

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011 AND 2010

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011 AND 2010

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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, 2011 and 2010, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TVC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011 and 2010, 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 November 21, 2011, 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 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 on page 18 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. The schedule of expenditures of state awards on page 19 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.



Nashville, Tennessee
November 21, 2011

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash	\$ 8,151	\$ 386,361
Investments	1,741,921	1,704,251
Grants receivable	1,186,760	701,386
Other receivables	28,481	5,610
Prepaid expenses and other	70,606	68,734
Property, building and equipment, net	<u>1,234,808</u>	<u>1,251,322</u>
TOTAL ASSETS	<u>\$ 4,270,727</u>	<u>\$ 4,117,664</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Checks written in excess of bank balance	\$ 49,400	\$ -
Accounts payable	193,293	134,024
Accrued expenses and other	200,730	166,010
Deferred revenue	15,539	20,119
Note payable	<u>768,269</u>	<u>814,024</u>
TOTAL LIABILITIES	<u>1,227,231</u>	<u>1,134,177</u>
<u>COMMITMENTS AND CONTINGENCIES</u>		
<u>NET ASSETS</u>		
Unrestricted:		
Designated for property, building and equipment, net of related debt	466,539	437,298
Undesignated	<u>2,576,957</u>	<u>2,546,189</u>
TOTAL NET ASSETS	<u>3,043,496</u>	<u>2,983,487</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,270,727</u>	<u>\$ 4,117,664</u>

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

2010		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 4,157,821	\$ -	\$ 4,157,821
20,217	-	20,217
83,397	-	83,397
38,182	-	38,182
250	-	250
<u>8,650</u>	<u>(8,650)</u>	<u>-</u>
<u>4,308,517</u>	<u>(8,650)</u>	<u>4,299,867</u>
3,729,943	-	3,729,943
<u>441,137</u>	<u>-</u>	<u>441,137</u>
<u>4,171,080</u>	<u>-</u>	<u>4,171,080</u>
137,437	(8,650)	128,787
<u>2,846,050</u>	<u>8,650</u>	<u>2,854,700</u>
<u>\$ 2,983,487</u>	<u>\$ -</u>	<u>\$ 2,983,487</u>

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 60,009	\$ 128,787
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	32,752	32,018
Unrealized gains on investments	(16,695)	(7,655)
Loss on disposal of furniture and equipment	1,547	-
(Increase) decrease in:		
Grants receivable	(485,374)	(149,449)
Other receivables	(22,871)	41,735
Prepaid expenses and other	(1,872)	(43,743)
Increase (decrease) in:		
Checks written in excess of bank balance	49,400	-
Accounts payable	59,269	87,062
Accrued expenses and other	34,720	(52,518)
Deferred revenue	(4,580)	(554,602)
TOTAL ADJUSTMENTS	(353,704)	(647,152)
NET CASH USED IN OPERATING ACTIVITIES	(293,695)	(518,365)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(20,975)	(391,059)
Purchases of property, building and equipment	(17,785)	(21,119)
NET CASH USED IN INVESTING ACTIVITIES	(38,760)	(412,178)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(45,755)	(43,635)
NET CASH USED IN FINANCING ACTIVITIES	(45,755)	(43,635)
DECREASE IN CASH	(378,210)	(974,178)
CASH - BEGINNING OF YEAR	386,361	1,360,539
CASH - END OF YEAR	\$ 8,151	\$ 386,361
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	\$ 48,611	\$ 50,730

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, 2011

	PROGRAM SERVICES								SUPPORTING SERVICES		
	TENNESSEE PARENT INFORMATION RESOURCE CENTER	JUSTCARE FAMILY NETWORK	K-TOWN YOUTH EMPOWERMENT NETWORK	MULETOWN FAMILY NETWORK	INTENSIVE IN-HOME FAMILY PRESERVATION SERVICES	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	\$ 209,054	\$ 491,337	\$ 421,957	\$ 196,012	\$ 163,473	\$ 190,331	\$ 84,208	\$ 266,631	\$ 2,023,003	\$ 262,210	\$ 2,285,213
Employee benefits	28,529	66,461	52,666	29,268	22,138	24,983	5,849	25,491	255,385	42,997	298,382
Payroll taxes	18,131	42,933	37,864	16,308	13,977	16,008	7,997	24,556	177,774	19,050	196,824
TOTAL PAYROLL AND RELATED EXPENSES	255,714	600,731	512,487	241,588	199,588	231,322	98,054	316,678	2,456,162	324,257	2,780,419
Conferences and meetings	10,972	32,019	27,298	6,352	1,147	5,989	1,881	34,774	120,432	21,656	142,088
Contract services	126,830	-	-	-	614	-	-	21,104	148,548	-	148,548
Depreciation	-	-	-	-	-	-	-	-	-	32,752	32,752
Insurance	1,161	3,568	3,234	1,034	1,133	1,544	1,181	3,462	16,317	2,380	18,697
Equipment rental and maintenance	3,460	6,205	5,574	-	1,291	1,409	892	4,792	23,623	5,509	29,132
Miscellaneous	-	-	100	-	-	-	-	-	100	1,767	1,867
Occupancy	15,960	44,770	48,218	-	12,117	24,251	9,482	25,346	180,144	20,039	200,183
Office supplies	29,976	16,548	15,238	722	1,840	7,434	4,237	20,341	96,336	12,985	109,321
Postage	1,536	1,674	1,209	253	407	2,906	213	2,464	10,662	2,962	13,624
Printing and publications	6,558	3,318	160	476	379	5,817	4,663	9,859	31,230	4,377	35,607
Professional	34,817	148,272	61,676	18,251	7,449	48,115	36,636	63,946	419,162	109,772	528,934
Specific assistance for individuals	-	20,346	2,446	-	-	-	-	108	22,900	-	22,900
Telephone	4,326	19,352	16,909	6,778	4,293	8,325	1,254	4,903	66,140	3,551	69,691
Travel	29,763	61,757	31,671	18,803	17,235	19,888	5,340	47,428	231,885	7,868	239,753
TOTAL FUNCTIONAL EXPENSES	\$ 521,073	\$ 958,560	\$ 726,220	\$ 294,257	\$ 247,493	\$ 357,000	\$ 163,833	\$ 555,205	\$ 3,823,641	\$ 549,875	\$ 4,373,516

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, 2010

	PROGRAM SERVICES								SUPPORTING SERVICES		
	TENNESSEE PARENT INFORMATION RESOURCE CENTER	JUSTCARE FAMILY NETWORK	K-TOWN YOUTH EMPOWERMENT NETWORK	MULETOWN FAMILY NETWORK	INTENSIVE IN-HOME FAMILY PRESERVATION SERVICES	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	\$ 184,675	\$ 519,788	\$ 74,835	\$ 216,066	\$ 121,070	\$ 208,451	\$ 86,307	\$ 209,390	\$ 1,620,582	\$ 259,296	\$ 1,879,878
Employee benefits	18,961	49,491	4,818	26,975	14,858	20,509	6,158	20,316	162,086	32,169	194,255
Payroll taxes	15,178	44,653	5,943	17,783	9,772	17,219	7,011	17,297	134,856	19,435	154,291
TOTAL PAYROLL AND RELATED EXPENSES	218,814	613,932	85,596	260,824	145,700	246,179	99,476	247,003	1,917,524	310,900	2,228,424
Conferences and meetings	8,292	11,954	1,858	9,613	1,249	15,375	2,708	79,743	130,792	12,480	143,272
Contract services	136,322	218,194	-	-	377	-	-	128,824	483,717	-	483,717
Depreciation	-	-	-	-	-	-	-	-	-	32,018	32,018
Insurance	924	2,659	377	453	549	960	383	2,206	8,511	1,591	10,102
Equipment rental and maintenance	1,730	6,675	1,729	478	1,095	1,778	858	2,669	17,012	3,542	20,554
Miscellaneous	-	-	-	-	-	-	-	-	-	99	99
Occupancy	20,248	48,485	18,932	4,823	10,988	26,853	9,358	25,942	165,629	7,610	173,239
Office supplies	9,612	123,766	72,742	7,721	2,080	7,065	5,440	38,486	266,912	4,483	271,395
Postage	1,100	2,963	269	471	586	2,558	1,366	2,389	11,702	1,301	13,003
Printing and publications	9,069	6,535	10,340	786	843	4,508	5,175	22,851	60,107	5,202	65,309
Professional	9,586	222,085	31,406	50,543	6,675	18,011	9,665	66,233	414,204	44,876	459,080
Specific assistance for individuals	-	3,231	-	-	-	-	-	-	3,231	-	3,231
Telephone	6,628	18,029	3,432	6,893	4,475	8,062	772	3,547	51,838	4,828	56,666
Travel	21,961	61,994	13,667	21,901	14,978	18,557	3,647	42,059	198,764	12,207	210,971
TOTAL FUNCTIONAL EXPENSES	\$ 444,286	\$ 1,340,502	\$ 240,348	\$ 364,506	\$ 189,595	\$ 349,906	\$ 138,848	\$ 661,952	\$ 3,729,943	\$ 441,137	\$ 4,171,080

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

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tennessee Voices for Children, Inc. ("TVC" or the "Agency") is a statewide advocacy agency for families whose children have emotional, behavioral, and/or mental health issues. Its mission is to bridge the gap between professionals and family members so that they can work as a team to do what is best for the child and family. TVC takes an active role in the development of family friendly policies and encourages and supports family involvement on advisory boards such as the statewide Mental Health Planning Council, Behavioral Health Organizations, advisory councils, and community planning groups. Funding for TVC's services is provided principally by federal and state grants and certain contract revenues.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of TVC on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. TVC had no temporarily restricted net assets at June 30, 2011 or 2010.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. TVC had no permanently restricted net assets as of June 30, 2011 or 2010.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

TVC receives grant revenues from various federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

TVC reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash

Cash consists principally of checking account balances.

Investments

Investments consist of money market funds, shares of a mutual fund and certificates of deposit. Money market funds and mutual funds are carried at their quoted market value on the last business day of the reporting period. Changes in unrealized gains and losses are recognized currently in the Statement of Activities for the year. Certificates of deposit are reported at cost, plus any accrued interest.

Fair Value Measurements

TVC classifies its investments based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid securities and certain other products, such as mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity, or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2011 and 2010.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while TVC believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

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.

Property, Building and Equipment

Property, building and equipment are reported at cost at the date of purchase or at estimated fair value at the date of gift to TVC. TVC's policy is to capitalize expenditures with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: five to seven years for furniture and equipment and thirty-nine years for the building and improvements.

Donated Services

TVC's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor, at the estimated fair value of the services received.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

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

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

- Tennessee Parent Information Resource Center ("TPIRC") - provides training designed to enable parents of preschool and school-aged children to achieve developmental goals, meet educational standards and to enable schools to effectively involve parents in school activities. TPIRC is funded by a five-year federal grant allowing TVC to work with educationally and economically disadvantaged children.
- JustCare Family Network - provides a service infrastructure to serve the needs of families of children and youth with serious emotional disturbance in Shelby County, Tennessee. The program is family-driven and includes school-based mental health delivery that engages youth and their families. Youth engagement and community outreach are enhanced through high fidelity wraparound services to families and children, partnerships with local secular and faith-based youth organizations, as well as partnerships with the schools, traditional service providers, policy makers, and community natural support services.
- K-Town Youth Empowerment Network ("K-Town") - provides youth-guided and family-driven wraparound services to youth in Knox County, Tennessee with Serious Emotional Disturbance or Serious Mental Illness and their families.
- Muletown Family Network ("Muletown") - provides high fidelity wraparound services to families of children with serious emotional disturbance at risk of out-of-home placement and develops a coordinated system of services through partnerships among agencies, schools, and parents that will enable families to maintain children with complex needs at home and in the community. Muletown is a Substance Abuse and Mental Health Services Administration ("SAMHSA") funded system of care demonstration site and is a partnership between the Tennessee Department of Mental Health and Developmental Disabilities, Centerstone Community Mental Health and TVC Maury County, Tennessee.
- Intensive In-Home Family Preservation Services - provides families the tools they need to maintain children and youth with complex needs at home, in school, and in the community. The program is family-driven, providing assistance in navigating the child-serving systems, advocacy, support, and therapeutic skill-building to prevent placement outside the home to a higher level of care. Program staff ensures that caregivers are an integral part of the intervention at all stages.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued):

Program Services (continued):

- Statewide Family Support Network ("SFSN") - provides valuable support, information and training to parents and caregivers across the state, empowering them to successfully "navigate" the complex child-serving systems to obtain the services necessary for their children and youth with emotional and behavioral disorders. SFSN staff provides direct assistance, support groups, information and skill-based training, family representation on over 145 councils and coalitions, Youth in Action Council facilitation, and outreach to schools, mental health providers, and policy-makers in Tennessee.
- Early Childhood Programs - provides on-site consultation and training to parents and staff associated with childcare and Head Start programs throughout Tennessee. Program staff is also involved in state and national research to identify effective strategies for working with young children with challenging behaviors.
- Other Program Services - significant programs included in this category are:

Team Tennessee - promotes the positive social and emotional development of young children. Team Tennessee succeeds in its efforts through a cross-agency collaborative professional development system, including community based training, continuing teacher education, and higher education

TeenScreen - developed by Columbia University and implemented by TVC, TeenScreen provides free screenings for youth in Middle Tennessee. The screening helps identify teens at risk for emotional and behavioral issues, including depression, anxiety disorders, suicidal ideation, substance abuse and other related physical health issues.

Early Connections Network - the purpose of the Early Connections Network is to build a system of care for young children, birth to five, with social, emotional and behavioral needs

Family Connection - provides families the tools they need to maintain children and youth with complex needs at home, in school and the community.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued):

Supporting Services:

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

Allocation of Functional Expenses

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

Income Taxes

TVC qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

TVC files a U.S. Federal Form 990 for organizations exempt from income tax. TVC's returns for years prior to fiscal year end June 30, 2008 are closed.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

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

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2011 and November 21, 2011, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK AND OFF-BALANCE-SHEET RISK

Grants receivable represent concentrations of credit risk to the extent the grants are receivable from concentrated sources. TVC received 98% of its funding from federal, state and local grants and contracts in 2011 (95% in 2010).

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. At times, the Agency's deposits at financial institutions may exceed federally insured limits by nominal amounts.

Certain cash and securities held in broker/dealer accounts are insured by the Securities Investor Protection Corporation ("SIPC"), up to \$500,000 per broker/dealer (including a maximum of \$250,000 for cash claims), in certain circumstances such as fraud or failure of the institution. Cash and investment accounts held by a broker/dealer did not exceed SIPC limits in 2011 or 2010. The SIPC does not insure against market risk.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Certificates of deposit	\$ 899,961	\$ 887,520
Money market funds	739,880	733,399
Mutual funds	<u>102,080</u>	<u>83,332</u>
	<u>\$ 1,741,921</u>	<u>\$ 1,704,251</u>

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

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 20,933	\$ 30,527
Unrealized gains	<u>16,695</u>	<u>7,655</u>
Total investment income	<u>\$ 37,628</u>	<u>\$ 38,182</u>

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	<u>2011</u>	<u>2010</u>
U.S. Department of Health and Human Services	\$ 5,839	\$ 5,935
Tennessee State University	-	19,719
State of Tennessee Department of Mental Health	928,794	479,559
State of Tennessee - Tennessee Commission on Children and Youth	-	5,398
Middle Tennessee State University	7,506	2,357
U.S. Department of Education	155,452	67,135
State of Tennessee Department of Education	64,157	103,403
State of Tennessee Department of Children's Services	<u>25,012</u>	<u>17,880</u>
	<u>\$ 1,186,760</u>	<u>\$ 701,386</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 5 - PROPERTY, BUILDING AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land	\$ 200,604	\$ 200,604
Buildings and improvements	1,121,275	1,121,275
Furniture and equipment	<u>206,174</u>	<u>368,298</u>
	1,528,053	1,690,177
Less: accumulated depreciation	<u>(293,245)</u>	<u>(438,855)</u>
	<u>\$ 1,234,808</u>	<u>\$ 1,251,322</u>

NOTE 6 - NOTE PAYABLE

In August 2007, TVC entered into a loan agreement with a financial institution to finance the purchase of the Agency's office building. The mortgage was refinanced in March 2009 at an annual rate of 5.95% and is secured by a deed of trust on the property. The note matures in monthly principal and interest payments of \$7,869 through August 2022.

Annual principal maturities of the note payable as of June 30, 2011, are as follows:

Year ending June 30,

2012	\$ 49,902
2013	52,962
2014	56,210
2015	59,656
2016	63,314
Thereafter	<u>486,225</u>
	<u>\$ 768,269</u>

Total interest expense was \$48,611 and \$50,730 for the years ended June 30, 2011 and 2010, respectively, which is included in occupancy expense on the Statement of Functional Expenses.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table set forth TVC's major categories of assets measured at fair value on a recurring basis, by level, within the fair hierarchy, as of June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2011</u>				
Investments:				
Money Market Funds	\$ 739,880	\$ -	\$ -	\$ 739,880
Mutual Fund:				
Equity Investment Funds - Balance Fund	<u>102,080</u>	<u>-</u>	<u>-</u>	<u>102,080</u>
Total Investments	<u>\$ 841,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,960</u>
<u>2010</u>				
Investments:				
Money Market Funds	\$ 733,399	\$ -	\$ -	\$ 733,399
Mutual Fund:				
Equity Investment Funds - Balance Fund	<u>83,332</u>	<u>-</u>	<u>-</u>	<u>83,332</u>
Total Investments	<u>\$ 816,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 816,731</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011 AND 2010

NOTE 8 - OPERATING LEASES

Lease obligations for satellite offices in Knoxville and Memphis are multi-year leases, both expiring in fiscal year 2015, with options to cancel only in the event of loss of grant funding for the programs conducted at those locations.

Future lease obligations, assuming continuation of grant funding, for operating leases in effect at June 30 follows:

Year ending June 30,

2012	\$ 99,300
2013	101,460
2014	103,620
2015	<u>46,040</u>
	<u>\$ 350,420</u>

The Agency operates under a month-to-month cancelable lease for its Jackson, TN office.

Total rent expense was approximately \$102,500 and \$64,000 for the years ended June 30, 2011 and 2010, respectively.

NOTE 9 - CONTINGENCIES

The Agency has received various government grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for potential reimbursements to grantors.

NOTE 10 - EMPLOYEE BENEFIT PLANS

TVC sponsors the Tennessee Voices for Children 403(b) Plan (the "Plan") under Section 403(b) of the Internal Revenue Code established on January 1, 2009. All employees are eligible to make elective deferrals on their date of hire. Upon completion of three months of service, employees become eligible for matching and nonelective contributions. TVC may make discretionary matching and nonelective contributions to the Plan. TVC's discretionary match was 1% from January 1, 2009 through December 31, 2009 when it was increased to 2%. Such contributions amounted to \$113,697 and \$74,264 for the years ended June 30, 2011 and 2010, respectively.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Grant Description	Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/10	Federal Receipts	Expenditures	Accrued (Deferred) 6/30/11
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
DIRECT:							
Federal Family Support Network	93.243	5H795M057980-03	09/30/09 - 09/29/10	\$ 5,935	\$ 28,472	\$ 22,537	\$ -
Federal Family Support Network	93.243	1HR1SM059891-01	09/30/10 - 09/29/11	-	44,302	50,141	5,839
Total CFDA 93.243				5,935	72,774	72,678	5,839
PASSED THROUGH TENNESSEE STATE UNIVERSITY							
TSU/TECTA	93.575	PO-029123	3/1/10 - 6/30/10	19,719	19,719	-	-
TSU/TECTA	93.575	PO-034637	9/30/10 - 6/30/11	-	20,000	11,961	(8,039)
Total CFDA 93.575				19,719	39,719	11,961	(8,039)
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH							
Multitown Family Network	* 93.104	GR-1029484-01	7/1/09 - 6/30/10	42,994	42,994	-	-
Multitown Family Network	* 93.104	GR-1133029-01	7/1/10 - 6/30/11	-	264,894	337,388	72,494
K-Town Youth Empowerment Network	* 93.104	GR-1030677	11/1/09 - 6/30/10	92,058	92,058	-	-
K-Town Youth Empowerment Network	* 93.104	GR-1133028-01	7/1/10 - 6/30/11	-	627,958	847,927	219,969
Just Care Family Network	* 93.104	GR-0927706-02	2/1/09 - 6/30/10	230,372	230,372	-	-
Just Care Family Network	* 93.104	GR-1132988	7/1/10 - 6/30/11	-	817,771	1,094,629	276,858
Total CFDA 93.104				365,424	2,076,047	2,279,944	569,321
Early Connections Network	93.243	GR-1134407	1/26/11 - 6/30/11	-	11,941	54,993	43,052
Family Support Providers	93.243	GR-1132366	7/1/10 - 6/30/11	-	63,721	86,444	22,723
Total CFDA 93.243				-	75,662	141,437	65,775
Team Tenn Video	93.110	FA-1134038	12/1/10 - 6/30/11	-	-	34,998	34,998
Family Support and Advocacy	93.958	GR-1028764-01	7/1/09 - 6/30/10	25,670	25,670	-	-
Tenn Screen	93.958	GR-1028742-01	7/1/09 - 6/30/10	1,988	1,988	-	-
Total CFDA 93.958				27,658	27,658	-	-
U.S. DEPARTMENT OF JUSTICE							
PASSED THROUGH STATE OF TENNESSEE-TENNESSEE COMMISSION ON CHILDREN AND YOUTH							
Juvenile Justice and Delinquency Prevention Act Federal Formula Grant (FFG)	16.540	GR-09-213585-00	10/1/09 - 9/30/10	5,398	13,853	8,455	-
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT							
PASSED THROUGH MIDDLE TENNESSEE STATE UNIVERSITY (MTSU)							
MTSU Talk Program	14.904	TNLR0036-08	4/1/10 - 9/30/11	2,357	2,800	7,949	7,506
U.S. DEPARTMENT OF EDUCATION							
DIRECT:							
Parent Information and Resource Center	84.310A	U310A060182-09	10/1/09 - 9/30/10	67,135	269,643	202,508	-
Parent Information and Resource Center	84.310A	U310A060182-10	10/1/10 - 9/30/11	-	232,676	388,128	155,452
Total CFDA 84.310A				67,135	502,319	590,636	155,452
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF EDUCATION							
Youth Violence and Drug Use Prevention	84.186B	GR-1028040	7/1/09 - 6/30/10	28,810	28,810	-	-
Youth Violence and Drug Use Prevention	84.186B	GR-1131560	7/1/10 - 6/30/11	-	59,039	83,487	24,448
Total CFDA 84.186B				28,810	87,849	83,487	24,448
Team Tennessee	84.181	GR-1029187	9/1/09 - 6/30/10	37,737	37,737	-	-
Team Tennessee	84.393A	GR-1131554	7/1/10 - 6/30/11	-	77,273	99,202	21,929
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 560,173	\$ 3,013,691	\$ 3,330,747	\$ 877,229

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

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 19.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/10	State Receipts	Expenditures	Accrued (Deferred) 6/30/11
TENNESSEE DEPARTMENT OF MENTAL HEALTH						
Child Care Consultation	GR-1027849	7/1/09 - 6/30/10	\$ 34,788	\$ 34,788	\$ -	-
Child Care Consultation	GR-1132302	7/1/10 - 6/30/11	-	96,218	190,210	93,992
Family Support and Advocacy	GR-1028764-01	7/1/09 - 6/30/10	9,505	9,505	-	-
Family Support and Advocacy	GR-1131302	7/1/10 - 6/30/11	-	190,912	330,418	139,506
Teen Screen	GR-1028742-01	7/1/09 - 6/30/10	12,081	12,081	-	-
Teen Screen	GR-1131304	7/1/10 - 6/30/11	-	96,596	121,798	25,202
Tennessee Respite Network	GR-1029796-00	7/1/09 - 6/30/10	14,034	14,034	-	-
Middle Tennessee Respite Subsidy Program	GR-1029795-00	7/1/09 - 6/30/10	16,069	16,069	-	-
TOTAL TENNESSEE DEPARTMENT OF MENTAL HEALTH			86,477	470,203	642,426	258,700
TENNESSEE DEPARTMENT OF EDUCATION						
Porter Leath Center	GR-1028013	7/1/09 - 6/30/10	36,856	36,825	-	31
Porter Leath Center	GR-1131570	7/1/10 - 6/30/11	-	39,117	56,866	17,749
TOTAL TENNESSEE DEPARTMENT OF EDUCATION			36,856	75,942	56,866	17,780
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES						
Intensive In-Home Family Preservation Services	GR-08-21942-00	7/1/09 - 6/30/10	17,880	17,880	-	-
Intensive In-Home Family Preservation Services	GR-08-21992	7/1/10 - 6/30/11	-	229,760	254,772	25,012
TOTAL TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			17,880	247,640	254,772	25,012
TOTAL EXPENDITURES OF STATE AWARDS			\$ 141,213	\$ 793,785	\$ 954,064	\$ 301,492

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 19.

TENNESSEE VOICES FOR CHILDREN, INC.

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

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - BASIS OF PRESENTATION

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

OTHER REPORTS



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 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. ("TVC") as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. 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

Management of TVC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered TVC'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 TVC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TVC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 TVC's 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*.

We noted certain matters that we reported to management of TVC in a separate letter dated November 21, 2011.

This report is intended solely for the information and use of the Board of Directors, management, 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.

Grant CPAs PLLC

Nashville, Tennessee
November 21, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
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 Tennessee Voices for Children, Inc.'s ("TVC") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of TVC's major federal programs for the year ended June 30, 2011. TVC'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 TVC's management. Our responsibility is to express an opinion on TVC'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 TVC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of TVC's compliance with those requirements.

In our opinion, TVC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of TVC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered TVC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TVC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 and use of the Board of Directors, management, 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 of K. J. CPAs PLLC in black ink.

Nashville, Tennessee
November 21, 2011

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

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
- Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

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

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:

CFDA Number(s) *Name of Federal Program or Cluster*

93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 x yes _____ no