

FAMILY AND CHILDREN'S SERVICE

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

June 30, 2009 and 2008

FAMILY AND CHILDREN'S SERVICE

TABLE OF CONTENTS

Independent Auditor's Report.....	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 14
Supplemental Information:	
Schedule of Expenditures of Federal and State Awards.....	15 – 16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 – 18
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	19 – 20
Schedule of Findings and Questioned Costs	21 – 22
Summary Schedule of Prior Audit Findings.....	23



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family and Children's Service
Nashville, Tennessee

We have audited the accompanying statements of financial position of Family and Children's Service (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family and Children's Service as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2009, on our consideration of Family and Children's Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dem + Hand, PLLC

October 13, 2009

FAMILY AND CHILDREN'S SERVICE
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 509,589	\$ 376,101
Receivables from federal and state grants	141,848	219,473
Unconditional promises to give	464,475	497,262
Other receivables, net of allowance for doubtful accounts of \$0 and \$4,317, respectively	<u>32,159</u>	<u>36,318</u>
Total current assets	1,148,071	1,129,154
Land, building and equipment, net	752,586	793,017
Investments	<u>3,014,983</u>	<u>3,870,888</u>
Total assets	<u>\$ 4,915,640</u>	<u>\$ 5,793,059</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 72,641	\$ 100,903
Accrued employee leave	<u>94,299</u>	<u>124,494</u>
Total liabilities	<u>166,940</u>	<u>225,397</u>
Net assets:		
Unrestricted:		
Designated for endowment	2,183,126	2,183,126
Other unrestricted	<u>2,043,535</u>	<u>2,727,708</u>
Total unrestricted	4,226,661	4,910,834
Temporarily restricted	<u>522,039</u>	<u>656,828</u>
Total net assets	<u>4,748,700</u>	<u>5,567,662</u>
Total liabilities and net assets	<u>\$ 4,915,640</u>	<u>\$ 5,793,059</u>

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support from operations:			
Federal and state grants and fees	\$ 2,284,826	\$ -	\$ 2,284,826
United Way	515,763	450,475	966,238
Other grants	410,214	7,000	417,214
Contributions	137,375	2,982	140,357
Program service fees	28,332	-	28,332
Special events, net of direct benefit costs of \$49,753	105,799	-	105,799
Net assets released from restrictions	595,246	(595,246)	-
	<u>4,077,555</u>	<u>(134,789)</u>	<u>3,942,766</u>
Total revenue and other support from operations			
Operating expenses:			
Program services	3,342,996	-	3,342,996
Management and general	441,832	-	441,832
Fundraising	317,168	-	317,168
	<u>4,101,996</u>	<u>-</u>	<u>4,101,996</u>
Total operating expenses			
Change in net assets before investment activity	<u>(24,441)</u>	<u>(134,789)</u>	<u>(159,230)</u>
Investment activity:			
Interest and dividends	104,165	-	104,165
Realized and unrealized losses	(763,897)	-	(763,897)
	<u>(659,732)</u>	<u>-</u>	<u>(659,732)</u>
Total investment loss			
Change in net assets	(684,173)	(134,789)	(818,962)
Net assets - beginning of year	<u>4,910,834</u>	<u>656,828</u>	<u>5,567,662</u>
Net assets - end of year	<u>\$ 4,226,661</u>	<u>\$ 522,039</u>	<u>\$ 4,748,700</u>

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support from operations:			
Federal and state grants and fees	\$ 2,506,855	\$ -	\$ 2,506,855
United Way	656,640	478,262	1,134,902
Other grants	692,050	95,981	788,031
Contributions	193,881	8,176	202,057
Program service fees	155,173	-	155,173
Special events, net of direct benefit costs of \$46,210	178,770	-	178,770
Miscellaneous	2,085	-	2,085
Net assets released from restrictions	815,562	(815,562)	-
	<u>5,201,016</u>	<u>(233,143)</u>	<u>4,967,873</u>
Total revenue and other support from operations			
Operating expenses:			
Program services	4,313,760	-	4,313,760
Management and general	737,017	-	737,017
Fundraising	289,157	-	289,157
	<u>5,339,934</u>	<u>-</u>	<u>5,339,934</u>
Total operating expenses			
Change in net assets before investment activity	<u>(138,918)</u>	<u>(233,143)</u>	<u>(372,061)</u>
Investment activity:			
Interest and dividends	119,581	-	119,581
Realized and unrealized losses	(286,919)	-	(286,919)
	<u>(167,338)</u>	<u>-</u>	<u>(167,338)</u>
Total investment loss			
Change in net assets	(306,256)	(233,143)	(539,399)
Net assets - beginning of year	<u>5,217,090</u>	<u>889,971</u>	<u>6,107,061</u>
Net assets - end of year	<u>\$ 4,910,834</u>	<u>\$ 656,828</u>	<u>\$ 5,567,662</u>

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2009

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,105,660	\$ 167,253	\$ 194,228	\$ 2,467,141
Professional fees	209,240	68,249	14,346	291,835
Employee benefits	236,137	41,046	13,253	290,436
Payroll taxes	162,976	39,185	10,989	213,150
Financial aid	135,600	-	-	135,600
Occupancy	96,082	13,493	4,333	113,908
Travel	99,117	14,462	244	113,823
Equipment and building expense	61,642	12,460	10,735	84,837
Supplies	59,401	20,300	1,676	81,377
Telephone	37,492	7,372	1,948	46,812
Depreciation	37,917	5,118	2,099	45,134
Insurance	23,943	14,820	2,615	41,378
Miscellaneous	20,402	6,167	11,069	37,638
Advertising	5,794	1,600	28,757	36,151
Conferences and meetings	15,583	17,510	949	34,042
Organizational dues	17,017	11,185	1,266	29,468
Printing and publications	2,540	690	15,137	18,367
Postage	4,469	922	3,524	8,915
Partnership collaboration	7,094	-	-	7,094
Bad debt	4,890	-	-	4,890
	<u>\$ 3,342,996</u>	<u>\$ 441,832</u>	<u>\$ 317,168</u>	<u>\$ 4,101,996</u>

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2008

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,729,348	\$ 472,074	\$ 142,829	\$ 3,344,251
Employee benefits	312,660	47,181	19,000	378,841
Payroll taxes	246,850	83,299	9,977	340,126
Partnership collaboration	221,955	-	-	221,955
Professional fees	157,472	31,981	11,295	200,748
Occupancy	127,998	10,123	4,551	142,672
Travel	119,864	6,352	2,125	128,341
Equipment and building expense	61,705	24,398	22,407	108,510
Financial aid	108,066	-	-	108,066
Supplies	47,408	17,770	7,651	72,829
Telephone	48,526	9,474	2,652	60,652
Depreciation	42,500	4,655	1,983	49,138
Miscellaneous	26,964	4,459	12,431	43,854
Advertising	10,493	78	31,102	41,673
Insurance	23,169	12,933	2,334	38,436
Printing and publications	4,877	273	10,696	15,846
Organizational dues	10,865	3,651	1,072	15,588
Conferences and meetings	7,763	5,012	2,475	15,250
Postage	5,277	1,402	4,577	11,256
Interest	-	1,902	-	1,902
	<u>\$ 4,313,760</u>	<u>\$ 737,017</u>	<u>\$ 289,157</u>	<u>\$ 5,339,934</u>

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (818,962)	\$ (539,399)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,134	49,138
Unrealized and realized losses on investments	763,897	286,919
Changes in operating assets and liabilities:		
Receivables from federal and state grants	77,625	39,713
Unconditional promises to give	32,787	260,387
Other receivables	4,159	123,540
Accounts payable and accrued expenses	(28,262)	10,800
Accrued employee leave	(30,195)	(40,016)
Net cash provided by operating activities	<u>46,183</u>	<u>191,082</u>
Cash flows from investing activities:		
Proceeds from sale of investments	184,801	165,570
Purchase of investments	(92,793)	(126,530)
Purchase of equipment	(4,703)	(47,684)
Net cash provided by (used in) investing activities	<u>87,305</u>	<u>(8,644)</u>
Cash flows from financing activities:		
Borrowing on line of credit	-	160,000
Repayment of borrowings under line of credit	-	(160,000)
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	133,488	182,438
Cash and cash equivalents - beginning of year	<u>376,101</u>	<u>193,663</u>
Cash and cash equivalents - end of year	<u>\$ 509,589</u>	<u>\$ 376,101</u>
Supplemental information:		
Interest paid	<u>\$ -</u>	<u>\$ 1,902</u>

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

The purpose of Family and Children's Service (the "Organization") is to make best-practice mental health care accessible to all that need it to enable children and families to lead healthier, more fulfilling and productive lives. This is accomplished through 24-hour telephone crisis counseling, trauma counseling for child and adult victims of violence, attachment counseling to help foster and adoptive children and families form secure loving relationships, and family and individual counseling for addiction, depression, marriage and relationship issues. The Organization serves various regions throughout the State of Tennessee.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, net assets of the Organization, and changes therein are classified and reported as follows:

Unrestricted net assets

Undesignated – Net assets that are not subject to donor-imposed stipulations or designated by the Organization's Board.

Designated – Net assets designated by the Organization's Board for particular purposes, presently designated by the Board for endowment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization currently has no permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity when purchased of three months or less to be cash equivalents.

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are not restricted, or are restricted by the donor and the restriction expires during the fiscal year, are reported as increases in unrestricted net assets. All other contributions are reported as increases in temporarily or permanently restricted net assets. Management considers all unconditional promises to give to be fully collectible at June 30, 2009 and 2008. Accordingly, no allowance for doubtful accounts has been recorded in the accompanying statements of financial position.

Land, Building and Equipment

It is the Organization's policy to capitalize land, building and equipment over \$5,000. All purchases less than that amount are expensed in the period incurred. Donated land, building and equipment is reported as contributions at its estimated fair value. Unless donor-restricted, all donated land, building and equipment are reported as increases in unrestricted net assets. Building and equipment are depreciated over their useful lives using the straight-line method. Useful lives range from three years for computer equipment to forty years for building.

Investments

The Organization has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income and realized and unrealized gains and losses are reported as changes in unrestricted net assets unless the use of income has been restricted by the donor.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$36,151 and \$41,673 for the years ended June 30, 2009 and 2008, respectively.

NOTE 2 – INVESTMENTS

Investments of the Organization are stated at fair value as of June 30, 2009 and 2008 and consist of the following:

	<u>2009</u>		<u>2008</u>	
	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>	<u>Fair Market Value</u>	<u>Quoted Prices in Active Markets for Identical Items (Level 1)</u>
Mutual funds (held by Diversified Trust Company):				
Money market funds	\$ 54,397	\$ 54,397	\$ 25,046	\$ 25,046
Equity funds	1,655,546	1,655,546	2,278,964	2,278,964
Bond funds	1,212,767	1,212,767	1,423,336	1,423,336
Real estate and other	<u>92,273</u>	<u>92,273</u>	<u>143,542</u>	<u>143,542</u>
	<u>\$ 3,014,983</u>	<u>\$ 3,014,983</u>	<u>\$ 3,870,888</u>	<u>\$ 3,870,888</u>

The following schedule summarizes the investment return at June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 104,165	\$ 119,581
Realized and unrealized losses	<u>(763,897)</u>	<u>(286,919)</u>
	<u>\$ (659,732)</u>	<u>\$ (167,338)</u>

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 3 – LAND, BUILDING AND EQUIPMENT

Land, building, and equipment consists of the following at June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 89,000	\$ 89,000
Building	867,362	867,362
Building improvements	15,553	10,850
Equipment	<u>649,079</u>	<u>649,079</u>
	1,620,994	1,616,291
Less accumulated depreciation	<u>(868,408)</u>	<u>(823,274)</u>
	<u>\$ 752,586</u>	<u>\$ 793,017</u>

NOTE 4 – LINE OF CREDIT

During fiscal years 2009 and 2008, the Organization had an unsecured line of credit payable to a bank, interest at the bank's prime rate, interest only payable through maturity (August 11, 2009), at which time remaining principal and interest was due. Amounts available under the line of credit as of June 30, 2009 totaled \$328,000. No borrowings were outstanding at June 30, 2009 or 2008. Effective August 18, 2009, the Organization renewed its line of credit. The renewed line of credit bears interest at the bank's prime rate, (3.25% at August 18, 2009) is secured by all receivables, land, building and equipment, allows for maximum borrowings of \$335,000 and matures August 18, 2012.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes or periods at June 30:

	<u>2009</u>	<u>2008</u>
<u>United Way Programs</u>		
CHAMPS	\$ 139,850	\$ 140,740
Helping People in Crisis	112,915	112,915
Operations	74,440	57,310
Counseling Practice Program	65,080	33,809
Napier and Cora Howe Family Resource Centers	43,950	87,900
Survivors of Suicide Program	9,851	9,928
Relative Caregiver Program	4,389	4,389
Trauma Intervention Center	<u>-</u>	<u>31,271</u>
	450,475	478,262
Program services	57,564	159,566
Unconditional promises to give	<u>14,000</u>	<u>19,000</u>
	<u>\$ 522,039</u>	<u>\$ 656,828</u>

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 6 – BOARD DESIGNATED FOR ENDOWMENT NET ASSETS

Board designated for endowment net assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
General Endowment	\$ <u>2,183,126</u>	\$ <u>2,183,126</u>

The interest earned on board-designated for endowment net assets is available to the Organization on an unrestricted basis.

The Organization's endowment consists of board designated funds held in investment accounts. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions and board designations.

Endowment Net Asset Composition by Type of Fund as of June 30, 2009 and 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ <u>2,183,126</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,183,126</u>

Endowment Investment Policy and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to supplement annual operating expenses, while allowing sufficient long-term growth to meet future capital and budgetary requirements. Endowment assets include funds designated by the board of directors. Prohibited investments include non-liquid securities, private placements, and futures (except for hedging purposes). The use of leverage for investment purposes is expressly prohibited.

Strategies Employed for Achieving Investment Objectives

To satisfy its long term rate of return objectives, the Organization relies on a targeted mix of investments as follows: 0 – 10% cash & cash equivalents; 30 – 50% fixed income; 50 – 70% equities; 0 – 10% real estate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating monthly up to 5% of the average of the most recent thirty-six monthly investment balances, updated quarterly.

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 7 – LEASES

The Organization has operating lease commitments for office space and equipment through fiscal year 2013. The following is a schedule of future minimum lease payments at June 30, 2009:

<u>Fiscal Year</u>	
2010	\$ 88,853
2011	37,992
2012	16,930
2013	<u>2,394</u>
	<u>\$ 146,169</u>

Rent expense amounted to \$114,649 and \$139,609, respectively, for the years ended June 30, 2009 and 2008.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Organization may at times have cash amounts at financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. Cash balances were within federally insured limits at June 30, 2009.

NOTE 9 – CONCENTRATION OF REVENUE

The Organization receives a substantial amount of its revenue from federal and state grants and the United Way. A significant reduction in the amount received from either source could have an adverse effect on the operations of the Organization.

SUPPLEMENTAL INFORMATION

FAMILY AND CHILDREN'S SERVICE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2009

FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2008	Cash Receipts	Expenditures	Receivable June 30, 2009
U.S. Department of Health and Human Services Passed Through:							
TN Dept. of Health and Human Services	Families First-District 5	93.558	GR-08-22022-01	\$ 30,761	\$ 30,761	\$ -	\$ -
TN Dept. of Health and Human Services	Families First-District 5	93.558	GR-08-22022-02	-	399,956	471,461	71,505
TN Dept. of Health and Human Services	Families First-District 6	93.558	GR-08-22041-01	12,208	12,208	-	-
TN Dept. of Health and Human Services	Families First-District 6	93.558	GR-08-22041-02	-	144,183	164,301	20,118
Total for CFDA No. 93.558 *+				42,969	587,108	635,762	91,623
TN Dept. of Children's Services	Permanency Groups	93.556	GR-08-22254-00	50,292	50,292	-	-
Total for CFDA No. 93.556 *				50,292	50,292	-	-
U.S. Department of Justice Passed Through:							
TN Dept. of Finance and Administration Office of Criminal Justice	Crime Victim Assistance	16.575	Z-07-033126-00	2,355	25,454	24,673	1,574
TN Dept. of Finance and Administration Office of Criminal Justice	Crime Victim Assistance	16.575	Z-07-033140-00	7,884	77,052	73,407	4,239
TN Dept. of Finance and Administration Office of Criminal Justice	Crime Victim Assistance	16.575	Z-06-027540-00	2,456	2,456	-	-
Total for CFDA No. 16.575*				12,695	104,962	98,080	5,813
Total Federal Awards				105,956	742,362	733,842	97,436

FAMILY AND CHILDREN'S SERVICE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
Year ended June 30, 2009

STATE AWARDS

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2008	Cash Receipts	Expenditures	Receivable June 30, 2009
TN Dept. of Health and Human Services	Families First-District 5	n/a	GR-08-22022-01#	10,254	10,254	-	-
TN Dept. of Health and Human Services	Families First-District 5	n/a	GR-08-22022-02#	-	133,319	157,154	23,835
TN Dept. of Health and Human Services	Families First-District 6	n/a	GR-08-22041-01#	4,069	4,069	-	-
TN Dept. of Health and Human Services	Families First-District 6	n/a	GR-08-22041-02#	-	48,061	54,767	6,706
TN Dept. of Children's Services	Relative Caregiver Program	n/a	GR-06-17231-02	61,060	619,798	555,070	(3,668)
TN Dept. of Children's Services	Permanency Groups	n/a	GR-08-22254-00#	16,764	16,764	-	-
TN Dept. of Children's Services	Permanency Groups	n/a	GR-09-26035-01#	-	748,890	762,305	13,415
TN Dept. of Children's Services	Needs Assessment - Adoption and Foster	n/a	GR-07-18305-02	1,570	1,570	-	-
TN Dept. of Children's Services	Needs Assessment - Adoption and Foster	n/a	GR-09-26044-00	-	2,355	2,355	-
TN Dept. of Children's Services	Adoption Services	n/a	GR-08-22261-00	19,800	19,800	-	-
TN Dept. of Children's Services	Home Studies - Shelby Co.	n/a	FA-08-25307-00	-	3,311	4,136	825
TN Dept. of Children's Services	Home Studies - Upper Cumberland	n/a	FA-08-25513-00	-	11,898	15,197	3,299
Total State Awards				113,517	1,620,089	1,550,984	44,412
Total Federal and State Awards				\$ 219,473	\$ 2,362,451	\$ 2,284,826	\$ 141,848

*Cash grant receipts represent federal pass-through funds

Represents state's portion of grant

+ Indicates a major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The Supplementary Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis of accounting.



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Family and Children's Service
Nashville, Tennessee

We have audited the financial statements of Family and Children's Service as of and for the year ended June 30, 2009, and have issued our report thereon dated October 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family and Children's Service's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Family and Children's Service's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dan + Howard, PLLC

October 13, 2009



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors of
Family and Children's Service
Nashville, Tennessee

Compliance

We have audited the compliance of Family and Children's Service (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Family and Children's Service's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Family and Children's Service's management. Our responsibility is to express an opinion on Family and Children's Service's compliance based on our audit.

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 Family and Children's Service'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. Our audit does not provide a legal determination of Family and Children's Service's compliance with those requirements.

In our opinion, Family and Children's Service complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Family and Children's Service is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Family

and Children's Service's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Family and Children's Service's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasin, Dean & Hand, PLLC

October 13, 2009

FAMILY AND CHILDREN'S SERVICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2009

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Family and Children's Service.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Family and Children's Service were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Family and Children's Service expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.558	Families First – District 5
93.558	Families First – District 6

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Family and Children's Service qualified as a low-risk auditee.

FAMILY AND CHILDREN'S SERVICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year ended June 30, 2009

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FAMILY AND CHILDREN'S SERVICE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2009

None.