

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2007 AND 2006

TENNESSEE VOICES FOR CHILDREN, INC.

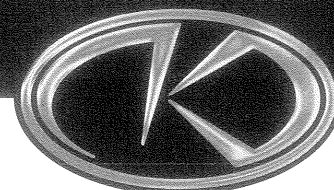
NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2007 AND 2006

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
Statement of Functional Expenses (2007).....	5
Statement of Functional Expenses (2006).....	6
Notes to Financial Statements.....	7 - 13
 <u>ADDITIONAL INFORMATION</u>	
Schedule of Expenditures of Federal Awards	14
Schedule of Expenditures of State Awards	15
Note to Schedules of Expenditures of Federal and State Awards	16
 <u>OTHER REPORTS</u>	
Independent Auditors' 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
Independent Auditors' 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 - 23



KraftCPAs
PLLC

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Tennessee Voices for Children, Inc. ("TVC") as of June 30, 2007 and 2006, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of TVC'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 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 Tennessee Voices for Children, Inc. as of June 30, 2007 and 2006, 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 a report dated February 15, 2008, on our consideration of Tennessee Voices for Children, Inc.'s internal control over financial reporting and 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 audits.

Our audits were conducted for the purpose of forming an opinion on the above-mentioned basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 14 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 the U.S. Department of Education, and is not a required part of the basic financial statements. The schedule of expenditures of state awards on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

KraftCPAs PLLC

Nashville, Tennessee
February 15, 2008

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents - Note 4	\$ 1,884,604	\$ 1,438,757
Certificates of deposit	300,000	499,063
Investments	94,760	68,100
Grants receivable - Note 2	554,300	742,189
Contributions receivable, net	-	2,856
Other receivables	10,885	9,757
Prepaid expenses and other	56,923	42,370
Furniture and equipment - at cost, less accumulated depreciation: 2007 - \$347,217; 2006 - \$333,929	<u>21,081</u>	<u>34,369</u>
TOTAL ASSETS	<u>\$ 2,922,553</u>	<u>\$ 2,837,461</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 21,929	\$ 26,382
Accrued expenses	183,516	196,650
Funds held on behalf of another agency - Note 7	<u>-</u>	<u>29,795</u>
TOTAL LIABILITIES	<u>205,445</u>	<u>252,827</u>
COMMITMENTS AND CONTINGENCIES - Notes 3 and 5		
<u>NET ASSETS</u>		
Unrestricted	2,717,108	2,581,059
Temporarily restricted	<u>-</u>	<u>3,575</u>
TOTAL NET ASSETS	<u>2,717,108</u>	<u>2,584,634</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,922,553</u>	<u>\$ 2,837,461</u>

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

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS
SUPPORT AND REVENUE			
Contributions	\$ 39,363	\$ -	\$ 39,363
Conferences	72,790	-	72,790
Federal grants	667,228	-	667,228
Other grants and contracts	1,779,674	-	1,779,674
Investment income	104,074	-	104,074
Miscellaneous	7,726	-	7,726
Net assets released from restriction	3,575	(3,575)	-
TOTAL SUPPORT AND REVENUE	2,674,430	(3,575)	2,670,855
EXPENSES			
Program services	2,199,835	-	2,199,835
Supporting services:			
Management and general	338,546	-	338,546
Fundraising	-	-	-
Total supporting services	338,546	-	338,546
TOTAL EXPENSES	2,538,381	-	2,538,381
CHANGE IN NET ASSETS	136,049	(3,575)	132,474
NET ASSETS - BEGINNING OF YEAR	2,581,059	3,575	2,584,634
SPIN-OUT OF NET ASSETS APPLICABLE TO NASHVILLE SEES - Note 7	-	-	-
NET ASSETS - END OF YEAR	\$ 2,717,108	\$ -	\$ 2,717,108

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

2006		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS
60,408	-	60,408
-	-	-
1,052,898	-	1,052,898
1,522,945	-	1,522,945
45,329	-	45,329
16,975	-	16,975
30,537	(30,537)	-
2,729,092	(30,537)	2,698,555
2,205,877	-	2,205,877
374,795	-	374,795
777	-	777
375,572	-	375,572
2,581,449	-	2,581,449
147,643	(30,537)	117,106
2,547,606	34,112	2,581,718
(114,190)	-	(114,190)
<u>\$ 2,581,059</u>	<u>\$ 3,575</u>	<u>\$ 2,584,634</u>

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 132,474	\$ 117,106
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,288	22,930
Unrealized and realized (gains) losses on investments	(8,978)	434
(Increase) decrease in:		
Grants receivable	187,889	(181,077)
Contributions receivable	2,856	2,882
Other receivables	(1,128)	14,348
Prepaid expenses and other	(14,553)	(32,470)
Increase (decrease) in:		
Accounts payable	(4,453)	(4,159)
Accrued expenses	(13,134)	46,569
Deferred revenue	-	(2,702)
TOTAL ADJUSTMENTS	<u>161,787</u>	<u>(133,245)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>294,261</u>	<u>(16,139)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption (purchases) of certificates of deposit - net	199,063	(201)
Purchases of investments	(17,682)	(22,215)
Purchases of equipment	-	(14,483)
(Increase) decrease in funds advanced to another agency - Note 7	-	14,194
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>181,381</u>	<u>(22,705)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in funds held on behalf of another agency - Note 7	(29,795)	(84,395)
NET CASH USED IN FINANCING ACTIVITIES	<u>(29,795)</u>	<u>(84,395)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	445,847	(123,239)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,438,757</u>	<u>1,561,996</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,884,604</u>	<u>\$ 1,438,757</u>
NON-CASH FINANCING ACTIVITIES		
Spin-out of net assets applicable to another agency - Note 7	<u>\$ -</u>	<u>\$ 114,190</u>

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

TENNESSEE VOICES FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	PROGRAM SERVICES										SUPPORTING SERVICES			TOTAL FUNCTIONAL EXPENSES
	CHILD					TENNESSEE PARENT								
	MENTAL HEALTH INITIATIVE NASHVILLE CONNECTION	FEDERAL FAMILIES SUPPORT NETWORK	STATEWIDE RESPITE NETWORK	EARLY CHILDHOOD INTERVENTION	FAMILY SUPPORT AND ADVOCACY	INFORMATION RESOURCE CENTER	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING				
Salaries	\$ 70,005	\$ 23,986	\$ 50,780	\$ 87,793	\$ 158,871	\$ 107,341	\$ 721,152	\$ 1,219,928	\$ 202,499	\$ -	\$ -	\$ 1,422,427		
Employee benefits	9,203	2,279	6,736	10,730	20,369	11,028	90,597	150,942	20,631	-	-	171,573		
Payroll taxes	5,260	1,713	3,974	6,813	12,459	8,647	56,360	95,226	13,528	-	-	108,754		
TOTAL PAYROLL AND RELATED EXPENSES	84,468	27,978	61,490	105,336	191,699	127,016	868,109	1,466,096	236,658	-	-	1,702,754		
Professional	15,605	6,632	1,657	6,446	17,031	12,923	97,507	157,801	28,779	-	-	186,580		
Office supplies	11,555	725	1,456	2,025	6,721	7,176	25,270	54,928	5,898	-	-	60,826		
Postage	1,621	210	363	1,190	3,300	2,387	9,805	18,876	3,454	-	-	22,330		
Meetings	4,367	-	691	1,728	5,029	5,023	2,045	18,883	7,413	-	-	26,296		
Miscellaneous	-	-	-	-	-	-	9,490	9,490	11,455	-	-	20,945		
Conferences	-	1,356	-	-	-	-	13,884	15,240	-	-	-	15,240		
Maintenance	2,756	572	319	1,427	1,758	5,616	6,602	19,050	-	-	-	19,050		
Printing and publications	7,394	700	589	1,218	3,508	2,890	14,409	30,708	1,228	-	-	31,936		
Contract services	-	-	-	-	-	12,912	38,428	51,340	-	-	-	51,340		
Telephone	2,559	2,229	686	1,360	9,614	3,460	20,579	40,487	3,327	-	-	43,814		
Insurance	1,387	91	222	361	421	-	2,594	5,076	5,979	-	-	11,055		
Rent	11,813	5,637	5,743	11,969	24,058	15,438	61,869	136,527	10,633	-	-	147,160		
Travel	19,982	9,261	336	3,875	15,194	9,573	76,067	134,288	10,434	-	-	144,722		
Stipends	480	-	-	-	-	-	39,814	40,294	-	-	-	40,294		
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	164,050	55,391	73,552	136,935	279,021	204,414	1,286,472	2,199,835	325,258	-	-	2,525,093		
Depreciation	-	-	-	-	-	-	-	-	13,288	-	-	13,288		
TOTAL FUNCTIONAL EXPENSES	\$ 164,050	\$ 55,391	\$ 73,552	\$ 136,935	\$ 279,021	\$ 204,414	\$ 1,286,472	\$ 2,199,835	\$ 338,546	\$ -	\$ -	\$ 2,538,381		

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

TENNESSEE VOICES FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	PROGRAM SERVICES										SUPPORTING SERVICES MANAGEMENT AND GENERAL			TOTAL FUNCTIONAL EXPENSES
	CHILD MENTAL HEALTH INITIATIVE NASHVILLE CONNECTION					OTHER PROGRAM SERVICES								
	FEDERAL FAMILIES SUPPORT NETWORK	STATEWIDE RESPITE NETWORK	EARLY CHILDHOOD INTERVENTION	FAMILY SUPPORT AND ADVOCACY	TOTAL	OTHER PROGRAM SERVICES	TOTAL	FUNDRAISING						
Salaries	\$ 301,720	\$ 41,877	\$ 48,824	\$ 84,599	\$ 162,095	\$ 585,414	\$ 1,224,529	\$ 214,937	\$ -	\$ 1,439,466				
Employee benefits	36,955	4,672	5,892	9,892	19,007	48,458	124,876	54,495	-	179,371				
Payroll taxes	24,201	3,333	3,913	6,587	12,707	47,278	98,019	14,668	-	112,687				
TOTAL PAYROLL AND RELATED EXPENSES	362,876	49,882	58,629	101,078	193,809	681,150	1,447,424	284,100	-	1,731,524				
Professional	104,950	5,702	1,479	7,435	18,492	96,480	234,538	39,866	-	274,404				
Office supplies	12,354	1,461	1,308	2,798	7,285	27,827	53,033	4,266	-	57,299				
Postage	4,238	517	313	1,473	2,764	10,200	19,505	1,901	27	21,433				
Meetings	2,043	-	158	723	2,978	1,489	7,391	4,477	-	11,868				
Miscellaneous	-	-	-	-	-	1,524	1,524	1,157	522	3,203				
Conferences	-	2,528	-	-	-	1,451	3,979	-	228	4,207				
Maintenance	2,368	172	258	1,411	1,325	7,704	13,238	-	-	13,238				
Printing and publications	8,665	690	735	2,278	3,745	18,885	34,998	6,144	-	41,142				
Contract services	-	-	-	-	-	47,945	47,945	-	-	47,945				
Telephone	10,622	2,938	658	2,248	8,307	14,193	38,966	2,323	-	41,289				
Insurance	2,919	-	238	381	952	2,473	6,963	726	-	7,689				
Rent	48,941	3,280	5,696	10,605	22,178	48,782	139,482	4,923	-	144,405				
Travel	19,154	8,970	837	5,082	16,021	59,502	109,566	1,982	-	111,548				
Stipends	3,574	-	-	-	-	43,751	47,325	-	-	47,325				
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	582,704	76,140	70,309	135,512	277,856	1,063,356	2,205,877	351,865	777	2,558,519				
Depreciation	-	-	-	-	-	-	-	22,930	-	22,930				
TOTAL FUNCTIONAL EXPENSES	\$ 582,704	\$ 76,140	\$ 70,309	\$ 135,512	\$ 277,856	\$ 1,063,356	\$ 2,205,877	\$ 374,795	\$ 777	\$ 2,581,449				

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

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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 the Agency's services is provided principally by federal and state grants and certain contract revenues.

Basis of presentation

The financial statements of the Agency have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted and 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 in perpetuity that the principal be invested and the income or specific portions thereof be used for operations. The Agency had no permanently restricted net assets as of June 30, 2007 and 2006.

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

	<u>2007</u>	<u>2006</u>
Memorial Foundation - Nashville Connection Program	\$ -	\$ 719
Contributions receivable in future years	<u>-</u>	<u>2,856</u>
	<u>\$ -</u>	<u>\$ 3,575</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

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 federal grant revenues from the U.S. Department of Health and Human Services (HHS) and the U.S. Department of Education (ED) and state grant revenues from the Tennessee Department of Mental Health and Developmental Disabilities (TDMHDD), and the Tennessee Department of Children's Services (TDCS). The HHS grant revenues are passed through the TDMHDD, the University of Illinois and the Tennessee Department of Finance and Administration. The ED grant revenues are passed through the University of South Florida. Grant revenues are deferred initially and recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Gifts of equipment or materials are reported 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.

Cash and cash equivalents

Cash equivalents include demand deposits with banks, time deposits and highly liquid debt instruments with original maturities when purchased of three months or less.

Certificates of deposit

Certificates of deposit are reported at cost, which approximates fair value at June 30, 2007 and 2006. All certificates of deposit at June 30, 2007, matured in January 2008.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of shares of a mutual fund and are carried at the quoted fair market value of the securities on the last business day of the reporting period. Changes in unrealized gains and losses are recognized in the statement of activities for the year.

Investment income includes unrealized gains of \$8,978 in 2007 (unrealized losses of \$434 in 2006) and the remaining balance is comprised of interest and dividends.

Allowance for uncollectible accounts/bad debts

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

Furniture and equipment

Furniture and equipment are reported at cost at the date of purchase, or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of \$1,000 or more and an estimated useful life greater than one year. Depreciable assets are depreciated by the straight-line method over their estimated useful lives, which range five to seven years.

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 fair value of the services received.

Program and supporting services

The following functional expense allocations are included in the accompanying financial statements:

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

- Nashville Connection - serves children ages 8-13 with serious emotional disturbance and their families who require services from more than one agency. It targets children at imminent risk of being removed from their homes into state custody, hospitalization or residential placement due to behavioral, emotional, or mental issues. The goal of this program is for children to be cared for in their homes, schools and communities and to help the children and their families gain the skills to enable them to manage their daily living in healthy ways.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (Continued):

Program services (Continued):

- Respite services - provides a statewide information and referral service for families with children through age 18 with any type of serious disabilities.
- Child Care Consulting - provides onsite consultation and training to parents and staff associated with preschool centers on child development, developmentally appropriate practices, classroom management, behavioral intervention and positive discipline; support for administrators; parental support and involvement; and behavioral screening, resource utilization, and self-evaluation.
- Family Support Network - provides education and empowerment to parents/caregivers on navigating the different agencies. It provides information, resources and referrals for parents and professionals, advocacy for children's and parents' rights, parent support groups, training, education and community awareness.
- Tennessee Parent Information Resource Center - provides leadership, technical assistance and support to implement parental involvement in student academic achievement; strengthens partnerships among parents and educators in meeting the educational needs of children; develops and strengthens relationships between parents and their children's educators; and provides a comprehensive approach to improving student learning.

Supporting services:

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

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

Allocation of Functional Expenses

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

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Use of estimates in the preparation of financial statements

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 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 prior year amounts have been reclassified to be comparative with the current year's presentation.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consist of the following as of June 30:

	<u>2007</u>	<u>2006</u>
U.S. Department of Health and Human Services	\$ 15,225	\$ 14,852
U.S. Department of Education	99,054	40,206
State of Tennessee Department of Mental Health and Developmental Disabilities	295,395	421,041
State of Tennessee Department of Finance and Administration	23,867	-
State of Tennessee Department of Children's Services	101,241	203,191
University of Illinois	-	19,599
University of South Florida	<u>19,518</u>	<u>43,300</u>
	<u>\$ 554,300</u>	<u>\$ 742,189</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 3 - OPERATING LEASES AND NEW MORTGAGE

The Agency has conducted its Nashville operations from a facility leased under a noncancelable operating lease. On August 23, 2007, the Agency purchased a building and relocated its operations in September 2007. The cost of the building and related improvements approximated \$1.3 million. The Agency made a down payment on the purchase and financed the balance with a 7.35% mortgage in the amount of \$977,500. The mortgage is secured by a deed of trust on the property and matures in monthly principal and interest payments of \$9,037 through August 2022.

The Agency has month-to-month leases for its Knoxville and Jackson offices. In June 2007, the Agency entered into a 35-month lease for an office in Memphis beginning August 1, 2007. Minimum future lease payments required under all noncancelable leases are: \$13,200 in 2008; \$14,400 in 2009; and \$14,400 in 2010.

Total rent expense was \$147,160 and \$144,405 for the years ended June 30, 2007 and 2006, respectively.

NOTE 4 - 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 received 79% (2006 - 81%) of its funding from federal and state grants.

TVC maintains deposit balances in accounts with several financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. Excess uninsured balances of the Agency amounted to approximately \$1,400,000 at June 30, 2007 (\$1,700,000 at June 30, 2006). In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NOTE 5 - 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.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007 AND 2006

NOTE 6 - DONATED SERVICES

Donated services consisted of consulting and planning services obtained by the Agency on the development of an internet-based, integrated clinical and enterprise information system. The Agency recognized \$46,581 of in-kind revenues and related expenses for the year ended June 30, 2006 (\$0 for the year ended June 30, 2007). The expenses are included in Child Mental Health Initiative-Nashville Connection program services in 2006.

NOTE 7 - SPIN-OUT OF NASHVILLE SEES PROGRAM AND RELATED FUNDS

TVC had contracts with the State of Tennessee Department of Human Services (the "State") and the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metro") to operate the Nashville Supports Early Education Staff (SEEs) program. This program provided full-time substitute childcare teachers in Nashville area childcare centers and family childcare homes. The contract was effective for the period from July 1, 2003 through June 30, 2005. Nashville SEEs, Inc., a Tennessee not-for-profit corporation, was organized in 2005 to take over this program. Effective July 1, 2005, TVC entered into an agreement with Nashville SEEs, Inc. providing for all fees collected by TVC from the childcare centers under grants with the State and Metro, less (i) expenses incurred by TVC that were not reimbursed by such grants, and (ii) a 10% administrative fee to be transferred to Nashville SEEs, Inc., which assumed operating control of the program. In addition, TVC transferred \$114,190 of accumulated net assets relating to this program to Nashville SEEs, Inc. Under the terms of the agreement, TVC acted as fiscal agent for Nashville SEEs, Inc. and disbursed funds for expenses of Nashville SEEs, Inc. upon request. As of June 30, 2007, all such funds have been expended.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

Grant Description	Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/06	Federal Receipts	Expenditures	Other adjustments	Accrued (Deferred) 6/30/07
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
DIRECT:								
Federal Family Support Network	93.243	5 HR1 SM56367-02	09/30/05 - 09/29/06	\$ 14,852	\$ 22,722	\$ 7,870	\$ -	\$ -
Federal Family Support Network	92.243	5 HR1 SM56367-02	09/30/06 - 09/29/07	-	28,449	43,674	-	15,225
PASSED THROUGH STATE OF TENNESSEE								
DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES:								
Child Mental Health Initiative - Nashville Connection	93.958	GR-06-17595-00	09/01/05 - 08/31/06	149,018	233,520	84,502	-	-
Child Mental Health Initiative - Nashville Connection	93.958	GR-06-18364-00	09/01/06 - 11/15/06	-	100,000	100,000	-	-
PASSED THROUGH UNIVERSITY OF ILLINOIS:								
Head Start Center on Social and Emotional Foundations for Early Learning	93.600	90YD0119	09/30/05 - 09/29/06	19,599	30,974	11,486	(111)	-
PASSED THROUGH STATE OF TENNESSEE								
DEPARTMENT OF FINANCE AND ADMINISTRATION								
Tennessee Adolescent Coordination of Treatment (T-ACT) Project	93.778	GR-07-18308-00	09/01/06 - 12/31/06	-	-	23,867	-	23,867
Council on Developmental Disabilities	96.630	GR-07-18213	07/01/06 - 09/30/06	-	4,989	4,909	80	-
U.S. DEPARTMENT OF EDUCATION								
DIRECT:								
Identification & Analysis - Use of Research-based Intervention Practices	84.324C	H324C030118	01/01/06 - 12/31/06	40,206	100,275	60,069	-	-
Identification & Analysis - Use of Research-based Intervention Practices	84.324C	H324C030118	01/06/07 - 12/31/07	-	33,234	48,507	-	15,273
Tennessee Parent Information & Resource Center (TPIRC)	* 84.310A	U310A060182	10/1/2006 - 09/30/07	-	138,406	222,187	-	83,781
PASSED THROUGH UNIVERSITY OF SOUTH FLORIDA:								
Centers on Evidence-Based Practice: Young Children with Challenging Behaviors	84.324Z	H324Z010001	01/1/06 - 12/31/06	43,300	83,939	60,157	-	19,518
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 266,975	\$ 776,508	\$ 667,228	\$ (31)	\$ 157,664

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

Summary of expenditures by CFDA number

84.324	\$ 168,733
84.310	222,187
93.958	184,502
93.243	51,544
93.600	11,486
93.630	4,909
93.778	23,867
Total	\$ 667,228

See Note to Schedules of Expenditures of Federal and State Awards.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/06	State Receipts	Expenditures	Other Adjustments	Accrued (Deferred) 6/30/07
TENNESSEE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES							
Community Mental Health Services	GR-06-17076-00	7/1/05-6/30/06	\$ 160,448	\$ 156,699	\$ -	\$ (3,749)	\$ -
Community Mental Health Services	GR-07-18124-00	7/1/06-6/30/07	-	335,122	483,782	-	148,660
Community Mental Health Services	GR-07-18124-01	7/1/06-6/30/07	-	-	10,713	-	10,713
Tennessee Respite Network	GR-06-17076-00	7/1/05-6/30/06	21,944	22,161	-	217	-
Tennessee Respite Network	GR-07-18124-00	7/1/06-6/30/07	-	61,231	85,540	-	24,309
Tennessee Respite Network	GR-07-18124-01	7/1/06-6/30/07	-	-	12,374	-	12,374
Muletown Family Network	GR-06-17753-00	2/1/06-6/30/06	89,631	89,631	-	-	-
Muletown Family Network	GR-06-17753-02	7/1/06-6/30/07	-	215,673	315,012	-	99,339
TOTAL TENNESSEE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES			272,023	880,517	907,421	(3,532)	295,395
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES							
Family Connections for Davidson County and Mid Cumberland Regions	GR-06-17404-00	8/1/05-6/30/06	168,937	168,936	-	(1)	-
Family Connections for Mid Cumberland Region	GR-07-18275	7/1/06-6/30/07	-	119,520	180,200	-	60,680
Family Connections for Davidson County	GR-07-18276	7/1/06-6/30/07	-	228,560	269,120	1	40,561
Family Connections for Hamilton County	GR-06-17778-00	3/15/06-6/30/06	34,254	33,954	-	(300)	-
Family Connections for Hamilton County	GR-06-17778-00	7/1/06-2/28/07	-	60,940	60,940	-	-
Family Connections for Hamilton County	GR-06-17778-03	7/1/06-2/28/07	-	17,886	19,187	(1,301)	-
TOTAL TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			203,191	629,796	529,447	(1,601)	101,241
TOTAL EXPENDITURES OF STATE AWARDS			\$ 475,214	\$ 1,510,313	\$ 1,436,868	\$ (5,133)	\$ 396,636

See Note to Schedules of Expenditures of Federal and State Awards.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal and State Awards include the federal and state grant activity of the Agency and are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*