TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2008 AND 2007

TENNESSEE VOICES FOR CHILDREN, INC.

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CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statement of Functional Expenses (2008)	5
Statement of Functional Expenses (2007)	6
Notes to Financial Statements	7 - 15
ADDITIONAL INFORMATION	
Schedule of Expenditures of Federal Awards	16
Schedule of Expenditures of State Awards	17
Note to Schedules of Expenditures of Federal and State Awards	18
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*	19 - 20
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	21 - 22
Schedule of Findings and Questioned Costs	23

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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, 2008 and 2007, 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, 2008 and 2007, 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 5, 2009, 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 of TVC taken as a whole. The accompanying schedule of expenditures of federal awards on page 16 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 17 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 5, 2009

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TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	2008	2007 (Restated - Note 9)
ASSETS		
Cash and cash equivalents - Note 6	$ 1,500,596	$ 1,884,604
Certificates of deposit	511,839	300,000
Investments	87,364	94,760
Grants receivable - Note 2	483,485	534,783
Other receivables	55,731	10,885
Prepaid expenses and other	46,313	56,923
Property, building and equipment - at cost, less accumulated depreciation - Note 3	1,293,770	21,081
TOTAL ASSETS	$ 3,979,098	$ 2,903,036
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 42,519	$ 21,929
Accrued expenses and other	173,598	146,165
Deferred revenue	4,020	-
Note payable - Note 4	944,276	-
TOTAL LIABILITIES	1,164,413	168,094
COMMITMENTS AND CONTINGENCIES - Notes 5 and 7		
NET ASSETS		
Unrestricted	2,814,685	2,734,942
Temporarily restricted	-	-
TOTAL NET ASSETS	2,814,685	2,734,942
TOTAL LIABILITIES AND NET ASSETS	$ 3,979,098	$ 2,903,036

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, 2008 AND 2007

	2008		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS
SUPPORT AND REVENUE			
Contributions	$ 28,352	$ -	$ 28,352
Conferences	-	-	-
Federal grants	698,192	-	698,192
Other grants and contracts	1,983,610	-	1,983,610
Investment income	70,441	-	70,441
Miscellaneous	11,795	-	11,795
Net assets released from restriction	-	-	-
TOTAL SUPPORT AND REVENUE	2,792,390	-	2,792,390
EXPENSES			
Program services	2,335,764	-	2,335,764
Supporting services:			
Management and general	376,883	-	376,883
TOTAL EXPENSES	2,712,647	-	2,712,647
CHANGE IN NET ASSETS	79,743	-	79,743
NET ASSETS - BEGINNING OF YEAR , as restated - Note 9	2,734,942	-	2,734,942
NET ASSETS - END OF YEAR	$ 2,814,685	$ -	$ 2,814,685

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

2007		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS
$ 39,363	$ -	$ 39,363
72,790	-	72,790
667,228	-	667,228
1,779,674	-	1,779,674
104,074	-	104,074
7,726	-	7,726
3,575	(3,575)	-
2,674,430	(3,575)	2,670,855
2,199,835	-	2,199,835
338,546	-	338,546
2,538,381	-	2,538,381
136,049	(3,575)	132,474
2,598,893	3,575	2,602,468
$ 2,734,942	$ -	$ 2,734,942

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 79,743	$ 132,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,072	13,288
Unrealized and realized (gains) losses on investments	12,838	(8,978)
(Increase) decrease in:		
Grants receivable	51,298	187,889
Contributions receivable	-	2,856
Other receivables	(44,846)	(1,128)
Prepaid expenses and other	10,610	(14,553)
Increase (decrease) in:		
Accounts payable	20,590	(4,453)
Accrued expenses and other	27,433	(13,134)
Deferred revenue	4,020	-
TOTAL ADJUSTMENTS	110,015	161,787
NET CASH PROVIDED BY OPERATING ACTIVITIES	189,758	294,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption (purchases) of certificates of deposit - net	(211,839)	199,063
Purchases of investments	(5,442)	(17,682)
Purchases of property, building and equipment	(323,261)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(540,542)	181,381
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(33,224)	-
Decrease in funds held on behalf of another agency - Note 8	-	(29,795)
NET CASH USED IN FINANCING ACTIVITIES	(33,224)	(29,795)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(384,008)	445,847
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,884,604	1,438,757
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,500,596	$ 1,884,604
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchase price of new facility	$ 1,119,163	$ -
Less proceeds of mortgage loan from bank	(977,500)	-
Net cash paid at closing	$ 141,663	$ -
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	$ 57,164	$ -

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, 2008

	PROGRAM SERVICES							SUPPORTING SERVICES	
	TENNESSEE PARENT INFORMATION RESOURCE CENTER	MULETOWN FAMILY NETWORK	THE FAMILY CONNECTION PROGRAM	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 180,729	$ 195,265	$ 225,713	$ 210,304	$ 90,015	$ 373,930	$ 1,275,956	$ 160,425	$ 1,436,381
Employee benefits	16,749	23,404	30,488	25,530	9,792	51,810	157,773	14,597	172,370
Payroll taxes	14,402	15,876	17,852	16,571	7,108	29,862	101,671	10,870	112,541
TOTAL PAYROLL AND RELATED EXPENSES	211,880	234,545	274,053	252,405	106,915	455,602	1,535,400	185,892	1,721,292
Conferences	-	1,598	290	1,241	-	113	3,215	-	3,215
Contract services	143,775	-	-	-	-	28,676	172,451	-	172,451
Dues	-	-	-	-	-	-	-	285	285
Insurance	1,403	859	2,008	1,507	717	1,470	7,964	4,040	12,004
Maintenance	8,084	93	3,097	2,162	1,079	3,103	17,618	-	17,618
Meetings	9,691	-	-	4,642	109	2,169	16,638	3,747	20,385
Miscellaneous	-	-	125	-	-	-	125	42,172	42,297
Occupancy	28,653	4,200	34,896	30,521	10,336	31,296	139,902	42,379	182,281
Office supplies	17,388	5,382	4,594	10,146	2,493	11,163	51,166	6,347	57,513
Postage	2,121	980	2,192	3,218	1,134	3,415	13,060	2,288	15,348
Printing and publications	16,733	1,174	2,229	6,472	1,841	10,180	38,629	9,116	47,745
Professional	20,412	39,395	20,862	20,712	5,408	47,829	154,618	45,752	200,370
Stipends	-	-	-	-	-	32,504	32,504	-	32,504
Telephone	8,417	7,493	7,546	12,060	1,815	6,576	43,907	4,119	48,026
Travel	19,013	12,792	43,414	18,927	2,351	12,070	108,567	2,674	111,241
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	487,570	308,511	395,306	364,013	134,198	646,166	2,335,764	348,811	2,684,575
Depreciation	-	-	-	-	-	-	-	28,072	28,072
TOTAL FUNCTIONAL EXPENSES	$ 487,570	$ 308,511	$ 395,306	$ 364,013	$ 134,198	$ 646,166	$ 2,335,764	$ 376,883	$ 2,712,647

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	
	TENNESSEE PARENT INFORMATION RESOURCE CENTER	MULETOWN FAMILY NETWORK	THE FAMILY CONNECTION PROGRAM	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	$ 107,341	$ 204,677	$ 290,523	$ 182,857	$ 87,793	$ 346,737	$ 1,219,928	$ 202,499	$ 1,422,427
Employee benefits	11,028	25,908	36,641	22,648	10,730	43,932	150,887	20,631	171,518
Payroll taxes	8,647	16,212	22,701	14,172	6,813	26,681	95,226	13,528	108,754
TOTAL PAYROLL AND RELATED EXPENSES	127,016	246,797	349,865	219,677	105,336	417,350	1,466,041	236,658	1,702,699
Conferences	-	4,916	3,396	1,356	-	5,197	14,865	-	14,865
Contract services	12,912	-	-	-	-	38,428	51,340	-	51,340
Insurance	-	41	1,438	512	361	2,779	5,131	5,979	11,110
Maintenance	5,616	75	3,112	2,330	1,427	6,490	19,050	-	19,050
Meetings	5,023	-	334	5,029	1,728	7,144	19,258	7,413	26,671
Miscellaneous	-	5,536	299	-	-	3,655	9,490	11,455	20,945
Occupancy	15,438	-	37,126	29,695	11,969	42,299	136,527	10,633	147,160
Office supplies	7,176	3,067	7,723	7,446	2,025	27,491	54,928	5,898	60,826
Postage	2,387	373	5,029	3,510	1,190	6,387	18,876	3,454	22,330
Printing and publications	2,890	1,776	3,913	4,208	1,218	16,703	30,708	1,228	31,936
Professional	12,923	4,591	29,298	23,663	6,446	80,880	157,801	28,779	186,580
Stipends	-	-	-	-	-	40,294	40,294	-	40,294
Telephone	3,460	6,413	10,783	11,843	1,360	6,628	40,487	3,327	43,814
Training supplies	-	-	-	688	-	63	751	-	751
Travel	9,573	12,791	34,385	24,455	3,875	49,209	134,288	10,434	144,722
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	204,414	286,376	486,701	334,412	136,935	750,997	2,199,835	325,258	2,525,093
Depreciation	-	-	-	-	-	-	-	13,288	13,288
TOTAL FUNCTIONAL EXPENSES	$ 204,414	$ 286,376	$ 486,701	$ 334,412	$ 136,935	$ 750,997	$ 2,199,835	$ 338,546	$ 2,538,381

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Basis of presentation

The accompanying financial statements present the financial position and operations of TVC on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

TVC had no temporarily or permanently restricted net assets as of June 30, 2008 and 2007.

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 and state agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

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 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, 2008 and 2007. All certificates of deposit at June 30, 2008, mature in January 2009.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of shares of a mutual fund and 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.

Investment income includes unrealized losses of $12,838 in 2008 (unrealized gains of $8,978 in 2007), 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.

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 $1,000 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.

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 include:

- Tennessee Parent Information Resource Center ("TPIRC") - provides training designed to enable parents of preschool and school-aged children to achieve developmental goals and 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (Continued):

Program services (Continued):

- Muletown Family Network ("Muletown") - (1) provides high fidelity wraparound services to families of children with serious emotional disturbance at risk of out-of-home placement and (2) 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 in its third year, and is a partnership between the Tennessee Department of Mental Health and Developmental Disabilities, Centerstone Community Mental Health and TVC Maury County, Tennessee.

- 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.

- The Family Connection Program - 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.

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.

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. TVC had no fundraising expense during the years ended June 30, 2008 and 2007.

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.

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 presentation.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	2008	2007
U.S. Department of Health and Human Services	$ 5,241	$ 15,225
U.S. Department of Education	139,260	99,055
State of Tennessee Department of Mental Health and Developmental Disabilities	277,184	295,395
State of Tennessee Department of Health	7,126	-
State of Tennessee Department of Finance and Administration	-	23,867
State of Tennessee Department of Children's Services	47,480	101,241
State of Tennessee Commission on Children and Youth	7,194	-
	$ 483,485	$ 534,783

NOTE 3 - PROPERTY, BUILDING AND EQUIPMENT

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

	2008	2007
Land	$ 200,604	$ -
Buildings and improvements	1,100,157	-
Furniture and equipment	368,298	368,298
	1,669,059	368,298
Less: accumulated depreciation	(375,289)	(347,217)
	$ 1,293,770	$ 21,081

NOTE 4 - NOTE PAYABLE

In August 2007, TVC entered into a loan agreement with a financial institution to finance the purchase of the Agency's new office building. The mortgage, which bears interest annually at 7.35%, is secured by a deed of trust on the property and matures in monthly principal and interest payments of $9,037 through August 2022.

Annual principal maturities of the note payable as of June 30, 2008, are as follows:

Year ending June 30,	
2009	$ 38,892
2010	41,914
2011	45,171
2012	48,681
2013	52,464
Thereafter	717,154
	$ 944,276

Total interest expense was $57,164 and $0 for the years ended June 30, 2008 and 2007, respectively, which is included in occupancy expense.

NOTE 5 - OPERATING LEASES

The Agency had conducted its Nashville operations from a facility leased under a noncancleable operating lease that expired in August 2007, at which time the Agency purchased a building and relocated its operations.

The Agency has month-to-month leases for its Knoxville and Jackson offices. In June 2007, the Agency entered into a 35-month cancelable lease for office space in Memphis beginning August 1, 2007.

Total rent expense was $125,117 and $147,160 for the years ended June 30, 2008 and 2007, respectively.

NOTE 6 - 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% of its funding from federal and state grants in 2008 and 2007.

TVC maintains cash and investment balances in bank deposit accounts at various financial institutions. Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 for each bank. The balance at June 30, 2008, exceeded the FDIC limit by approximately $228,300. Subsequent to year end, the Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from $100,000 per depositor to $250,000 per depositor, effective October 3, 2008 through December 31, 2009.

In addition, the Organization has a Repurchase Agreement Sweep Account, which had a balance of approximately $979,000 as of June 30, 2008, which is not FDIC insured, but which is (i) collateralized by direct obligations of the U.S. Treasury and other securities issued by federal government agencies, including mortgage-backed securities, and (ii) fully guaranteed as to principal and interest by those agencies.

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, in certain circumstances such as fraud or failure of the institution. Cash accounts held by a broker/dealer, which exceeded SIPC limits by approximately $452,000, is covered by additional protection through the Customer Asset Protection Company. Under this program, coverage for cash and fully paid securities is not subject to any dollar amount limitation. The SIPC and additional protection do not insure against market risk.

NOTE 7 - 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 8 - SPIN-OUT OF NASHVILLE SEES PROGRAM AND RELATED FUNDS

TVC had contracts with the State of Tennessee Department of Human Services and the Metropolitan Government of Nashville and Davidson County, Tennessee to operate the Nashville Supports Early Education Staff (SEEs) program from 2003 through 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. 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 had been expended.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to TVC's unrestricted net assets as of July 1, 2006, to properly recognize grant revenues earned. A schedule summarizing this change follows:

	Unrestricted	Temporarily Restricted	Total
Net assets - July 1, 2006, as previously reported	$ 2,581,059	$ 3,575	$ 2,584,634
To properly report grant revenues	17,834	-	17,834
Net assets - July 1, 2006, as restated	$ 2,598,893	$ 3,575	$ 2,602,468

NOTE 10 - NEW PRONOUNCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which is effective for fiscal years beginning after December 15, 2008. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements.* FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS-157 are effective for fiscal years beginning after November 15, 2007.

In February, 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (FAS-159), *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115.* The fair value option established by FAS-159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in operations at each subsequent reporting date. FAS-159 is effective for fiscal years beginning after November 15, 2007.

The Agency is currently evaluating the impact, if any, of the adoption of these pronouncements on the financial statements.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

Grant Description	Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/07	Federal Receipts	Expenditures	Other adjustments	Accrued (Deferred) 6/30/08
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
DIRECT:								
Federal Family Support Network	92.243	5 HR1 SM56367-02	09/30/06 - 09/29/07	$ 15,225	$ 41,551	$ 26,326	$ -	$ -
Federal Family Support Network	92.243	1H79SM057980-1	09/30/07 - 09/29/08	-	46,873	52,114	-	5,241
Total CFDA 92.243				15,225	88,424	78,440	-	5,241
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	-	-	-
U.S. DEPARTMENT OF JUSTICE								
PASSED THROUGH STATE OF TENNESSEE-TENNESSEE COMMISSION ON CHILDREN & YOUTH								
Juvenile Justice and Delinquency Prevention Act Federal Formula Grant (FFG)	16.540	GR-08-22722-00	10/1/07- 9/30/08	-	15,920	23,114	-	7,194
U.S. DEPARTMENT OF EDUCATION								
DIRECT:								
Identification & Analysis - Use of Research-based Intervention Practices	84.324C	H324C030118	01/06/07 - 12/31/07	15,273	85,312	70,039	-	-
Parent Information and Resource Center (PIRC)	* 84.310A	U310A060182	10/1/2006 - 09/30/09	83,782	471,121	526,599	-	139,260
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 138,147	$ 684,644	$ 698,192	$ -	$ 151,695

* 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, 2008

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/07	State Receipts	Expenditures	Other Adjustments	Accrued (Deferred) 6/30/08
TENNESSEE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES							
Community Mental Health Services	GR-07-18124-00	7/1/06-6/30/07	$ 148,660	$ 148,364	$ -	$ (296)	$ -
Community Mental Health Services	GR-07-18124-01	7/1/06-6/30/07	10,713	10,713	-	-	-
Community Mental Health Services	GR-08-21958-00	7/1/07-6/30/08	-	125,054	156,286	-	31,232
Community Mental Health Services	GR-08-21752-00	7/1/07-6/30/08	-	251,868	331,707	-	79,839
Community Mental Health Services	GR-08-21297-00	7/1/07-6/30/08	-	55,291	94,848	-	39,557
Tennessee Respite Network	GR-07-18124-00	7/1/06-6/30/07	24,309	24,185	-	(124)	-
Tennessee Respite Network	GR-07-18124-01	7/1/06-6/30/07	12,374	12,374	-	-	-
Tennessee Respite Network	GR-08-21958-00	7/1/07-6/30/08	-	65,273	83,679	-	18,406
Tennessee Respite Network	GR-08-21330-00	7/1/07-6/30/08	-	49,171	63,665	-	14,494
Muletown Family Network	GR-06-17753-02	7/1/06-6/30/07	99,339	99,339	-	-	-
Muletown Family Network	GR-06-17753-02	7/1/07-6/30/08	-	265,374	359,030	-	93,656
TOTAL TENNESSEE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENT DISABILITIES			295,395	1,107,006	1,089,215	(420)	277,184
TENNESSEE DEPARTMENT OF HEALTH							
Suicide Awareness	GR-08-23811-00	1/1/08-12/31/08	-	-	7,126	-	7,126
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES							
Family Connections for Mid Cumberland Region	GR-07-18275	7/1/06-6/30/07	60,680	60,680	-	-	-
Family Connections for Mid Cumberland Region	GR-08-18275-1	7/1/07-6/30/08	-	152,440	187,880	-	35,440
Family Connections for Davidson County	GR-07-18276	7/1/06-6/30/07	40,561	40,640	-	79	-
Family Connections for Davidson County	GR-08-21942-00	7/1/07-6/30/08	-	215,160	227,200	-	12,040
TOTAL TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			101,241	468,920	415,080	79	47,480
TOTAL EXPENDITURES OF STATE AWARDS			$ 396,636	$ 1,575,926	$ 1,511,421	$ (341)	$ 331,790

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, 2008

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

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, 2008, and have issued our report thereon dated February 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tennessee Voices for Children, Inc.'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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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Also in Columbia and Lebanon, Tennessee • An independently owned member of the RSM McGladrey Network

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tennessee Voices for Children, Inc. in a separate letter dated February 5, 2009

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
February 5, 2009