

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
ADDITIONAL INFORMATION
AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015 AND 2014

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tennessee Voices for Children, Inc. which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses, for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of state awards, as required by the State of Tennessee Audit Manual, is also presented for additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of Tennessee Voices for Children, Inc.'s internal control over financial reporting and on our test 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* in considering Tennessee Voices for Children, Inc.'s internal control over financial reporting and compliance.

Kraft CPAs PLLC

Nashville, Tennessee
December 21, 2015

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash	\$ 706,679	\$ 274,916
Investments	1,543,618	1,806,420
Grants receivable	402,962	563,563
Other receivables	12,378	7,022
Prepaid expenses and other	35,287	43,632
Property, building and equipment, net	<u>1,103,039</u>	<u>1,135,630</u>
TOTAL ASSETS	<u>\$ 3,803,963</u>	<u>\$ 3,831,183</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 66,136	\$ 34,851
Accrued expenses	135,778	148,209
Deferred revenue	4,850	1,781
Note payable	<u>536,424</u>	<u>598,739</u>
TOTAL LIABILITIES	<u>743,188</u>	<u>783,580</u>
<u>NET ASSETS</u>		
Unrestricted:		
Designated for property, building and equipment, net of related debt	566,615	536,891
Undesignated	<u>2,494,160</u>	<u>2,510,712</u>
TOTAL NET ASSETS	<u>3,060,775</u>	<u>3,047,603</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,803,963</u>	<u>\$ 3,831,183</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUE		
Grants and other contracts	\$ 2,855,643	\$ 2,969,332
Contributions	70,918	45,083
Conferences and other meetings	1,000	48,014
Investment income	10,221	27,781
Miscellaneous	<u>9,750</u>	<u>39,493</u>
 TOTAL SUPPORT AND REVENUE	 <u>2,947,532</u>	 <u>3,129,703</u>
 EXPENSES		
Program services	2,379,723	2,601,988
Supporting services:		
Management and general	<u>554,637</u>	<u>556,295</u>
 TOTAL EXPENSES	 <u>2,934,360</u>	 <u>3,158,283</u>
 CHANGE IN NET ASSETS	 13,172	 (28,580)
 NET ASSETS - BEGINNING OF YEAR	 <u>3,047,603</u>	 <u>3,076,183</u>
 NET ASSETS - END OF YEAR	 <u>\$ 3,060,775</u>	 <u>\$ 3,047,603</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ 13,172</u>	<u>\$ (28,580)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,574	32,574
Unrealized (gains) losses on investments	4,962	(18,959)
Loss on disposal of property and equipment	17	1,456
(Increase) decrease in:		
Grants receivable	160,601	74,064
Other receivables	(5,356)	17,563
Prepaid expenses and other	8,345	(11,391)
Increase (decrease) in:		
Accounts payable	31,285	(104,529)
Accrued expenses	(12,431)	(63,037)
Deferred revenue	<u>3,069</u>	<u>(6,127)</u>
TOTAL ADJUSTMENTS	<u>223,066</u>	<u>(78,386)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>236,238</u>	<u>(106,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(9,404)
Sale of investments	<u>257,840</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>257,840</u>	<u>(9,404)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	<u>(62,315)</u>	<u>(59,520)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(62,315)</u>	<u>(59,520)</u>
INCREASE (DECREASE) IN CASH	431,763	(175,890)
CASH - BEGINNING OF YEAR	<u>274,916</u>	<u>450,806</u>
CASH - END OF YEAR	<u>\$ 706,679</u>	<u>\$ 274,916</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	<u>\$ 27,209</u>	<u>\$ 30,362</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	PROGRAM SERVICES							SUPPORTING SERVICES	
	EARLY CONNECTIONS NETWORK	SYSTEM OF CARE EXPANSION INITIATIVE	K-TOWN YOUTH EMPOWERMENT NETWORK	INTENSIVE IN-HOME FAMILY PRESERVATION SERVICES	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL
Salaries	\$ 252,970	\$ 78,865	\$ 361,094	\$ 137,085	\$ 177,156	\$ 113,806	\$ 226,176	\$ 1,347,152	\$ 349,228
Employee benefits	22,987	4,736	33,730	10,428	13,023	9,923	22,505	117,332	26,516
Payroll taxes	18,846	6,029	26,118	10,059	13,739	8,540	16,134	99,465	25,860
TOTAL PAYROLL AND RELATED EXPENSES	294,803	89,630	420,942	157,572	203,918	132,269	264,815	1,563,949	401,604
Conferences and meetings	4,315	7,238	29,143	308	7,351	352	3,333	52,040	15,119
Depreciation	-	-	-	-	-	-	-	-	32,574
Insurance	3,075	556	3,874	1,210	1,784	1,016	2,523	14,038	2,920
Equipment rental and maintenance	1,931	693	8,130	933	1,490	713	3,543	17,433	7,569
Miscellaneous	3,113	280	125	-	-	-	985	4,503	8,003
Occupancy	15,169	3,469	43,244	6,878	8,746	5,298	10,349	93,153	16,845
Office supplies	33,102	3,817	6,927	1,835	8,017	6,231	5,047	64,976	4,930
Postage	891	526	550	295	669	245	570	3,746	889
Printing and publications	-	1,955	9,203	520	7,597	278	3,556	23,109	1,716
Professional	20,845	4,428	304,783	8,523	9,626	6,013	19,226	373,444	49,616
Specific assistance for individuals	-	243	6,669	-	-	-	40	6,952	20
Telephone	9,595	2,446	13,379	4,540	7,430	1,406	6,719	45,515	6,493
Travel	35,240	9,491	26,688	7,897	18,170	4,400	14,979	116,865	6,339
TOTAL FUNCTIONAL EXPENSES	\$ 422,079	\$ 124,772	\$ 873,657	\$ 190,511	\$ 274,798	\$ 158,221	\$ 335,685	\$ 2,379,723	\$ 554,637
									\$ 2,934,360

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES						SUPPORTING SERVICES			
	EARLY CONNECTIONS NETWORK	JUSTCARE FAMILY NETWORK	K-TOWN YOUTH EMPOWERMENT 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	\$ 287,999	\$ 173,497	\$ 455,076	\$ 136,413	\$ 189,201	\$ 115,200	\$ 215,733	\$ 1,573,119	\$ 385,898	\$ 1,959,017
Employee benefits	29,654	16,212	38,149	15,940	17,333	11,930	21,509	150,727	24,429	175,156
Payroll taxes	22,497	13,167	34,390	10,543	15,010	9,016	16,639	121,262	26,171	147,433
TOTAL PAYROLL AND RELATED EXPENSES	340,150	202,876	527,615	162,896	221,544	136,146	253,881	1,845,108	436,498	2,281,606
Conferences and meetings	5,175	1,767	38,464	945	4,203	705	49,190	100,449	16,646	117,095
Depreciation	-	-	-	-	-	-	-	-	32,574	32,574
Insurance	2,981	1,997	4,531	1,391	1,556	1,081	2,673	16,210	2,768	18,978
Equipment rental and maintenance	4,331	-	9,576	949	2,356	1,390	3,790	22,392	6,164	28,556
Miscellaneous	3,890	-	1,125	-	-	-	810	5,825	-	5,825
Occupancy	19,064	-	50,093	8,550	11,829	6,323	14,688	110,547	19,962	130,509
Office supplies	35,210	-	18,266	1,477	2,799	1,049	14,778	73,579	6,457	80,036
Postage	886	71	1,289	437	720	311	1,518	5,232	1,463	6,695
Printing and publications	7	3	5,525	169	5,547	104	7,376	18,731	3,754	22,485
Professional	21,224	11,025	77,223	7,001	11,016	4,891	84,598	216,978	17,507	234,485
Specific assistance for individuals	-	-	2,466	-	-	-	38	2,504	-	2,504
Telephone	7,959	3,067	15,333	3,511	7,774	1,518	6,580	45,742	6,332	52,074
Travel	33,793	7,418	42,550	7,755	22,760	4,411	20,004	138,691	6,170	144,861
TOTAL FUNCTIONAL EXPENSES	\$ 474,670	\$ 228,224	\$ 794,056	\$ 195,081	\$ 292,104	\$ 157,929	\$ 459,924	\$ 2,601,988	\$ 556,295	\$ 3,158,283

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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 deliver leadership, support, and services that champion voice, hope and empowerment for the emotional and behavioral well-being of children, youth, and their families. 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.
- *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, 2015 and 2014.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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 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.

Conference Revenue

TVC holds a biennial conference for which revenue is recognized as income when the related event occurs. Any conference revenue received in advance is reported as deferred revenue.

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. Certificates of deposit are reported at cost, plus any accrued interest. Changes in unrealized gains and losses are recognized currently in the Statement of Activities for the year.

Allowance for Uncollectible Accounts

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

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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

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, 2015 and 2014.

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.

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, 2015 AND 2014

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:

- 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.
- 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 community-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. For the year ended June 30, 2015, these expenses were reported in other program services on the Statement of Functional Expenses.
- System of Care Expansion Initiative ("Youth Move") - provides youth-guided, family-driven services for adolescents and young adults (ages 11 - 21) and their families who reside in Hickman, Rutherford and Williamson counties and have a diagnosable mental, behavioral or emotional disorder and functional impairment. The services include individualized in-home supports, participation in youth-guided councils and community meetings through the development individual service plans and child and family teams. The program seeks to improve outcomes for these children and youth and to reduce stigma, improve capacity, sustain the infrastructure, and increase community awareness about childhood mental health needs within the System of Care framework in the counties served. For the year ended June 30, 2014, these expenses were reported in other program services on the Statement of Functional Expenses.
- 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. K-Town focuses on transition aged youth (ages 14-21 yrs.), incorporating family, youth and mental health supports with a high fidelity wraparound approach. The initiative also includes an active Youth in Action Council and comprehensive Family Advocacy programs.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued):

Program Services (continued):

- Intensive In-Home Family Preservation Services ("Family Connection") - 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.
- 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.

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.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fundraising Expenses

Fundraising expenses, which are included in management and general expenses on the Statement of Activities and the Statement of Functional Expenses, amounted to approximately \$21,800 for 2015 (\$7,600 for 2014).

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.

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.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing TVC's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation. The effects of such reclassifications have no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2015 and December 21, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Grants receivable represent concentrations of credit risk to the extent the grants are receivable from concentrated sources. TVC receives over 95% of its funding from federal, state and local grants and contracts.

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.

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. The SIPC does not insure against market risk.

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	\$ 260,620	\$ 260,620
Money market funds	1,129,467	1,398,422
Mutual funds	<u>153,531</u>	<u>147,378</u>
	<u>\$ 1,543,618</u>	<u>\$ 1,806,420</u>

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 15,183	\$ 8,822
Unrealized gains (losses)	<u>(4,962)</u>	<u>18,959</u>
Total investment income	<u>\$ 10,221</u>	<u>\$ 27,781</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
U.S. Department of Health and Human Services	\$ -	\$ 390
State of Tennessee Department of Mental Health	292,879	323,682
Advantage Behavioral Health	41,498	120,303
Shelby County, Tennessee	-	67,542
State of Tennessee Department of Children's Services	68,585	51,646
	<u>\$ 402,962</u>	<u>\$ 563,563</u>

NOTE 5 - PROPERTY, BUILDING AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Land	\$ 200,604	\$ 200,604
Buildings and improvements	1,115,806	1,115,806
Furniture and equipment	113,840	114,217
	<u>1,430,250</u>	<u>1,430,627</u>
Less: accumulated depreciation	<u>(327,211)</u>	<u>(294,997)</u>
	<u>\$ 1,103,039</u>	<u>\$ 1,135,630</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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 November 2011 at an annual rate of 4.75% and again in May 2015, lowering the rate to 3.99%. The loan is secured by a deed of trust on the property. The note matures in monthly principal and interest payments of \$7,131 through August 2022.

Annual principal maturities of the note payable as of June 30, 2015, are as follows:

Year ending June 30,

2016	\$ 66,220
2017	68,911
2018	71,711
2019	74,626
2020	77,658
Thereafter	<u>177,298</u>
	<u>\$ 536,424</u>

Total interest expense was \$27,209 and \$30,362 for the years ended June 30, 2015 and 2014, 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, 2015 AND 2014

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>2015</u>				
Investments:				
Money market funds	\$ 1,129,467	\$ -	\$ -	\$ 1,129,467
Mutual fund:				
Equity Investment Funds - Balance Fund	<u>153,531</u>	<u>-</u>	<u>-</u>	<u>153,531</u>
Total investments at fair value	<u>\$ 1,282,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,282,998</u>
<u>2014</u>				
Investments:				
Money market funds	\$ 1,398,422	\$ -	\$ -	\$ 1,398,422
Mutual fund:				
Equity Investment Funds - Balance Fund	<u>147,378</u>	<u>-</u>	<u>-</u>	<u>147,378</u>
Total investments at fair value	<u>\$ 1,545,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,545,800</u>

NOTE 8 - OPERATING LEASES

The Agency operates under month-to-month cancelable lease for certain satellite offices. Total rent expense for office space was approximately \$46,000 and \$52,000 for the years ended June 30, 2015 and 2014, 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.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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 the first of the month following their date of hire. Upon completion of one month 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 2% for the years ended June 30, 2015 and 2014. TVC also made nonelective contributions to the Plan in 2015 and 2014. Total contributions amounted to \$29,657 and \$28,142 for the years ended June 30, 2015 and 2014, respectively.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Grant Description	Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/14	Federal Receipts	Expenditures	Accrued (Deferred) 6/30/15
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
DIRECT:							
Head Start	93.600	N/A	08/01/14 - 06/30/15	\$ 390	\$ 9,525	\$ 9,135	\$ -
TOTAL DIRECT FROM U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				390	9,525	9,135	-
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH							
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	N/A	10/01/13 - 09/30/15	178,703	739,820	652,771	91,654
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	N/A	07/01/14 - 06/30/15	-	349,107	393,348	44,241
Block Grants for Community Mental Health Services	93.958	N/A	07/01/13 - 06/30/14	20,170	20,170	-	-
Block Grants for Community Mental Health Services	93.958	N/A	07/01/14 - 06/30/15	-	162,661	190,383	27,722
Block Grants for Community Mental Health Services	93.958	N/A	07/01/13 - 06/30/14	26,290	26,290	-	-
Block Grants for Community Mental Health Services	93.958	N/A	07/01/14 - 06/30/15	-	109,719	122,918	13,199
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	07/01/13 - 06/30/14	16,275	16,275	-	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	07/01/14 - 06/30/15	-	60,930	64,995	4,065
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	N/A	01/01/15 - 09/30/15	-	15,214	37,848	22,634
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	N/A	11/01/13 - 09/30/15	23,052	138,502	141,564	26,114
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	N/A	04/01-15 - 09/30/15	-	-	7,550	7,550
TOTAL PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH				264,490	1,638,688	1,611,377	237,179
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES							
Community Based Child Abuse Prevention Grants	93.590	31775	07/01/14 - 06/30/15	10,746	20,146	13,550	4,150
PASSED THROUGH SHELBY COUNTY, TENNESSEE:							
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	N/A	09/01/13 - 09/30/14	67,542	108,768	41,226	-
TOTAL PASSED THROUGH SHELBY COUNTY, TENNESSEE				67,542	108,768	41,226	-
PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH:							
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	N/A	10/01/13 - 09/30/15	120,303	556,274	474,052	38,081
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	N/A	07/01/14 - 06/30/15	-	20,409	23,826	3,417
TOTAL PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH				120,303	576,683	497,878	41,498
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				463,471	2,353,810	2,173,166	282,827
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 463,471	\$ 2,353,810	\$ 2,173,166	\$ 282,827

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

Summary of Expenditures by CFDA Number

93.104	\$ 1,087,345
93.243	684,840
93.590	13,550
93.600	9,135
93.958	313,301
93.959	64,995
Total	\$ 2,173,166

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 21.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/14	State Receipts	Expenditures	Accrued (Deferred) 6/30/15
STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH						
Family Support and Advocacy	N/A	07/01/13 - 06/30/14	\$ 51,432	\$ 51,432	\$ -	\$ -
Family Support and Advocacy	N/A	07/01/14 - 06/30/15	-	283,532	330,496	46,964
Family Support Providers	N/A	07/01/13 - 06/30/15	7,760	7,755	8,731	8,736
TOTAL STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH			<u>59,192</u>	<u>342,719</u>	<u>339,227</u>	<u>55,700</u>
STATE OF TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES						
Child Abuse Prevention	31775	07/01/14 - 06/30/15	-	21,933	31,718	9,785
Intensive In-Home Family Preservation Services	GR-35546	07/01/13 - 06/30/14	40,900	40,900	-	-
Intensive In-Home Family Preservation Services	GR-40330	07/01/14 - 06/30/15	-	197,650	252,300	54,650
TOTAL STATE OF TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			<u>40,900</u>	<u>260,483</u>	<u>284,018</u>	<u>64,435</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 100,092</u>	<u>\$ 603,202</u>	<u>\$ 623,245</u>	<u>\$ 120,135</u>

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 21.

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, 2015

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 AUDITOR'S 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, 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, the financial statements of Tennessee Voices for Children, Inc. ("TVC"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered TVC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of TVC's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-1 that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether TVC's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
December 21, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Tennessee Voices for Children, Inc.'s ("TVC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TVC's major federal programs for the year ended June 30, 2015. TVC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of TVC's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of TVC's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, TVC complied, in all material respects, with the types of 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, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of TVC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TVC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-1 that we consider to be significant deficiencies.

TVC's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. TVC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Nashville, Tennessee
December 21, 2015

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance

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

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

Section II - Financial Statement Findings

PRIOR YEAR

None were reported in the prior year.

CURRENT YEAR

2015-1 Internal control over payroll processing transactions and compliance with allowable cost

Criteria:

Management is responsible for establishing and maintaining effective internal control over financial reporting so that financial statements are complete, accurate, and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Statement of Condition/Cause/Context:

Personnel involved in the processing of payroll did not correctly calculate payroll based on the time worked per the approved employee timesheets, due to the inputs being manual process. As a result, actual amounts paid to some employees were not for the proper amounts.

Effect:

Accounting records were misstated as a result of the improper amounts paid to certain employees, and as a result grant reimbursement requests were for improper amounts.

Recommendation:

We recommend that management enhance the controls around its payroll processing to detect such errors in payroll processing and ensure employees are paid for the actual time worked.

Management's Response:

Management agrees with the audit finding and has developed internal controls that will be effective at detecting errors in payroll processing.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

Section III - Federal Award Findings

PRIOR YEAR

None were reported in the prior year.

CURRENT YEAR

Internal control over compliance for reporting allowable cost

See Section II - item 2015-1 for a description of this finding as it relates to both internal control over financial reporting and federal awards.