
Other receivables	9,687	15,943
Prepaid expenses and other	22,323	27,860
Property, building and equipment, net	922,104	1,099,252
TOTAL ASSETS	$ 4,502,031	$ 4,041,419
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 40,723	$ 30,146
Accrued expenses	138,156	139,792
Deferred revenue	8,000	5,500
Note payable	-	501,800
TOTAL LIABILITIES	186,879	677,238
NET ASSETS		
Unrestricted:		
Designated for property, building and equipment, net of related debt	922,104	597,452
Undesignated	3,246,525	2,467,379
Total unrestricted	4,168,629	3,064,831
Temporarily restricted	146,523	299,350
TOTAL NET ASSETS	4,315,152	3,364,181
TOTAL LIABILITIES AND NET ASSETS	$ 4,502,031	$ 4,041,419

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE						
Grants and other contracts	$ 1,560,192	$ -	$ 1,560,192	$ 2,120,340	$ -	$ 2,120,340
Contributions	130,365	-	130,365	34,321	365,750	400,071
Conferences and other meetings	-	-	-	17,920	-	17,920
Investment income	58,278	-	58,278	19,688	-	19,688
Miscellaneous	24,671	-	24,671	11,548	-	11,548
Gain on sale of property, building and equipment	1,296,817	-	1,296,817	-	-	-
Net assets released from restriction	152,827	(152,827)	-	66,400	(66,400)	-
TOTAL SUPPORT AND REVENUE	3,223,150	(152,827)	3,070,323	2,270,217	299,350	2,569,567
EXPENSES						
Program services	1,506,979	-	1,506,979	1,779,119	-	1,779,119
Supporting services:						
Management and general	466,404	-	466,404	425,422	-	425,422
Fundraising	145,969	-	145,969	61,620	-	61,620
TOTAL EXPENSES	2,119,352	-	2,119,352	2,266,161	-	2,266,161
CHANGE IN NET ASSETS	1,103,798	(152,827)	950,971	4,056	299,350	303,406
NET ASSETS - BEGINNING OF YEAR	3,064,831	299,350	3,364,181	3,060,775	-	3,060,775
NET ASSETS - END OF YEAR	$ 4,168,629	$ 146,523	$ 4,315,152	$ 3,064,831	$ 299,350	$ 3,364,181

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 950,971	$ 303,406
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,430	37,655
Bad debt expense	19,763	-
Unrealized gains on investments	(50,972)	(8,645)
Gain on sale of property, building and equipment	(1,296,817)	-
(Increase) decrease in:		
Grants receivable	122,641	3,531
Contributions receivable	65,000	(130,000)
Other receivables	6,256	(3,690)
Prepaid expenses and other	5,537	7,427
Increase (decrease) in:		
Accounts payable	10,577	(35,990)
Accrued expenses	(1,636)	4,014
Deferred revenue	2,500	650
TOTAL ADJUSTMENTS	(1,083,721)	(125,048)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(132,750)	178,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,317,596)	(1,342,000)
Sale of investments	260,418	1,120,837
Purchase of property, building and equipment	(905,771)	-
Proceeds from sale of property, building and equipment	1,907,457	-
NET CASH USED IN INVESTING ACTIVITIES	(55,492)	(221,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(67,866)	(68,492)
NET CASH USED IN FINANCING ACTIVITIES	(67,866)	(68,492)
DECREASE IN CASH	(256,108)	(111,297)
CASH - BEGINNING OF YEAR	595,382	706,679
CASH - END OF YEAR	$ 339,274	$ 595,382
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
CASH PAID FOR:		
Interest paid	$ 9,836	$ 21,194
NON-CASH TRANSACTION:		
Payoff of note payable at sale of building	$ (436,391)	$ -

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAM SERVICES								SUPPORTING SERVICES			
	EARLY CONNECTIONS NETWORK	YOUTH SCREEN	HEALTHY TRANSITIONS	INTENSIVE IN-HOME FAMILY PRESERVATION SERVICES	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 82,517	$ 68,075	$ 80,774	$ 108,721	$ 176,182	$ 94,571	$ 258,023	$ 868,863	$ 268,724	$ 56,116	$ 324,840	$ 1,193,703
Employee benefits	5,989	6,362	7,639	14,842	19,661	6,518	26,849	87,860	15,302	6,576	21,878	109,738
Payroll taxes	6,438	5,502	6,477	8,619	13,986	7,489	21,141	69,652	21,444	4,366	25,810	95,462
TOTAL PAYROLL AND RELATED EXPENSES	94,944	79,939	94,890	132,182	209,829	108,578	306,013	1,026,375	305,470	67,058	372,528	1,398,903
Conferences and meetings	3,618	627	-	117	6,758	1,265	12,297	24,682	5,532	2,157	7,689	32,371
Event Expense	-	-	-	-	-	-	-	-	-	52,439	52,439	52,439
Bad debt expense	-	-	-	-	-	-	-	-	19,763	-	19,763	19,763
Depreciation	-	-	-	-	-	-	-	-	33,430	-	33,430	33,430
Insurance	767	569	1,475	1,066	1,677	944	2,603	9,101	1,680	330	2,010	11,111
Equipment rental and maintenance	467	1,736	753	1,527	1,192	744	4,314	10,733	3,100	139	3,239	13,972
Miscellaneous	240	-	405	-	-	-	3,165	3,810	4,875	85	4,960	8,770
Occupancy	3,193	3,015	4,154	5,063	8,357	4,832	11,926	40,540	36,564	1,694	38,258	78,798
Office supplies	3,730	5,444	8,977	2,014	4,135	9,819	12,237	46,356	10,295	2,608	12,903	59,259
Postage	254	218	183	215	756	290	724	2,640	279	793	1,072	3,712
Printing and publications	600	248	1,287	292	3,236	2,648	3,526	11,837	302	984	1,286	13,123
Professional	9,546	6,027	10,759	8,525	12,989	7,587	130,342	185,775	38,098	15,766	53,864	239,639
Specific assistance for individuals	-	-	-	-	-	-	1,049	1,049	-	-	-	1,049
Telephone and internet	2,955	1,625	2,342	3,992	7,329	2,324	10,175	30,742	4,725	1,110	5,835	36,577
Travel	13,899	1,582	21,717	6,387	17,145	7,356	45,253	113,339	2,291	806	3,097	116,436
TOTAL FUNCTIONAL EXPENSES	$ 134,213	$ 101,030	$ 146,942	$ 161,380	$ 273,403	$ 146,387	$ 543,624	$ 1,506,979	$ 466,404	$ 145,969	$ 612,373	$ 2,119,352

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM SERVICES								SUPPORTING SERVICES			
	EARLY CONNECTIONS NETWORK	SYSTEM OF CARE EXPANSION INITIATIVE	K-TOWN YOUTH EMPOWERMENT NETWORK	INTENSIVE IN-HOME FAMILY PRESERVATION SERVICES	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 185,606	$ 91,651	$ 116,617	$ 154,462	$ 169,678	$ 113,491	$ 285,933	$ 1,117,438	$ 283,385	$ 36,777	$ 320,162	$ 1,437,600
Employee benefits	18,064	6,520	11,186	14,580	14,186	8,817	21,970	95,323	15,988	3,770	19,758	115,081
Payroll taxes	15,146	7,481	9,075	12,261	13,288	9,356	23,346	89,953	22,582	2,952	25,534	115,487
TOTAL PAYROLL AND RELATED EXPENSES	218,816	105,652	136,878	181,303	197,152	131,664	331,249	1,302,714	321,955	43,499	365,454	1,668,168
Conferences and meetings	41	5,051	2,450	37	4,014	1,257	7,907	20,757	4,392	10,469	14,861	35,618
Depreciation	-	-	-	-	-	-	-	-	37,655	-	37,655	37,655
Insurance	3,177	1,419	2,032	2,071	2,629	1,572	4,852	17,752	2,689	400	3,089	20,841
Equipment rental and maintenance	1,103	1,884	1,970	1,121	1,876	1,711	5,413	15,078	2,412	116	2,528	17,606
Miscellaneous	-	100	1,674	-	-	-	775	2,549	824	-	824	3,373
Occupancy	9,546	4,599	11,101	7,134	8,502	5,225	16,494	62,601	9,602	1,070	10,672	73,273
Office supplies	2,059	5,096	400	1,697	9,910	1,612	5,199	25,973	3,656	637	4,293	30,266
Postage	252	733	662	145	814	246	636	3,488	774	111	885	4,373
Printing and publications	1,107	3,733	90	165	7,086	397	1,578	14,156	483	1,209	1,692	15,848
Professional	21,016	32,363	35,696	12,215	12,958	7,463	45,803	167,514	30,989	3,283	34,272	201,786
Specific assistance for individuals	-	423	-	-	-	-	40	463	-	-	-	463
Telephone and internet	7,444	2,106	4,105	3,712	7,740	1,737	7,733	34,577	4,239	432	4,671	39,248
Travel	31,826	16,102	1,930	6,159	21,069	4,806	29,605	111,497	5,752	394	6,146	117,643
TOTAL FUNCTIONAL EXPENSES	$ 296,387	$ 179,261	$ 198,988	$ 215,759	$ 273,750	$ 157,690	$ 457,284	$ 1,779,119	$ 425,422	$ 61,620	$ 487,042	$ 2,266,161

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tennessee Voices for Children, Inc. ("TVC" or the "Agency") is a statewide advocacy agency for families whose children have emotional, behavioral and/or mental health issues. Its mission is to deliver leadership, support, and services that champion voice, hope and empowerment for the emotional and behavioral well-being of children, youth, and their families. TVC takes an active role in the development of family-friendly policies and encourages and supports family involvement on advisory boards such as the statewide Mental Health Planning Council, Behavioral Health Organizations, advisory councils, and community planning groups. Funding for TVC's services is provided principally by federal and state grants and certain contract revenues.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of TVC on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

TVC had no permanently restricted net assets as of June 30, 2017 or 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

TVC receives grant revenues from various federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

TVC reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded as contributions receivable at their estimated net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges. Contributions receivable are written off when deem to be uncollectible. In management's opinion, no allowance for uncollectible pledges was necessary as of June 30, 2017.

Conference Revenue

TVC holds a biennial conference for which revenue is recognized as income when the related event occurs. Any conference revenue received in advance is reported as deferred revenue.

Cash

Cash consists principally of checking account balances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of money market funds, shares of a mutual fund and certificates of deposit. Money market funds and mutual funds are carried at their quoted market value on the last business day of the reporting period. Certificates of deposit are reported at cost, plus any accrued interest. Changes in unrealized gains and losses are recognized currently in the Statement of Activities for the year.

Allowance for Uncollectible Accounts

An allowance for uncollectible receivables is not provided in the financial statements based on management's assessment of specific accounts and historical collection experience.

Fair Value Measurements

TVC classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available), and Level 3 (valued based on significant unobservable inputs).

An 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 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 on a recurring basis:

Investments - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid securities and certain other products, such as mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity, or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2017 and 2016.

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 TVC believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Building and Equipment

Property, building and equipment are reported at cost at the date of purchase or at estimated fair value at the date of gift to TVC. TVC's policy is to capitalize expenditures with a cost of $5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: five to seven years for furniture and equipment and fifteen to forty years for the building and improvements.

Donated Services

TVC's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor, at the estimated fair value of the services received.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - include programs to improve and expand services related to the emotional and behavioral well-being of children. Some of TVC's programs are:

- Early Connections Network - the purpose of the Early Connections Network is to build a system of care for young children, birth to five, with social, emotional and behavioral needs.

- System of Care Expansion Initiative ("Youth Move") - provides youth-guided, family-driven services for adolescents and young adults (ages 11 - 21) and their families who reside in Hickman, Rutherford and Williamson counties and have a diagnosable mental, behavioral or emotional disorder and functional impairment. The services include individualized in-home supports, participation in youth-guided councils and community meetings through the development individual service plans and child and family teams. The program seeks to improve outcomes for these children and youth and to reduce stigma, improve capacity, sustain the infrastructure, and increase community awareness about childhood mental health needs within the System of Care framework in the counties served.

- K-Town Youth Empowerment Network ("K-Town") - provides youth-guided and family-driven wraparound services to youth in Knox County, Tennessee with Serious Emotional Disturbance or Serious Mental Illness and their families. K-Town focuses on transition aged youth (ages 14-21 yrs.), incorporating family, youth and mental health supports with a high fidelity wraparound approach. The initiative also includes an active Youth in Action Council and comprehensive Family Advocacy programs. The K-Town program ended September 30, 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued):

Program Services (Continued):

- Youth Screen - provided by TVC to interested school districts in any county in Tennessee and was developed by Columbia University. Youth Screen provides a screening for teens that helps identify teens that are at risk for a variety of mental health issues including: suicide, depression, anxiety disorders, substance abuse and other health related problems.

- Healthy Transitions - seeks to improve access to treatment and support services for youth and young adults ages 16-25 that either have, or are at risk of developing a serious mental health illness, serious emotional disturbance, or co-occurring disorder. The goal of Healthy Transitions is to assist these youth and young adults in improving their health and wellness, leading self-directed lives, and reaching their full potential.

- Intensive In-Home Family Preservation Services ("Family Connection") - provides families the tools they need to maintain children and youth with complex needs at home, in school, and in the community. The program is family-driven, providing assistance in navigating the child-serving systems, advocacy, support, and therapeutic skill-building to prevent placement outside the home to a higher level of care. Program staff ensures that caregivers are an integral part of the intervention at all stages.

- Statewide Family Support Network ("SFSN") - provides valuable support, information and training to parents and caregivers across the state, empowering them to successfully "navigate" the complex child-serving systems to obtain the services necessary for their children and youth with emotional and behavioral disorders. SFSN staff provides direct assistance, support groups, information and skill-based training, family representation on over 145 councils and coalitions, Youth in Action Council facilitation, and outreach to schools, mental health providers, and policy-makers in Tennessee.

- Early Childhood Programs - provides on-site consultation and training to parents and staff associated with childcare and Head Start programs throughout Tennessee. Program staff is also involved in state and national research to identify effective strategies for working with young children with challenging behaviors.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued):

Supporting Services:

- Management and General - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

- Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objective evaluation of financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

TVC qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

TVC files a U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing TVC's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation. The effects of such reclassifications have no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2017 and December 12, 2017, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Agency is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Agency is currently evaluating the impact the adoption of this guidance will have on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effect and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Agency is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Agency on January 1, 2019. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Agency is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Grants receivable represent concentrations of credit risk to the extent the grants are receivable from concentrated sources. TVC receives over 91% of its funding from federal, state and local grants and contracts.

Contributions receivable from one contributor comprised 100% of the contributions receivable balance as of June 30, 2017 and 2016.

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. At times, the Agency's deposits at financial institutions may exceed federally insured limits.

Certain cash and securities held in broker/dealer accounts are insured by the Securities Investor Protection Corporation ("SIPC"), up to $500,000 per broker/dealer (including a maximum of $250,000 for cash claims), in certain circumstances such as fraud or failure of the institution. The SIPC does not insure against market risk.

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	2017	2016
Certificates of deposit	$ -	$ 260,418
Money market funds	1,322,685	-
Mutual funds	1,563,806	1,513,008
	$ 2,886,491	$ 1,773,426

Investment income consists of the following for the years ended June 30:

	2017	2016
Interest and dividend income	$ 7,306	$ 11,043
Unrealized gains	50,972	8,645
Total investment income	$ 58,278	$ 19,688

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the remaining installment of a three-year foundation grant for $65,000 per year.

NOTE 5 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	2017	2016
State of Tennessee Department of Mental Health	$ 188,279	$ 254,375
Advantage Behavioral Health	25,575	90,350
Volunteer Behavioral Health	-	2,250
State of Tennessee Department of Children’s Services	43,298	52,581
	$ 257,152	$ 399,556

NOTE 6 - PROPERTY, BUILDING AND EQUIPMENT

Property, building, and equipment consisted of the following as of June 30:

	2017	2016
Land	$ 192,254	$ 200,604
Buildings and improvements	706,932	1,115,806
Furniture and equipment	95,589	147,708
	994,775	1,464,118
Less: accumulated depreciation	(72,671)	(364,866)
	$ 922,104	$ 1,099,252

During the year ended June 30, 2017, TVC sold its building and realized a gain of $1,294,617 related to the sale.

NOTE 7 - NOTES PAYABLE

In August 2007, TVC entered into a loan agreement with a financial institution to finance the purchase of the Agency's office building. The mortgage was refinanced in November 2011 at an annual rate of 4.75% and again in May 2015, lowering the rate to 3.99%. The loan was secured by a deed of trust on the property. The Agency owed $471,381 on the mortgage at June 30, 2016 and paid the note off on January 10, 2017.

In September 2015, TVC entered into a loan agreement with a financial institution to finance the purchase of an Agency vehicle. The note bore an annual percentage rate of 2.9%. The Agency owed $30,419 on the loan at June 30, 2016 and paid the note balance off on February 23, 2017.

Total interest expense was $9,836 and $21,194 for the years ended June 30, 2017 and 2016, respectively, which is included in occupancy expense on the Statement of Functional Expenses.

NOTE 8 - FAIR VALUE MEASUREMENTS

The following table set forth TVC's major categories of assets measured at fair value on a recurring basis, by level, within the fair hierarchy, as of June 30:

	Level 1	Level 2	Level 3	Total
2017				
Investments:				
Money Market Funds	$ 1,322,685	$ -	$ -	$ 1,322,685
Mutual Funds:				
Bond Fund	988,633	-	-	988,633
Growth and Income Fund	162,755	-	-	162,755
Growth Fund	95,366	-	-	95,366
Balance Fund	317,052	-	-	317,052
Total Mutual Funds	1,563,806	-	-	1,563,806
Total investments at fair value	$ 2,886,491	$ -	$ -	$ 2,886,491
2016				
Investments:				
Mutual Funds:				
Bond Fund	$ 1,192,721	$ -	$ -	$ 1,192,721
Growth and Income Fund	70,476	-	-	70,476
Growth Fund	17,648	-	-	17,648
Balance Fund	232,163	-	-	232,163
Total investments at fair value	$ 1,513,008	$ -	$ -	$ 1,513,008

NOTE 9 - CONTINGENCIES

The Agency has received various government grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for potential reimbursements to grantors.

NOTE 10 - EMPLOYEE BENEFIT PLANS

TVC sponsors the Tennessee Voices for Children 403(b) Plan (the "Plan") under Section 403(b) of the Internal Revenue Code established on January 1, 2009. All employees are eligible to make elective deferrals on the first of the month following their date of hire. Upon completion of one month of service, employees become eligible for matching and nonelective contributions. TVC may make discretionary matching and nonelective contributions to the Plan. TVC's discretionary match was 2% for the years ended June 30, 2017 and 2016. TVC also made nonelective contributions to the Plan in 2017 and 2016. Total contributions amounted to $17,007 and $19,417 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	2017	2016
Time restricted contributions receivable	$ 65,000	$ 130,000
Consultation fees to obtain CARF accreditation	40,607	99,000
Family support training	40,916	50,000
Qualifacts training and support	-	16,350
Junior League presentations	-	4,000
	$ 146,523	$ 299,350

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grant Description		Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/16	Federal Receipts	Expenditures	Accrued (Deferred) 6/30/17
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
DIRECT:								
Head Start		93.600	N/A	07/01/16 - 06/30/17	$ -	$ 4,351	$ 4,351	$ -
TOTAL DIRECT FROM U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					-	4,351	4,351	-
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH								
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		93.104	47874	10/01/15 - 09/30/16	41,892	102,244	60,352	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		93.104	53115	01/01/17 - 09/30/17	-	26,902	44,772	17,870
Block Grants for Community Mental Health Services	*	93.958	46951	07/01/15 - 06/30/16	29,439	29,439	-	-
Block Grants for Community Mental Health Services	*	93.958	50194	07/01/16 - 06/30/17	-	136,108	176,991	40,883
Block Grants for Community Mental Health Services	*	93.958	46935	07/01/15 - 06/30/16	20,868	20,868	-	-
Block Grants for Community Mental Health Services	*	93.958	49725	07/01/16 - 06/30/17	-	91,892	122,597	30,705
Block Grants for Prevention and Treatment of Substance Abuse		93.959	45372	07/01/15 - 06/30/16	18,480	18,480	-	-
Block Grants for Prevention and Treatment of Substance Abuse		93.959	49113	07/01/16 - 06/30/17	-	74,985	74,985	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	48065	10/01/15 - 09/30/16	45,126	45,126	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	48065	10/01/16 - 09/30/17	-	51,500	51,500	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	51392	10/01/15 - 09/30/16	-	83,250	125,311	42,061
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	47879	10/01/15 - 09/30/16	31,093	71,138	40,045	-
TOTAL PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH					186,898	751,932	696,553	131,519
PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH:								
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	N/A	10/01/15 - 09/30/16	90,350	198,249	107,899	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	N/A	10/01/15 - 09/30/16	-	39,110	56,685	17,575
TOTAL PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH:					90,350	237,359	164,584	17,575
PASSED THROUGH VOLUNTEER BEHAVIORAL HEALTH:								
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	N/A	07/01/15 - 09/30/16	2,250	3,625	1,375	-
TOTAL PASSED THROUGH VOLUNTEER BEHAVIORAL HEALTH:					2,250	3,625	1,375	-
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES					279,498	997,267	866,863	149,094
US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT								
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES								
Child Abuse Prevention		93.590	N/A	07/01/15 - 06/30/16	3,331	3,331	-	-
Child Abuse Prevention		93.590	N/A	07/01/16 - 09/30/16	-	31,344	49,192	17,848
TOTAL US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					3,331	34,675	49,192	17,848
TOTAL EXPENDITURES OF FEDERAL AWARDS					$ 282,829	$ 1,031,942	$ 916,055	$ 166,942

* Considered a major program under Title 2 U.S. Code of Federal Regulations (CFR) Part 200

Summary of Expenditures by CFDA Number

93.104	$ 105,124
93.243	382,815
93.600	4,351
93.958	299,588
93.959	74,985
93.590	49,192
Total	$ 916,055

See Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 22.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/16	State Receipts	Expenditures	Accrued (Deferred) 6/30/17
STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH						
Family Support and Advocacy	46846	07/01/15 - 06/30/16	$ 60,871	$ 60,871	$ -	$ -
Family Support and Advocacy	49714	07/01/16 - 06/30/17	-	273,240	330,000	56,760
System of Care Expansion Initiatve	47906	10/01/15 - 06/30/16	6,606	6,606	-	-
System of Care Expansion Initiatve	49690	07/01/16 - 09/30/16	-	30,932	30,932	-
TOTAL STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH			67,477	371,649	360,932	56,760
STATE OF TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES						
Intensive In-Home Family Preservation Services	GR-44961	07/01/15 - 06/30/16	49,250	49,250	-	-
Intensive In-Home Family Preservation Services	GR-44961	07/01/16 - 06/30/17	-	200,750	226,200	25,450
TOTAL STATE OF TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			49,250	250,000	226,200	25,450
TOTAL EXPENDITURES OF STATE AWARDS			$ 116,727	$ 621,649	$ 587,132	$ 82,210

See Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 22.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards (the "Schedules") include the federal and state grant activity, respectively, of the Agency and are presented on the accrual basis of accounting. The information in the Schedule of Expenditures of Federal Awards is 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules 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. The organization has elected not to use the 10-percent de minims indirect cost rate as allowed under the Uniform Guidance.

OTHER REPORTS

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*

Board of Directors
Tennessee Voices for Children, Inc.
Nashville, Tennessee

We have audited, 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, the financial statements of Tennessee Voices for Children, Inc. ("TVC"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether TVC'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 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.

Kraft CPAs PLLC

Nashville, Tennessee
December 12, 2017

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

Board of Directors
Tennessee Voices for Children, Inc.
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Tennessee Voices for Children, Inc.'s ("TVC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TVC's major federal programs for the year ended June 30, 2017. TVC'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 statues, 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 TVC'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 TVC'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 TVC's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, TVC 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 June 30, 2017.

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REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of TVC 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 TVC'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 TVC'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 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.

Kraft CPAs PLLC

Nashville, Tennessee
December 12, 2017

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	x no
• Significant deficiency(ies) identified?	____ 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 deficiency(ies) identified?	____ yes	x none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	____ yes	x no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	x yes	____ no

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

There were no audit findings in the prior or current year.

Section III - Federal Award Findings

There were no federal award findings in the prior or current year.