

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION

AND

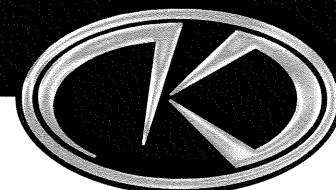
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2005 and 2004

TENNESSEE VOICES FOR CHILDREN, INC.  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
JUNE 30, 2005 and 2004

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**KraftCPAs**  
PLLC

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2005 and 2004, 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, 2005 and 2004, 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 November 9, 2005, 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 performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal 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 the U.S. Department of Education, and is not a required part of the basic financial statements. The schedule of expenditures of state awards 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  
November 9, 2005

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents - Note 4	\$ 1,561,996	\$ 1,545,213
Certificates of deposit	498,862	199,614
Investments	46,319	42,372
Grants receivable - Note 2	523,761	515,152
Contributions receivable, net - Note 7	5,738	-
Other receivables	24,105	40,394
Prepaid expenses	9,900	43,652
Furniture and equipment - at cost, less accumulated depreciation: 2005 - \$310,999; 2004 - \$273,271	<u>42,816</u>	<u>82,216</u>
TOTAL ASSETS	<u>\$ 2,713,497</u>	<u>\$ 2,468,613</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 30,541	\$ 48,841
Accrued expenses	112,730	150,168
Deferred revenue	2,702	14,911
Funds held on behalf of another agency - Note 8	<u>60,415</u>	<u>-</u>
TOTAL LIABILITIES	<u>206,388</u>	<u>213,920</u>
COMMITMENTS AND CONTINGENCIES - Notes 3 and 5		
<u>NET ASSETS</u>		
Unrestricted	2,472,997	2,236,319
Temporarily restricted	<u>34,112</u>	<u>18,374</u>
TOTAL NET ASSETS	<u>2,507,109</u>	<u>2,254,693</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,713,497</u>	<u>\$ 2,468,613</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, 2005 AND 2004

	2005		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
SUPPORT AND REVENUE			
Contributions	\$ 32,217	\$ 5,738	\$ 37,955
Conferences	29,760	-	29,760
Federal grants	1,350,308	-	1,350,308
Other grants and contracts	1,099,604	10,000	1,109,604
Interest and dividends	15,617	-	15,617
Realized and unrealized investment gain (loss) - net	(227)	-	(227)
Miscellaneous	13,780	-	13,780
	<u>2,541,059</u>	<u>15,738</u>	<u>2,556,797</u>
TOTAL SUPPORT AND REVENUE			
EXPENSES			
Program services	<u>1,979,651</u>	<u>-</u>	<u>1,979,651</u>
Supporting services:			
Management and general	318,966	-	318,966
Fundraising	<u>5,764</u>	<u>-</u>	<u>5,764</u>
Total supporting services	<u>324,730</u>	<u>-</u>	<u>324,730</u>
TOTAL EXPENSES	<u>2,304,381</u>	<u>-</u>	<u>2,304,381</u>
CHANGE IN NET ASSETS	236,678	15,738	252,416
NET ASSETS - BEGINNING OF YEAR	<u>2,236,319</u>	<u>18,374</u>	<u>2,254,693</u>
NET ASSETS - END OF YEAR	<u>\$ 2,472,997</u>	<u>\$ 34,112</u>	<u>\$ 2,507,109</u>

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

2004

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
37,348	-	37,348
-	-	-
1,947,330	-	1,947,330
1,089,269	-	1,089,269
11,177	-	11,177
4,111	-	4,111
14,640	-	14,640
<u>3,103,875</u>	<u>-</u>	<u>3,103,875</u>
<u>2,377,056</u>	<u>-</u>	<u>2,377,056</u>
323,580	-	323,580
12,817	-	12,817
<u>336,397</u>	<u>-</u>	<u>336,397</u>
<u>2,713,453</u>	<u>-</u>	<u>2,713,453</u>
390,422	-	390,422
<u>1,845,897</u>	<u>18,374</u>	<u>1,864,271</u>
<u>\$ 2,236,319</u>	<u>\$ 18,374</u>	<u>\$ 2,254,693</u>

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 252,416</u>	<u>\$ 390,422</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,400	46,847
Realized and unrealized investment (gain) loss	227	(4,111)
(Increase) decrease in:		
Grants receivable	(8,609)	7,372
Contributions receivable	(5,738)	-
Other receivables	16,289	(27,083)
Prepaid expenses	33,752	33,342
Increase (decrease) in:		
Accounts payable	(18,300)	(14,884)
Accrued expenses	(37,438)	(2,428)
Deferred revenue	<u>(12,209)</u>	<u>(27,175)</u>
TOTAL ADJUSTMENTS	<u>7,374</u>	<u>11,880</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>259,790</u>	<u>402,302</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption (purchases) of certificates of deposit - net	(299,248)	256
Purchases of investments	(4,174)	(4,012)
Purchases of equipment	<u>-</u>	<u>(2,974)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(303,422)</u>	<u>(6,730)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in funds held on behalf of another agency	<u>60,415</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>60,415</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	16,783	395,572
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,545,213</u>	<u>1,149,641</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,561,996</u>	<u>\$ 1,545,213</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, 2005

	CHILD				SUPPORTING SERVICES					
	MENTAL HEALTH INITIATIVE NASHVILLE CONNECTION	FEDERAL FAMILIES SUPPORT NETWORK	STATEWIDE RESPITE NETWORK	EARLY CHILDHOOD INTERVENTION	FAMILY SUPPORT AND ADVOCACY	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL FUNCTIONAL EXPENSES
Salaries	\$ 378,914	\$ 34,220	\$ 47,040	\$ 79,125	\$ 171,550	\$ 390,042	\$ 1,100,891	\$ 181,111	\$ -	\$ 1,282,002
Employee benefits	38,035	3,472	4,617	7,417	16,374	26,882	96,797	19,518	-	116,315
Payroll taxes	30,433	2,559	3,736	6,183	13,383	32,616	88,910	11,855	-	100,765
TOTAL PAYROLL AND RELATED EXPENSES	447,382	40,251	55,393	92,725	201,307	449,540	1,286,598	212,484	-	1,499,082
Professional	62,029	4,510	1,378	10,564	16,901	54,781	150,163	29,856	3,125	183,144
Office supplies	18,489	1,515	1,500	3,391	6,724	15,604	47,223	8,749	504	56,476
Postage	4,367	299	430	1,254	2,151	4,619	13,120	202	-	13,322
Meetings	49,499	-	527	505	2,295	1,282	54,108	19,183	-	73,291
Miscellaneous	-	-	-	-	-	-	-	50	1,405	1,455
Conferences	-	811	-	-	-	1,794	2,605	-	730	3,335
Maintenance	3,254	-	399	1,215	2,288	4,343	11,499	-	-	11,499
Printing and publications	6,205	912	1,232	2,222	2,715	10,040	23,326	4,402	-	27,728
Contract services	-	-	-	-	328	55,919	56,247	-	-	56,247
Telephone	10,582	1,245	1,319	2,444	8,410	11,996	35,996	1,429	-	37,425
Insurance	3,649	-	263	420	1,050	2,311	7,693	-	-	7,693
Rent	90,460	8,279	6,926	11,656	23,060	38,996	179,377	809	-	180,186
Travel	20,585	4,342	738	5,453	10,366	21,878	63,362	2,402	-	65,764
Stipends	10,123	-	-	-	-	38,211	48,334	-	-	48,334
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	726,624	62,164	70,105	131,849	277,595	711,314	1,979,651	279,566	5,764	2,264,981
Depreciation	-	-	-	-	-	-	-	39,400	-	39,400
TOTAL FUNCTIONAL EXPENSES	\$ 726,624	\$ 62,164	\$ 70,105	\$ 131,849	\$ 277,595	\$ 711,314	\$ 1,979,651	\$ 318,966	\$ 5,764	\$ 2,304,381

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, 2004

	PROGRAM SERVICES							SUPPORTING SERVICES		
	CHILD							MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL FUNCTIONAL EXPENSES
	YOUTH SUICIDE PREVENTION	MENTAL HEALTH INITIATIVE NASHVILLE CONNECTION	FEDERAL FAMILIES SUPPORT NETWORK	STATEWIDE RESPIRE NETWORK	EARLY CHILDHOOD INTERVENTION	FAMILY SUPPORT AND ADVOCACY	OTHER PROGRAM SERVICES	TOTAL		
Salaries	\$ 6,987	\$ 679,095	\$ 31,199	\$ 47,436	\$ 89,030	\$ 164,887	\$ 352,947	\$ 1,371,581	\$ 189,610	\$ 1,561,191
Employee benefits	681	73,048	4,005	5,529	10,067	19,600	27,409	140,339	7,775	148,114
Payroll taxes	788	55,082	2,081	3,815	7,055	12,792	29,311	110,924	15,022	125,946
<b>TOTAL PAYROLL AND RELATED EXPENSES</b>	<b>8,456</b>	<b>807,225</b>	<b>37,285</b>	<b>56,780</b>	<b>106,152</b>	<b>197,279</b>	<b>409,667</b>	<b>1,622,844</b>	<b>212,407</b>	<b>1,835,251</b>
Professional	114	65,618	3,949	755	2,256	3,637	60,045	136,374	24,025	160,399
Office supplies	13	18,788	1,468	1,920	3,886	6,127	13,805	46,007	14,031	60,038
Postage	-	2,905	270	1,974	1,489	2,660	2,479	11,777	6,442	18,219
Meetings	2,500	46,689	-	140	1,398	2,142	721	53,590	8,409	61,999
Miscellaneous	-	-	-	-	-	-	369	369	1,885	4,318
Conferences	-	-	2,377	-	-	-	1,459	3,836	-	14,589
Maintenance	-	2,782	-	399	281	1,075	3,317	7,854	-	7,854
Printing and publications	-	9,953	859	1,584	1,622	2,734	7,060	23,812	1,958	25,770
Contract services	-	-	-	-	-	-	88,135	88,135	-	88,135
Telephone	44	15,051	1,603	2,374	2,289	6,583	12,744	40,688	2,326	43,014
Insurance	-	4,519	-	-	-	-	2,578	7,097	1,371	8,468
Rent	515	106,360	9,078	6,476	11,818	19,831	37,955	192,033	1,398	193,431
Travel	-	43,604	5,822	1,076	4,558	6,204	32,927	94,191	2,481	96,672
Stipends	-	21,246	-	-	-	-	27,203	48,449	-	48,449
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>11,642</b>	<b>1,144,740</b>	<b>62,711</b>	<b>73,478</b>	<b>135,749</b>	<b>248,272</b>	<b>700,464</b>	<b>2,377,056</b>	<b>276,733</b>	<b>2,666,606</b>
Depreciation	-	-	-	-	-	-	-	-	46,847	46,847
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 11,642</b>	<b>\$ 1,144,740</b>	<b>\$ 62,711</b>	<b>\$ 73,478</b>	<b>\$ 135,749</b>	<b>\$ 248,272</b>	<b>\$ 700,464</b>	<b>\$ 2,377,056</b>	<b>\$ 323,580</b>	<b>\$ 2,713,453</b>

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

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

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

TVC reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, depending on the existence and nature of any restrictions placed on contributions by donors. The Agency had no permanently restricted net assets at June 30, 2005 and 2004.

A description of the net assets of TVC follows:

Unrestricted - Represents expendable funds available for support of operations.

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

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

	<u>2005</u>	<u>2004</u>
Thompson Foundation - purchase of equipment	\$ 16,852	\$ 16,852
Frist Foundation - resource library	1,522	1,522
Memorial Foundation - Nashville Connection Program in 2005-06	10,000	-
Contributions receivable in future years	<u>5,738</u>	<u>-</u>
	<u>\$ 34,112</u>	<u>\$ 18,374</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

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). The HHS grant revenues are passed through the TDMHDD, Vanderbilt University, the University of Illinois and the Tennessee Department of Human Services. The ED grant revenues are passed through the University of South Florida and the ARC of Tennessee. 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.

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.

Furniture and equipment

Furniture and equipment are stated at acquisition cost, or estimated fair value if donated, less accumulated depreciation. Depreciation is computed on the straight-line method to allocate the cost of depreciable assets to operations over estimated useful lives of five to seven years.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Program and supporting services - functional allocation

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

Program services - includes programs that will 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.
- Respite services - provides a statewide information and referral service for families with children ages 0-18 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, parent support and involvement, behavioral screening, resource utilization, and self-evaluation.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services - functional allocation (Continued)

Program services (Continued)

- 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.
- Nashville Supports Early Education Staff (SEES) - a child care initiative designed to provide a qualified and affordable substitute pool to Davidson County's child care providers.

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.

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.

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 mature at various times through July 12, 2006, and bear interest at rates ranging from 2.25% to 3.66%. Certificates of deposit are reported at cost, which approximates market value at June 30, 2005 and 2004.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of an individual 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.

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.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consist of the following as of June 30:

	<u>2005</u>	<u>2004</u>
U.S. Department of Health and Human Services	\$ 18,105	\$ 2,660
U.S. Department of Education	55,494	31,743
State of Tennessee Department of Mental Health and Developmental Disabilities	356,568	412,219
State of Tennessee Department of Human Services	44,200	9,837
ARC of Tennessee	957	10,460
University of Illinois	18,705	20,633
University of South Florida	<u>29,732</u>	<u>27,600</u>
	<u>\$ 523,761</u>	<u>\$ 515,152</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 3 - OPERATING LEASES

The Agency conducts its operations from a facility leased under a noncancelable operating lease. The lease expires August 31, 2007, and requires a monthly rental ranging from \$7,755 to \$8,745. The lease is cancelable if the Agency has a certifiable loss equal to seventy-five percent of its operating revenues, as defined. The lease is renewable at expiration for an additional three-year term. Certain other office space is leased on a month-to-month basis.

A summary of minimum future rental payments required under all noncancelable operating leases as of June 30, 2005, follows:

Year Ending June 30:

2006	\$100,710
2007	103,950
2008	<u>17,490</u>
Total	<u>\$222,150</u>

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 receives 77% (2004 - 80%) of its funding from federal and state grants.

TVC maintains deposit balances in various 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 \$1,217,152 at June 30, 2005.

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 the grantors.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2005 AND 2004

NOTE 6 - DONATED SERVICES

Donated services consisted of consulting and planning services concerning the development of an internet-based, integrated clinical and enterprise information system. The Agency recognized \$12,319 of in-kind revenues and related expenses for the year ended June 30, 2005 (\$24,474 for the year ended June 30, 2004). The expenses are included in Child Mental Health Initiative-Nashville Connection program services each year.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2005</u>	<u>2004</u>
Temporarily restricted:		
Less than one year	\$ 2,000	\$ -
One to five years	<u>4,000</u>	<u>-</u>
	6,000	-
Less discount to net present value	<u>(262)</u>	<u>-</u>
Total	<u>\$ 5,738</u>	<u>\$ -</u>

NOTE 8 - FUNDS HELD ON BEHALF OF ANOTHER AGENCY

TVC is acting as agent for another agency during the start-up of that program as a newly formed organization. This program was previously operated by TVC and was spun-out as a separate agency during 2005. Funds held for the agency by TVC are disbursed upon request.



ADDITIONAL INFORMATION

**TENNESSEE VOICES FOR CHILDREN, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA#	Grant Number	Grant Period	Federal Grant Amount	State Grant Amount	Accrued (Deferred) 7/1/04	Federal Receipts	Expenditures	Refund to grantor	Accrued (Deferred) 6/30/05
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
DIRECT:									
93.230	4 U79 SM53277-02	9/30/01-8/31/03	187,457	-	(2)	-	-	-	(2)
93.230	5 HS5 SM54032-02	10/01/03 - 09/30/04	210,000	-	2,660	2,660	-	-	-
93.243	1 HR1 SM56367-01	09/30/04 - 09/30/05	70,000	-	-	44,909	63,014	-	18,105
PASSED THROUGH STATE OF TENNESSEE									
DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES:									
* 93.104	GR-04-15556	07/01/03 - 06/30/04	683,813	897,687	281,628	281,628	-	-	-
93.104	GR-05-16306-00	07/01/04 - 06/30/05	365,023	499,710	-	738,079	860,903	34,652	157,476
PASSED THROUGH VANDERBILT UNIVERSITY:									
93.230	1368331	1/1/97-9/30/00	314,833	-	(1,384)	-	-	-	(1,384)
93.230	1531082	1/1/01-9/30/04	186,036	-	(177)	4,121	4,121	-	(177)
PASSED THROUGH UNIVERSITY OF ILLINOIS:									
93.600	90YD011901	9/30/01-9/29/03	119,131	-	20,633	20,633	-	-	-
93.600	90YD011901	09/30/04 - 09/29/05	59,963	-	-	35,097	53,802	-	18,705
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF HUMAN SERVICES:									
93.575	GR-03-15249-01	12/01/02 - 6/30/04	137,968	-	9,837	9,837	-	-	-
93.575	GR-03-15249-02	7/01/04 - 06/30/05	237,968	-	-	71,896	116,096	-	44,200
U.S. DEPARTMENT OF EDUCATION									
DIRECT:									
84.324C	H324C030118	01/01/04 - 12/31/05	178,661	-	(13,348)	-	-	12,209	(1,139)
84.324C	H324C030118	01/01/05 - 12/31/05	178,614	-	31,743	113,957	137,708	-	55,494
PASSED THROUGH UNIVERSITY OF SOUTH FLORIDA:									
84.324Z	H324Z010001-02A	01/01/02 - 12/31/03	110,400	-	27,600	27,600	-	-	-
84.324Z	H324Z010001-02A	01/01/05 - 12/31/05	118,927	-	-	84,932	114,664	-	29,732
PASSED THROUGH THE ARC OF TENNESSEE:									
84.328C	H328C010038	10/1/01-9/30/04	86,904	-	10,460	9,503	-	-	957
TOTAL EXPENDITURES OF FEDERAL AWARDS									
			\$ 369,650	\$ 1,444,852	\$ 1,350,308	\$ 46,861	\$ 321,967		

**Summary of expenditures by CFDA number**

84.324	\$ 252,372
93.104	860,903
92.230	4,121
93.243	63,014
93.575	116,096
93.600	53,802
<b>Total</b>	<b>\$ 1,350,308</b>

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

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, 2005

Grant Description	Grant Number	Grant Period	State Grant Amount	Accrued (Deferred) 7/1/04	State Receipts	Expenditures	Accrued (Deferred) 6/30/05
<b>TENNESSEE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES</b>							
Community Mental Health Services	GR-04-15483	7/1/03-6/30/04	460,959	118,977	118,977	-	-
Community Mental Health Services	GR-05-16279-00	7/1/04-6/30/05	500,959	-	327,214	498,317	171,103
Tennessee Respite Network	GR-01-13129	7/1/02-6/30/04	88,175	11,614	11,614	-	-
Tennessee Respite Network	GR-05-1626-00	7/01/04-6/30/05	88,175	-	57,493	85,482	27,989
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>				<u>\$ 130,591</u>	<u>\$ 515,298</u>	<u>\$ 583,799</u>	<u>\$ 199,092</u>

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

TENNESSEE VOICES FOR CHILDREN, INC.

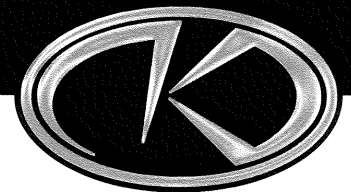
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

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*

## OTHER REPORTS



**KraftCPAs**  
PLLC

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
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 the financial statements of Tennessee Voices for Children, Inc. (the "Agency") as of and for the year ended June 30, 2005, and have issued our report thereon dated November 9, 2005. 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 Tennessee Voices for Children, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we reported to management of the Agency in a separate letter dated November 9, 2005.

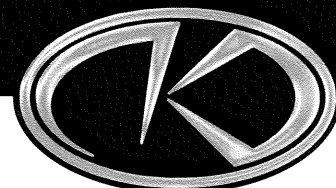
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tennessee Voices for Children, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 and federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

*KraftCPAs PLLC*

Nashville, Tennessee  
November 9, 2005



**KraftCPAs**  
PLLC

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Tennessee Voices for Children, Inc. (the "Agency") 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, 2005. The Agency's major federal programs are identified in the summary of auditors' 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 the Agency's management. Our responsibility is to express an opinion on the Agency'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 the Agency'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 on the Agency's compliance with those requirements.

In our opinion, the Agency 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, 2005.

## Internal Control Over Compliance

The management of Tennessee Voices for Children, Inc. 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 the Agency'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink that reads "Kray CPAs PLLC". The signature is stylized with a large, flowing 'K' and 'C'.

Nashville, Tennessee  
November 9, 2005



TENNESSEE VOICES FOR CHILDREN, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes        x   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ 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
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        x   none reported

Type of auditors' report issued on compliance for major programs: Unqualified

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:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.104	Child Mental Health Initiative - Nashville Connection

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   x   yes      \_\_\_\_\_ no

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

**Section II - Financial Statement Findings**

**PRIOR YEAR REPORTABLE CONDITIONS**

None

**CURRENT YEAR REPORTABLE CONDITIONS**

None

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

**Section III - Federal Award Findings and Questioned Costs**

**PRIOR YEAR**

None

**CURRENT YEAR**

None