TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016 AND 2015

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2016 AND 2015

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KraftCPAs PLLC

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, 2016 and 2015, 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.

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, 2016 and 2015, 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.

KraftCPAs PLLC • Certified Public Accountants and Consultants
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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 16, 2016 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.

KraftCPAs PLLC

Nashville, Tennessee
December 16, 2016

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash	$ 595,382	$ 706,679
Investments	1,773,426	1,543,618
Grants receivable	399,556	403,087
Contributions receivable	130,000	-
Other receivables	15,943	12,253
Prepaid expenses and other	27,860	35,287
Property, building and equipment, net	1,099,252	1,103,039
TOTAL ASSETS	$ 4,041,419	$ 3,803,963
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 30,146	$ 66,136
Accrued expenses	139,792	135,778
Deferred revenue	5,500	4,850
Note payable	501,800	536,424
TOTAL LIABILITIES	677,238	743,188
NET ASSETS		
Unrestricted:		
Designated for property, building and equipment, net of related debt	597,452	566,615
Undesignated	2,467,379	2,494,160
Total unrestricted	3,064,831	3,060,775
Temporarily restricted	299,350	-
TOTAL NET ASSETS	3,364,181	3,060,775
TOTAL LIABILITIES AND NET ASSETS	$ 4,041,419	$ 3,803,963

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Totals	Total Unrestricted
SUPPORT AND REVENUE				
Grants and other contracts	$ 2,120,340	$ -	$ 2,120,340	$ 2,859,650
Contributions	34,321	365,750	400,071	66,911
Conferences and other meetings	17,920	-	17,920	1,000
Investment income	19,688	-	19,688	10,221
Miscellaneous	11,548	-	11,548	9,750
Net assets released from restriction	66,400	(66,400)	-	-
TOTAL SUPPORT AND REVENUE	2,270,217	299,350	2,569,567	2,947,532
EXPENSES				
Program services	1,779,578	-	1,779,578	2,380,205
Supporting services:				
Management and general	486,583	-	486,583	554,155
TOTAL EXPENSES	2,266,161	-	2,266,161	2,934,360
CHANGE IN NET ASSETS	4,056	299,350	303,406	13,172
NET ASSETS - BEGINNING OF YEAR	3,060,775	-	3,060,775	3,047,603
NET ASSETS - END OF YEAR	$ 3,064,831	$ 299,350	$ 3,364,181	$ 3,060,775

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 303,406	$ 13,172
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,655	32,574
Unrealized (gains) losses on investments	(8,645)	4,962
Loss on disposal of property and equipment	-	17
(Increase) decrease in:		
Grants receivable	3,531	160,601
Contributions receivable	(130,000)	-
Other receivables	(3,690)	(5,356)
Prepaid expenses and other	7,427	8,345
Increase (decrease) in:		
Accounts payable	(35,990)	31,285
Accrued expenses	4,014	(12,431)
Deferred revenue	650	3,069
TOTAL ADJUSTMENTS	(125,048)	223,066
NET CASH PROVIDED BY OPERATING ACTIVITIES	178,358	236,238
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,342,000)	-
Sale of investments	1,120,837	257,840
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(221,163)	257,840
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(68,492)	(62,315)
NET CASH USED IN FINANCING ACTIVITIES	(68,492)	(62,315)
(DECREASE) INCREASE IN CASH	(111,297)	431,763
CASH - BEGINNING OF YEAR	706,679	274,916
CASH - END OF YEAR	$ 595,382	$ 706,679
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	$ 21,194	$ 27,209

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	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 185,606	$ 91,651	$ 116,617	$ 154,462	$ 169,678	$ 113,491	$ 285,933	$ 1,117,438	$ 320,162	$ 1,437,600
Employee benefits	18,064	6,520	11,186	14,580	14,186	8,817	21,970	95,323	19,758	115,081
Payroll taxes	15,146	7,481	9,075	12,261	13,288	9,356	23,346	89,953	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	365,454	1,668,168
Conferences and meetings	41	5,051	2,450	37	4,014	1,257	7,907	20,757	14,861	35,618
Depreciation	-	-	-	-	-	-	-	-	37,655	37,655
Insurance	3,177	1,419	2,032	2,071	2,629	1,572	4,852	17,752	3,089	20,841
Equipment rental and maintenance	1,103	1,884	1,970	1,121	1,876	1,711	5,413	15,078	2,528	17,606
Miscellaneous	-	100	1,674	-	-	-	775	2,549	1,651	4,200
Occupancy	9,546	4,599	11,101	7,134	8,502	5,225	16,494	62,601	10,672	73,273
Office supplies	2,059	5,096	400	1,697	9,910	1,612	5,199	25,973	4,293	30,266
Postage	252	733	662	145	814	246	636	3,488	885	4,373
Printing and publications	1,107	3,733	90	165	7,086	397	1,578	14,156	1,692	15,848
Professional	21,016	32,363	35,696	12,215	12,958	7,463	45,803	167,514	33,445	200,959
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	4,671	39,248
Travel	31,826	16,102	1,930	6,159	21,069	4,806	29,605	111,497	6,146	117,643
TOTAL FUNCTIONAL EXPENSES	$ 296,387	$ 179,261	$ 198,988	$ 215,759	$ 273,750	$ 157,690	$ 457,284	$ 1,779,119	$ 487,042	$ 2,266,161

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	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	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 252,970	$ 78,865	$ 361,094	$ 137,085	$ 177,156	$ 113,806	$ 226,176	$ 1,347,152	$ 349,228	$ 1,696,380
Employee benefits	22,987	4,736	33,730	10,428	13,023	9,923	22,505	117,332	26,516	143,848
Payroll taxes	18,846	6,029	26,118	10,059	13,739	8,540	16,134	99,465	25,860	125,325
TOTAL PAYROLL AND RELATED EXPENSES	294,803	89,630	420,942	157,572	203,918	132,269	264,815	1,563,949	401,604	1,965,553
Conferences and meetings	4,315	7,238	29,143	308	7,351	352	3,333	52,040	15,119	67,159
Depreciation	-	-	-	-	-	-	-	-	32,574	32,574
Insurance	3,075	556	3,874	1,210	1,784	1,016	2,523	14,038	2,920	16,958
Equipment rental and maintenance	1,931	693	8,130	933	1,490	713	3,543	17,433	7,569	25,002
Miscellaneous	3,113	280	125	-	-	-	985	4,503	8,003	12,506
Occupancy	15,169	3,469	43,244	6,878	8,746	5,298	10,349	93,153	16,845	109,998
Office supplies	33,102	3,817	6,927	1,835	8,017	6,231	5,047	64,976	4,930	69,906
Postage	891	526	550	295	669	245	570	3,746	889	4,635
Printing and publications	-	1,955	9,203	520	7,597	278	3,556	23,109	1,716	24,825
Professional	20,845	4,428	304,783	8,523	9,626	6,013	19,226	373,444	49,616	423,060
Specific assistance for individuals	-	243	6,669	-	-	-	40	6,952	20	6,972
Telephone and internet	9,595	2,446	13,379	4,540	7,430	1,406	6,719	45,515	6,493	52,008
Travel	35,240	9,491	26,688	7,897	18,170	4,400	14,979	116,865	6,339	123,204
TOTAL FUNCTIONAL EXPENSES	$ 422,079	$ 124,772	$ 873,657	$ 190,511	$ 274,798	$ 158,221	$ 335,685	$ 2,379,723	$ 554,637	$ 2,934,360

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, 2016 and no temporarily or permanently restricted net assets as of June 30, 2015.

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, 2016.

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, 2016 and 2015.

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 thirty-nine 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):

- 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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fundraising Expenses

Fundraising expenses, which are included in management and general expenses on the Statement of Activities and the Statement of Functional Expenses, amounted to approximately $61,620 for 2016 ($37,390 for 2015).

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.

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, 2016 and December 16, 2016, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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 84% 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, 2016. During 2015, 86% of the Agency's contributions revenue were from two contributors.

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:

	2016	2015
Certificates of deposit	$ 260,418	$ 260,620
Money market funds	-	1,129,467
Mutual funds	1,513,008	153,531
	$ 1,773,426	$ 1,543,618

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

	2016	2015
Interest and dividend income	$ 11,043	$ 15,183
Unrealized gains (losses)	8,645	(4,962)
Total investment income	$ 19,688	$ 10,221

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the remaining two installments 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:

	2016	2015
State of Tennessee Department of Mental Health	$ 254,375	$ 292,879
Advantage Behavioral Health	90,350	41,498
Volunteer Behavioral Health	2,250	125
State of Tennessee Department of Children's Services	52,581	68,585
	$ 399,556	$ 403,087

NOTE 6 - PROPERTY, BUILDING AND EQUIPMENT

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

	2016	2015
Land	$ 200,604	$ 200,604
Buildings and improvements	1,115,806	1,115,806
Furniture and equipment	147,708	113,840
	1,464,118	1,430,250
Less: accumulated depreciation	(364,866)	(327,211)
	$ 1,099,252	$ 1,103,039

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 is secured by a deed of trust on the property. The note matures in monthly principal and interest payments of $7,131 through August 2022. The Agency owed $471,381 on the mortgage at June 30, 2016 ($536,424 at June 30, 2015).

In September 2015, TVC entered into a loan agreement with a financial institution to finance the purchase of an Agency vehicle. The note bears an annual percentage rate of 2.9%. The note matures in monthly principal and interest payments of $513 through November 2021. The Agency owed $30,419 on the loan at June 30, 2016.

Annual principal maturities of the notes payable as of June 30, 2016, are as follows:

Year ending June 30,	
2017	$ 74,260
2018	77,221
2019	80,298
2020	83,497
2021	86,824
Thereafter	99,700
	$ 501,800

Total interest expense was $21,194 and $27,209 for the years ended June 30, 2016 and 2015, 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
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
2015				
Investments:				
Money Market Funds	$ 1,129,467	$ -	$ -	$ 1,129,467
Mutual Fund:				
Balance Fund	153,531	-	-	153,531
Total investments at fair value	$ 1,282,998	$ -	$ -	$ 1,282,998

NOTE 9 - OPERATING LEASES

The Agency operated under month-to-month cancelable leases for certain satellite offices. Total rent expense for office space was approximately $9,205 and $46,000 for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016, all leases have been cancelled.

NOTE 10 - 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 11 - 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, 2016 and 2015. TVC also made nonelective contributions to the Plan in 2016 and 2015. Total contributions amounted to $19,417 and $29,657 for the years ended June 30, 2016 and 2015, respectively.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016:

Time restricted contributions receivable	$ 130,000
Consultation fees to obtain CARF accreditation	99,000
Family support training	50,000
Qualifacts training and support	16,350
Junior League presentations	4,000
	$ 299,350

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2016, the Agency entered into a contract to sell its current building for $2,450,000 on January 9, 2017. Additionally, the Agency is under contract to purchase a new building for $608,750 on January 10, 2017.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

Grant Description		Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/15	Federal Receipts	Expenditures	Accrued (Deferred) 6/30/16
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
DIRECT:								
Head Start		93.600	N/A	07/01/15 - 06/30/16	$ -	$ 7,622	$ 7,622	$ -
TOTAL DIRECT FROM U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					-	7,622	7,622	-
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH								
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		93.104	N/A	10/01/13 - 09/30/15	91,654	198,349	106,695	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		93.104	N/A	07/01/14 - 06/30/15	44,241	44,241	-	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		93.104	N/A	10/01/15 - 09/30/16	-	89,945	131,837	41,892
Block Grants for Community Mental Health Services		93.958	N/A	07/01/14 - 06/30/15	27,722	27,722	-	-
Block Grants for Community Mental Health Services		93.958	N/A	07/01/15 - 06/30/16	-	160,556	189,995	29,439
Block Grants for Community Mental Health Services		93.958	N/A	07/01/14 - 06/30/15	13,199	13,199	-	-
Block Grants for Community Mental Health Services		93.958	N/A	07/01/15 - 06/30/16	-	101,732	122,600	20,868
Block Grants for Prevention and Treatment of Substance Abuse		93.959	N/A	07/01/14 - 06/30/15	4,065	4,065	-	-
Block Grants for Prevention and Treatment of Substance Abuse		93.959	N/A	07/01/15 - 06/30/16	-	56,475	74,955	18,480
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	11/01/15 - 09/30/15	33,663	136,765	103,102	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	10/01/15 - 09/30/16	-	81,679	112,772	31,093
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	01/15/15 - 09/30/15	22,634	74,852	52,218	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	10/01/15 - 09/30/16	-	46,950	92,076	45,126
TOTAL PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH					237,178	1,036,530	986,250	186,898
PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH:								
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	07/01/14 - 06/30/15	3,417	3,417	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	10/01/13 - 09/30/15	38,081	38,081	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	10/01/14 - 09/30/15	-	51,512	51,512	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	10/01/15 - 09/30/16	-	162,738	253,088	90,350
TOTAL PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH:					41,498	255,748	304,600	90,350
PASSED THROUGH VOLUNTEER BEHAVIORAL HEALTH:								
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	*	93.243	N/A	07/01/15 - 06/30/15	125	10,375	12,500	2,250
TOTAL PASSED THROUGH VOLUNTEER BEHAVIORAL HEALTH:					125	10,375	12,500	2,250
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					278,801	1,310,275	1,310,972	279,498
US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT								
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES								
Child Abuse Prevention		93.590	N/A	07/01/15 - 6/30/16	4,150	819	-	3,331
TOTAL US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					4,150	819	-	3,331
TOTAL EXPENDITURES OF FEDERAL AWARDS					$ 282,951	$ 1,311,094	$ 1,310,972	$ 282,829

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

Summary of Expenditures by CFDA Number

93.104	$ 238,532
93.243	677,268
93.600	7,622
93.958	312,595
93.959	74,955
Total	$ 1,310,972

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 21.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/15	State Receipts	Expenditures	Accrued (Deferred) 6/30/16
STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH						
Family Support and Advocacy	N/A	07/01/15 - 06/30/16	$ -	$ 269,129	$ 330,000	$ 60,871
Family Support and Advocacy	N/A	07/01/14 - 06/30/15	46,964	46,964	-	-
Family Support Providers	N/A	07/01/14 - 06/30/15	8,736	8,736	-	-
System of Care Expansion Initiatve	N/A	10/01/15 - 06/30/16	-	33,635	40,241	6,606
TOTAL STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH			55,700	358,464	370,241	67,477
STATE OF TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES						
Child Abuse Prevention	45285	07/01/15 - 06/30/16	9,785	59,785	50,000	-
Intensive In-Home Family Preservation Services	GR-40330	07/01/14 - 06/30/15	54,650	54,650	-	-
Intensive In-Home Family Preservation Services	GR-44961	07/01/15 - 06/30/16	-	204,950	254,200	49,250
TOTAL STATE OF TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			64,435	319,385	304,200	49,250
TOTAL EXPENDITURES OF STATE AWARDS			$ 120,135	$ 677,849	$ 674,441	$ 116,727

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 21.

TENNESSEE VOICES FOR CHILDREN, INC.

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

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards 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 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. 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, 2016, 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 16, 2016.

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.

KraftCPAs PLLC

Nashville, Tennessee
December 16, 2016

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, 2016. 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, 2016.

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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.

KraftCPAs PLLC

Nashville, Tennessee
December 16, 2016

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2016

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*
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance

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

Section II - Financial Statement Findings

PRIOR YEAR

2015-1 Internal control over payroll processing transactions and compliance with allowable cost

Criteria:

Management is responsible for establishing and maintaining effective internal control over financial reporting so that financial statements are complete, accurate, and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Statement of Condition/Cause/Context:

Personnel involved in the processing of payroll did not correctly calculate payroll based on the time worked per the approved employee timesheets, due to the inputs being manual process. As a result, actual amounts paid to some employees were not for the proper amounts.

Effect:

Accounting records were misstated as a result of the improper amounts paid to certain employees, and as a result grant reimbursement requests were for improper amounts.

Recommendation:

We recommend that management enhance the controls around its payroll processing to detect such errors in payroll processing and ensure employees are paid for the actual time worked.

Management's Response:

Management agrees with the audit finding and has developed internal controls that will be effective at detecting errors in payroll processing.

CURRENT YEAR

None to report in the current year.

Section III - Federal Award Findings

PRIOR YEAR

2015-1 Internal control over compliance for reporting allowable cost

See Section II - item 2015-1 for a description of this finding as it relates to both internal control over financial reporting and federal awards.

CURRENT YEAR

None to report in the current year.