TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2014 AND 2013

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

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JUNE 30, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 the U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015 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
January 8, 2015

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash	$ 274,916	$ 450,806
Investments	1,806,420	1,778,057
Grants receivable	563,563	637,627
Other receivables	7,022	24,585
Prepaid expenses and other	43,632	32,241
Property, building and equipment, net	1,135,630	1,169,660
TOTAL ASSETS	$ 3,831,183	$ 4,092,976
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 34,851	$ 139,380
Accrued expenses and other	148,209	211,246
Deferred revenue	1,781	7,908
Note payable	598,739	658,259
TOTAL LIABILITIES	783,580	1,016,793
NET ASSETS		
Unrestricted:		
Designated for property, building and equipment, net of related debt	536,891	511,401
Undesignated	2,510,712	2,564,782
TOTAL NET ASSETS	3,047,603	3,076,183
TOTAL LIABILITIES AND NET ASSETS	$ 3,831,183	$ 4,092,976

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
SUPPORT AND REVENUE		
Grants and other contracts	$ 2,969,332	$ 3,297,870
Contributions	45,083	42,239
Conferences and other meetings	48,014	1,165
Investment income	27,781	23,157
Miscellaneous	39,493	17,565
TOTAL SUPPORT AND REVENUE	3,129,703	3,381,996
EXPENSES		
Program services	2,609,680	2,791,757
Supporting services:		
Management and general	548,603	620,376
TOTAL EXPENSES	3,158,283	3,412,133
CHANGE IN NET ASSETS	(28,580)	(30,137)
NET ASSETS - BEGINNING OF YEAR	3,076,183	3,106,320
NET ASSETS - END OF YEAR	$ 3,047,603	$ 3,076,183

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (28,580)	$ (30,137)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	32,574	32,574
Unrealized gains on investments	(18,959)	(15,014)
Loss on disposal of property and equipment	1,456	-
(Increase) decrease in:		
Grants receivable	74,064	96,368
Other receivables	17,563	17,224
Prepaid expenses and other	(11,391)	4,460
Increase (decrease) in:		
Accounts payable	(104,529)	10,900
Accrued expenses and other	(63,037)	7,987
Deferred revenue	(6,127)	(8,420)
TOTAL ADJUSTMENTS	(78,386)	146,079
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(106,966)	115,942
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,404)	(9,329)
NET CASH USED IN INVESTING ACTIVITIES	(9,404)	(9,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(59,520)	(56,732)
NET CASH USED IN FINANCING ACTIVITIES	(59,520)	(56,732)
(DECREASE) INCREASE IN CASH	(175,890)	49,881
CASH - BEGINNING OF YEAR	450,806	400,925
CASH - END OF YEAR	$ 274,916	$ 450,806
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	$ 30,362	$ 33,150

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES								SUPPORTING SERVICES	
	EARLY CONNECTION NETWORK	JUSTCARE FAMILY NETWORK	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	$ 287,999	$ 173,497	$ 455,076	$ 136,413	$ 189,201	$ 115,200	$ 217,542	$ 1,574,928	$ 384,089	$ 1,959,017
Employee benefits	29,654	16,212	38,149	15,940	17,333	11,930	21,628	150,846	24,310	175,156
Payroll taxes	22,497	13,167	34,390	10,543	15,010	9,016	16,773	121,396	26,037	147,433
TOTAL PAYROLL AND RELATED EXPENSES	340,150	202,876	527,615	162,896	221,544	136,146	255,943	1,847,170	434,436	2,281,606
Conferences and meetings	5,175	1,767	38,464	945	4,203	705	52,835	104,094	13,001	117,095
Depreciation	-	-	-	-	-	-	-	-	32,574	32,574
Insurance	2,981	1,997	4,531	1,391	1,556	1,081	2,673	16,210	2,768	18,978
Equipment rental and maintenance	4,331	-	9,576	949	2,356	1,390	3,790	22,392	6,164	28,556
Miscellaneous	3,890	-	1,125	-	-	-	810	5,825	-	5,825
Occupancy	19,064	-	50,093	8,550	11,829	6,323	14,688	110,547	19,962	130,509
Office supplies	35,210	-	18,266	1,477	2,799	1,049	14,913	73,714	6,322	80,036
Postage	886	71	1,289	437	720	311	1,518	5,232	1,463	6,695
Printing and publications	7	3	5,525	169	5,547	104	7,560	18,915	3,570	22,485
Professional	21,224	11,025	77,223	7,001	11,016	4,891	86,248	218,628	15,857	234,485
Specific assistance for individuals	-	-	2,466	-	-	-	38	2,504	-	2,504
Telephone	7,959	3,067	15,333	3,511	7,774	1,518	6,580	45,742	6,332	52,074
Travel	33,793	7,418	42,550	7,755	22,760	4,411	20,020	138,707	6,154	144,861
TOTAL FUNCTIONAL EXPENSES	$ 474,670	$ 228,224	$ 794,056	$ 195,081	$ 292,104	$ 157,929	$ 467,616	$ 2,609,680	$ 548,603	$ 3,158,283

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES								SUPPORTING SERVICES	
	EARLY CONNECTION NETWORK	JUSTCARE FAMILY NETWORK	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	$ 290,828	$ 210,439	$ 480,949	$ 109,254	$ 209,833	$ 110,793	$ 209,858	$ 1,621,954	$ 363,097	$ 1,985,051
Employee benefits	20,086	17,336	41,727	14,282	22,018	11,142	19,410	146,001	20,567	166,568
Payroll taxes	25,094	16,565	40,678	9,113	17,686	9,616	17,026	135,778	27,357	163,135
TOTAL PAYROLL AND RELATED EXPENSES	336,008	244,340	563,354	132,649	249,537	131,551	246,294	1,903,733	411,021	2,314,754
Conferences and meetings	12,732	4,062	35,464	298	2,886	625	9,904	65,971	24,778	90,749
Depreciation	-	-	-	-	-	-	-	-	32,574	32,574
Insurance	1,910	1,839	3,559	807	1,344	790	1,587	11,836	1,134	12,970
Equipment rental and maintenance	3,700	-	6,274	1,331	2,759	1,178	2,449	17,691	3,598	21,289
Miscellaneous	985	-	10,529	-	-	-	200	11,714	13,965	25,679
Occupancy	21,029	3,960	56,552	6,651	19,535	7,078	15,131	129,936	11,098	141,034
Office supplies	10,728	-	70,874	1,455	4,608	1,534	19,643	108,842	-	108,842
Postage	964	236	1,081	305	1,012	152	974	4,724	697	5,421
Printing and publications	473	190	9,931	265	1,931	8	9,328	22,126	7,030	29,156
Professional	36,527	21,041	145,387	6,639	13,921	4,909	29,154	257,578	100,473	358,051
Specific assistance for individuals	-	-	9,222	-	-	-	173	9,395	-	9,395
Telephone	7,871	4,470	17,439	3,876	10,522	1,377	7,437	52,992	5,621	58,613
Travel	46,583	16,336	63,015	10,204	27,733	5,137	26,211	195,219	8,387	203,606
TOTAL FUNCTIONAL EXPENSES	$ 479,510	$ 296,474	$ 992,681	$ 164,480	$ 335,788	$ 154,339	$ 368,485	$ 2,791,757	$ 620,376	$ 3,412,133

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 bridge the gap between professionals and family members so that they can work as a team to do what is best for the child and family. 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 temporarily or permanently restricted net assets as of June 30, 2014 or 2013.

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.

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 and 2013.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

· JustCare Family Network - provides a service infrastructure to serve the needs of families of children and youth with serious emotional disturbance in Shelby County, Tennessee. The program is family-driven and includes community-based mental health delivery that engages youth and their families. Youth engagement and community outreach are enhanced through high fidelity wraparound services to families and children, partnerships with local secular and faith-based youth organizations, as well as partnerships with the schools, traditional service providers, policy makers, and community natural support services.

§ 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.

§ 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued):

Program Services (continued):

- 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.

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. TVC's returns for years prior to fiscal year end June 30, 2012 are no longer open to examination.

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)

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.

Reclassifications

Certain reclassifications have been made to prior year amounts in order to be comparative with the current year presentation.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2014 and January 8, 2015, 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 AND OFF-BALANCE-SHEET RISK

Grants receivable represent concentrations of credit risk to the extent the grants are receivable from concentrated sources. TVC receives over 95% of its funding from federal, state and local grants and contracts.

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:

	2014	2013
Certificates of deposit	$ 260,620	$ 258,935
Money market funds	1,398,422	1,393,040
Mutual funds	147,378	126,082
	$ 1,806,420	$ 1,778,057

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

	2014	2013
Interest and dividend income	$ 8,822	$ 8,143
Unrealized gains	18,959	15,014
Total investment income	$ 27,781	$ 23,157

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	2014	2013
U.S. Department of Health and Human Services	$ 390	$ 5,530
State of Tennessee Department of Mental Health	323,682	394,412
Advantage Behavioral Health	120,303	100,198
State of Tennessee Department of Education	-	5,000
Shelby County, Tennessee	67,542	94,868
State of Tennessee Department of Children’s Services	51,646	37,619
	$ 563,563	$ 637,627

NOTE 5 - PROPERTY, BUILDING AND EQUIPMENT

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

	2014	2013
Land	$ 200,604	$ 200,604
Buildings and improvements	1,115,806	1,121,275
Furniture and equipment	114,217	206,174
	1,430,627	1,528,053
Less: accumulated depreciation	(294,997)	(358,393)
	$ 1,135,630	$ 1,169,660

NOTE 6 - NOTE 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 March 2009 at an annual rate of 5.95% and again in November 2011, lowering the rate to 4.75%. The loan is secured by a deed of trust on the property. The note matures in monthly principal and interest payments of $7,490 through August 2022.

Annual principal maturities of the note payable as of June 30, 2014, are as follows:

Year ending June 30,	
2015	$ 62,164
2016	65,182
2017	68,346
2018	71,664
2019	75,143
Thereafter	256,240
	$ 598,739

Total interest expense was $30,362 and $33,150 for the years ended June 30, 2014 and 2013, respectively, which is included in occupancy expense on the Statement of Functional Expenses.

NOTE 7 - 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
2014				
Investments:				
Money market funds	$1,398,422	$ -	$ -	$1,398,422
Mutual fund:				
Equity Investment Funds - Balance Fund	147,378	-	-	147,378
Total investments at fair value	$1,545,800	$ -	$ -	$1,545,800
2013				
Investments:				
Money market funds	$1,393,040	$ -	$ -	$1,393,040
Mutual fund:				
Equity Investment Funds - Balance Fund	126,082	-	-	126,082
Total investments at fair value	$1,519,122	$ -	$ -	$1,519,122

NOTE 8 - OPERATING LEASES

The Agency operates under month-to-month cancelable lease for certain satellite offices.

Total rent expense was approximately $52,050 and $60,060 for the years ended June 30, 2014 and 2013, respectively.

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 their date of hire. Upon completion of three months 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, 2014 and 2013. TVC also made nonelective contributions to the Plan in 2014 and 2013. Total contributions amounted to $28,142 and $26,741 for the years ended June 30, 2014 and 2013, respectively.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Grant Description		Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/13	Federal Receipts	Expenditures	Accrued (Deferred) 6/30/14
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
DIRECT:								
Head Start		93.600	N/A	08/01/13 - 06/30/14	$ -	$ 9,592	$ 9,982	$ 390
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	5HR1SM059891-03	09/30/12 - 09/29/13	5,530	25,997	20,467	-
TOTAL DIRECT FROM U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					5,530	35,589	30,449	390
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH								
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	*	93.104	GR-1338486-02	07/01/12 - 09/30/13	334,661	334,661	-	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	*	93.104	N/A	07/01/13 - 09/30/14	-	770,820	949,523	178,703
Block Grants for Community Mental Health Services	*	93.958	N/A	07/01/12 - 06/30/13	11,030	11,030	-	-
Block Grants for Community Mental Health Services	*	93.958	N/A	07/01/13 - 06/30/14	-	169,422	189,592	20,170
Block Grants for Community Mental Health Services	*	93.958	GR-1338557	07/01/12 - 06/30/13	18,897	18,897	-	-
Block Grants for Community Mental Health Services	*	93.958	N/A	07/01/13 - 06/30/14	-	95,987	122,277	26,290
Block Grants for Prevention and Treatment of Substance Abuse		93.959	GR-1338782	07/01/12 - 06/30/13	8,216	8,216	-	-
Block Grants for Prevention and Treatment of Substance Abuse		93.959	N/A	07/01/13 - 06/30/14	-	52,571	68,846	16,275
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	N/A	11/01/13 - 09/30/14	-	34,430	57,482	23,052
TOTAL PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH					372,804	1,496,034	1,387,720	264,490
PASSED THROUGH TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES								
Community Based Child Abuse Prevention Grants		93.590	31775	07/01/12 - 06/30/14	1,937	6,017	14,826	10,746
PASSED THROUGH SHELBY COUNTY, TENNESSEE:								
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	*	93.104	N/A	07/01/12 - 08/31/13	94,868	94,868	-	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	*	93.104	N/A	09/01/13 - 09/30/14	-	207,532	275,074	67,542
TOTAL PASSED THROUGH SHELBY COUNTY, TENNESSEE					94,868	302,400	275,074	67,542
PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH:								
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	N/A	07/01/12 - 08/31/13	100,198	100,198	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance		93.243	N/A	09/01/13 - 09/30/14	-	438,121	558,424	120,303
TOTAL PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH					100,198	538,319	558,424	120,303
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					575,337	2,378,359	2,266,493	463,471
U.S. DEPARTMENT OF EDUCATION								
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF EDUCATION								
Team Tennessee Training		84.393A	N/A	07/01/12 - 06/30/13	5,000	5,000	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION					5,000	5,000	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					$ 580,337	$ 2,383,359	$ 2,266,493	$ 463,471

* Considered a major program under OMB Circular A-133.

Summary of Expenditures by CFDA Number

93.104	$ 1,224,597
93.243	636,373
93.590	14,826
93.600	9,982
93.958	311,869
93.959	68,846
Total	$ 2,266,493

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 20.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/13	State Receipts	Expenditures	Accrued (Deferred) 6/30/14
TENNESSEE DEPARTMENT OF MENTAL HEALTH						
Child Care Consultation	N/A	07/01/12 - 06/30/13	$ 11,673	$ 11,673	$ -	$ -
Family Support and Advocacy	N/A	07/01/13 - 06/30/14	-	278,010	329,442	51,432
Family Support Providers	N/A	07/01/13 - 06/30/14	9,935	57,065	54,890	7,760
TOTAL TENNESSEE DEPARTMENT OF MENTAL HEALTH			21,608	346,748	384,332	59,192
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES						
Child Abuse Prevention	31775	07/01/12 - 06/30/14	4,232	24,497	20,265	-
Intensive In-Home Family Preservation Services	GR-1339396	07/01/12 - 06/30/13	31,450	31,450	-	-
Intensive In-Home Family Preservation Services	GR-35546	07/01/13 - 06/30/14	-	207,750	248,650	40,900
TOTAL TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			35,682	263,697	268,915	40,900
TOTAL EXPENDITURES OF STATE AWARDS			$ 57,290	$ 610,445	$ 653,247	$ 100,092

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 20.

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, 2014

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

OTHER REPORTS

KraftCPAs PLLC

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, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2015.

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. However, material weaknesses may exist that have not been identified.

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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
January 8, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of TVC's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2014.

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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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KraftCPAs PLLC

Nashville, Tennessee
January 8, 2015

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	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 auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	________ yes	x no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
93.958	Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	________ yes	x no

Section II - Financial Statement Findings

PRIOR YEAR

2013-1 Internal control over certain accounting transactions and financial reporting and compliance with allowable costs

Status:

This finding was resolved during 2014.

CURRENT YEAR

None to report in the current year.

Section III - Federal Award Findings

PRIOR YEAR

2013-2 Internal control over compliance for reporting allowable cost (see also Section II - item 2013-1)

U.S. Department of Health and Human Services
CFDA #93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
Passed through The State of Tennessee Department of Mental Health, Shelby County, Tennessee, and Advantage Behavioral Health

Status:

This finding was resolved during 2014.

CURRENT YEAR

None to report in the current year.