

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2013 AND 2012

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION

AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2013 AND 2012

CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows.....	5
Statement of Functional Expenses (2013).....	6
Statement of Functional Expenses (2012).....	7
Notes to Financial Statements	8 - 18
 <u>ADDITIONAL INFORMATION</u>	
Schedule of Expenditures of Federal Awards.....	19
Schedule of Expenditures of State Awards.....	20
Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards	21
 <u>OTHER REPORTS</u>	
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 <i>Government Auditing Standards</i>	22 - 23
Independent Auditor's Report on Compliance for Each Federal Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	24 - 25
Schedule of Findings and Questioned Costs	26 - 29

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, 2013 and 2012, 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, 2013 and 2012, and the changes in its net assets and its cash flows for the year 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 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 January 9, 2014 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.

Graft CPAs PLLC

Nashville, Tennessee
January 9, 2014

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash	\$ 450,806	\$ 400,925
Investments	1,778,057	1,753,714
Grants receivable	637,627	733,995
Other receivables	24,585	41,809
Prepaid expenses and other	32,241	36,701
Property, building and equipment, net	<u>1,169,660</u>	<u>1,202,234</u>
TOTAL ASSETS	<u>\$ 4,092,976</u>	<u>\$ 4,169,378</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 139,380	\$ 128,480
Accrued expenses and other	211,246	203,259
Deferred revenue	7,908	16,328
Note payable	<u>658,259</u>	<u>714,991</u>
TOTAL LIABILITIES	<u>1,016,793</u>	<u>1,063,058</u>
<u>NET ASSETS</u>		
Unrestricted:		
Designated for property, building and equipment, net of related debt	511,401	487,243
Undesignated	<u>2,564,782</u>	<u>2,619,077</u>
TOTAL NET ASSETS	<u>3,076,183</u>	<u>3,106,320</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,092,976</u>	<u>\$ 4,169,378</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
SUPPORT AND REVENUE		
Grants and other contracts	\$ 3,297,870	\$ 4,036,519
Contributions	42,239	62,683
Conferences and other meetings	1,165	59,613
Investment income	23,157	15,767
Miscellaneous	<u>17,565</u>	<u>1,729</u>
TOTAL SUPPORT AND REVENUE	<u>3,381,996</u>	<u>4,176,311</u>
EXPENSES		
Program services	2,783,143	3,459,733
Supporting services:		
Management and general	<u>628,990</u>	<u>653,754</u>
TOTAL EXPENSES	<u>3,412,133</u>	<u>4,113,487</u>
CHANGE IN NET ASSETS	(30,137)	62,824
NET ASSETS - BEGINNING OF YEAR	<u>3,106,320</u>	<u>3,043,496</u>
NET ASSETS - END OF YEAR	<u>\$ 3,076,183</u>	<u>\$ 3,106,320</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (30,137)	\$ 62,824
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,574	32,574
Unrealized gains on investments	(15,014)	(4,208)
(Increase) decrease in:		
Grants receivable	96,368	452,765
Other receivables	17,224	(13,328)
Prepaid expenses and other	4,460	33,905
Increase (decrease) in:		
Checks written in excess of bank balance	-	(49,400)
Accounts payable	10,900	(56,774)
Accrued expenses and other	7,987	2,529
Deferred revenue	(8,420)	(7,250)
TOTAL ADJUSTMENTS	<u>146,079</u>	<u>390,813</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>115,942</u>	<u>453,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,329)	(7,585)
NET CASH USED IN INVESTING ACTIVITIES	<u>(9,329)</u>	<u>(7,585)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(56,732)	(53,278)
NET CASH USED IN FINANCING ACTIVITIES	<u>(56,732)</u>	<u>(53,278)</u>
INCREASE IN CASH	49,881	392,774
CASH - BEGINNING OF YEAR	<u>400,925</u>	<u>8,151</u>
CASH - END OF YEAR	<u>\$ 450,806</u>	<u>\$ 400,925</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	<u>\$ 33,150</u>	<u>\$ 38,370</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES							SUPPORTING SERVICES		
	EARLY CONNECTION 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	\$ 290,828	\$ 210,439	\$ 480,949	\$ 109,254	\$ 209,833	\$ 110,793	\$ 209,858	\$ 1,621,954	\$ 363,097	\$ 1,985,051
Employee benefits	20,086	17,336	41,727	14,282	22,018	11,142	19,410	146,001	20,567	166,568
Payroll taxes	25,094	16,565	40,678	9,113	17,686	9,616	17,026	135,778	27,357	163,135
TOTAL PAYROLL AND RELATED EXPENSES	336,008	244,340	563,354	132,649	249,537	131,551	246,294	1,903,733	411,021	2,314,754
Conferences and meetings	12,732	4,062	35,464	298	2,886	625	9,904	65,971	24,778	90,749
Contract services	-	-	-	97	-	-	-	97	-	97
Depreciation	-	-	-	-	-	-	-	-	32,574	32,574
Insurance	1,910	1,839	3,559	807	1,344	790	1,587	11,836	1,134	12,970
Equipment rental and maintenance	3,700	-	6,274	1,331	2,759	1,178	2,449	17,691	3,598	21,289
Miscellaneous	985	-	10,529	-	-	-	200	11,714	13,965	25,679
Occupancy	21,029	3,960	56,552	6,651	19,535	7,078	15,131	129,936	11,098	141,034
Office supplies	10,728	-	70,874	1,455	4,608	1,534	11,029	100,228	8,614	108,842
Postage	964	236	1,081	305	1,012	152	974	4,724	697	5,421
Printing and publications	473	190	9,931	265	1,931	8	9,328	22,126	7,030	29,156
Professional	36,527	21,041	145,387	6,542	13,921	4,909	29,154	257,481	100,473	357,954
Specific assistance for individuals	-	-	9,222	-	-	-	173	9,395	-	9,395
Telephone	7,871	4,470	17,439	3,876	10,522	1,377	7,437	52,992	5,621	58,613
Travel	46,583	16,336	63,015	10,204	27,733	5,137	26,211	195,219	8,387	203,606
TOTAL FUNCTIONAL EXPENSES	\$ 479,510	\$ 296,474	\$ 992,681	\$ 164,480	\$ 335,788	\$ 154,339	\$ 359,871	\$ 2,783,143	\$ 628,990	\$ 3,412,133

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES									SUPPORTING SERVICES	
	EARLY CONNECTION NETWORK	JUSTCARE FAMILY NETWORK	K-TOWN YOUTH EMPOWERMENT NETWORK	MULETOWN/ SOUTH CENTRAL SYSTEM OF CARE	INTENSIVE IN-HOME FAMILY PRESERVATION SERVICES	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	\$ 209,013	\$ 341,129	\$ 482,542	\$ 133,522	\$ 132,430	\$ 197,609	\$ 113,759	\$ 217,000	\$ 1,827,004	\$ 400,291	\$ 2,227,295
Employee benefits	21,604	46,981	61,408	15,811	15,175	22,844	9,569	20,514	213,906	51,996	265,902
Payroll taxes	17,722	32,856	44,708	13,955	9,989	16,133	9,733	21,493	166,589	23,894	190,483
TOTAL PAYROLL AND RELATED EXPENSES	248,339	420,966	588,658	163,288	157,594	236,586	133,061	259,007	2,207,499	476,181	2,683,680
Conferences and meetings	11,544	32,799	30,002	4,002	1,426	3,383	817	46,990	130,963	38,333	169,296
Contract services	-	-	-	-	870	-	-	35,967	36,837	-	36,837
Depreciation	-	-	-	-	-	-	-	-	-	32,574	32,574
Insurance	1,240	2,442	2,639	1,032	753	1,053	597	1,553	11,309	2,823	14,132
Equipment rental and maintenance	3,054	4,432	5,421	414	1,189	3,390	1,098	2,824	21,822	4,198	26,020
Miscellaneous	1,186	-	1,788	-	2,065	-	-	320	5,359	12,180	17,539
Occupancy	15,979	51,475	50,753	2,392	8,990	21,074	6,513	16,130	173,306	20,794	194,100
Office supplies	11,235	12,671	15,382	2,294	1,895	5,913	2,389	76,845	128,624	7,275	135,899
Postage	580	379	1,339	135	181	937	164	2,866	6,581	1,559	8,140
Printing and publications	10,755	5,956	13,650	442	387	8,663	6,350	34,540	80,743	6,811	87,554
Professional	22,041	126,348	178,564	9,795	7,912	18,128	5,987	17,792	386,567	22,714	409,281
Specific assistance for individuals	-	9,440	6,801	-	-	-	-	791	17,032	1,276	18,308
Telephone	5,466	14,469	17,271	4,616	4,490	10,731	1,365	5,899	64,307	7,319	71,626
Travel	25,275	27,864	36,292	19,361	15,710	32,982	5,862	25,438	188,784	19,717	208,501
TOTAL FUNCTIONAL EXPENSES	\$ 356,694	\$ 709,241	\$ 948,560	\$ 207,771	\$ 203,462	\$ 342,840	\$ 164,203	\$ 526,962	\$ 3,459,733	\$ 653,754	\$ 4,113,487

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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.
- *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, 2013 or 2012.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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, 2013 and 2012.

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.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

TVC's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor, at the 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 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.
- 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.
- Muletown/South Central System of Care ("South Central SOC") - 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. The program is a Substance Abuse and Mental Health Services Administration ("SAMHSA") funded system of care demonstration site operating in South Central Tennessee. The program ended in September 2012. Expenses for the year ended June 30, 2013 are included in Other Program Services on the Statement of Functional Expenses.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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.
- Other Program Services - the significant program included in this category for the year ended June 30, 2012 was:

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. This program ended during the June 30, 2012 fiscal year.

There were no individually significant programs included in this category for the year ended June 30, 2013.

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.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011 are no longer open to examination.

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.

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.

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2013 and January 9, 2014, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

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

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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 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>2013</u>	<u>2012</u>
Certificates of deposit	\$ 258,935	\$ 258,167
Money market funds	1,393,040	1,386,621
Mutual funds	<u>126,082</u>	<u>108,926</u>
	<u>\$ 1,778,057</u>	<u>\$ 1,753,714</u>

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

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 8,143	\$ 11,559
Unrealized gains	<u>15,014</u>	<u>4,208</u>
Total investment income	<u>\$ 23,157</u>	<u>\$ 15,767</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	<u>2013</u>	<u>2012</u>
U.S. Department of Health and Human Services	\$ 5,530	\$ 6,197
State of Tennessee Department of Mental Health	394,412	670,925
Advantage Behavioral Health	100,198	19,953
State of Tennessee Department of Education	5,000	-
Shelby County, Tennessee	94,868	-
State of Tennessee Department of Children's Services	<u>37,619</u>	<u>36,920</u>
	<u>\$ 637,627</u>	<u>\$ 733,995</u>

NOTE 5 - PROPERTY, BUILDING AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land	\$ 200,604	\$ 200,604
Buildings and improvements	1,121,275	1,121,275
Furniture and equipment	<u>206,174</u>	<u>206,174</u>
	1,528,053	1,528,053
Less: accumulated depreciation	<u>(358,393)</u>	<u>(325,819)</u>
	<u>\$ 1,169,660</u>	<u>\$ 1,202,234</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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 again in November 2011, lowering the rate to 4.75%. The loan is secured by a deed of trust on the property. The note matures in monthly principal and interest payments of \$7,490 through August 2022.

Annual principal maturities of the note payable as of June 30, 2013, are as follows:

Year ending June 30,

2014	\$ 59,285
2015	62,164
2016	65,182
2017	68,346
2018	71,664
Thereafter	<u>331,618</u>
	<u>\$ 658,259</u>

Total interest expense was \$33,150 and \$38,370 for the years ended June 30, 2013 and 2012, 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, 2013 AND 2012

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>2013</u>				
Investments:				
Money Market Funds	\$1,393,040	\$ -	\$ -	\$1,393,040
Mutual Fund:				
Equity Investment Funds - Balance Fund	<u>126,082</u>	<u>-</u>	<u>-</u>	<u>126,082</u>
Total Investments at fair value	<u>\$1,519,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,519,122</u>
<u>2012</u>				
Investments:				
Money Market Funds	\$1,386,621	\$ -	\$ -	\$1,386,621
Mutual Fund:				
Equity Investment Funds - Balance Fund	<u>108,926</u>	<u>-</u>	<u>-</u>	<u>108,926</u>
Total Investments at fair value	<u>\$1,495,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,495,547</u>

NOTE 8 - OPERATING LEASES

The Agency has a lease obligation for the Knoxville satellite office until fiscal year 2015, with options to cancel only in the event of loss of grant funding for the program conducted at this location.

Future lease obligations, assuming continuation of grant funding, for operating leases in effect at June 30, 2013 follows:

Year ending June 30,

2014	\$ 48,000
2015	<u>32,000</u>
	<u>\$ 80,000</u>

The Agency operates under month-to-month cancelable lease for certain other satellite offices.

Total rent expense was approximately \$60,060 and \$105,150 for the years ended June 30, 2013 and 2012, respectively.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013 AND 2012

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 2% for the years ended June 30, 2013 and 2012. TVC also made nonelective contributions to the Plan in 2013 and 2012. Total contributions amounted to \$26,741 and \$97,727 for the years ended June 30, 2013 and 2012, respectively.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

Grant Description	Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/12	Federal Receipts	Expenditures	Other Adjustments	Accrued (Deferred) 6/30/13	Reimbursable to Grantor 6/30/13
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
DIRECT:									
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	SHR1SM059891-02	09/30/11 - 09/29/12	\$ 6,197	\$ 6,197	\$ -	\$ -	\$ -	\$ -
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	SHR1SM059891-03	09/30/12 - 09/29/13	-	66,125	71,655	-	5,530	-
TOTAL DIRECT FROM U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				6,197	72,322	71,655	-	5,530	-
PASSED THROUGH TENNESSEE STATE UNIVERSITY:									
Child Care and Development Block Grant	93.575	PF-034637	09/30/10 - 06/30/11	(8,039)	-	-	8,039	-	-
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH									
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1237317-01	10/01/11 - 09/30/12	81,630	85,950	-	4,320	-	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1236091-02	07/01/11 - 06/30/12	299,030	299,030	-	-	-	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1338486-02	07/01/12 - 09/30/13	-	861,164	1,195,825	-	334,661	-
Block Grants for Community Mental Health Services	93.958	GR-1338696	07/01/12 - 06/30/13	-	91,435	102,465	-	11,030	-
Block Grants for Community Mental Health Services	93.958	GR-1338557	07/01/12 - 06/30/13	-	99,504	118,401	-	18,897	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GR-1338782	07/01/12 - 06/30/13	-	54,720	62,936	-	8,216	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	GR-1237268-01	10/01/11 - 09/30/13	131,886	284,409	149,205	-	-	3,318
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	GR-1235332	07/01/11 - 06/30/12	15,233	15,233	-	-	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	GR-1339036	07/01/12 - 06/30/13	-	53,273	63,208	-	9,935	-
TOTAL PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH				527,779	1,844,718	1,692,040	4,320	382,739	3,318
PASSED THROUGH TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES									
Community Based Child Abuse Prevention Grants	93.590	31775	07/01/12 - 06/30/14	-	10,183	12,120	-	1,937	-
PASSED THROUGH SHELBY COUNTY, TENNESSEE:									
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	N/A	07/01/12 - 09/30/13	-	260,477	355,345	-	94,868	-
PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH:									
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	N/A	10/01/11 - 09/30/12	19,953	73,520	52,816	-	-	751
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	10/01/12 - 09/30/13	-	321,317	421,515	-	100,198	-
TOTAL PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH				19,953	394,837	474,331	-	100,198	751
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				545,890	2,582,537	2,605,491	12,359	585,272	4,069
U.S. DEPARTMENT OF EDUCATION									
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF EDUCATION									
Team Tennessee Training	84.393A	N/A	07/01/12 - 06/30/13	-	5,000	10,000	-	5,000	-
TOTAL U.S. DEPARTMENT OF EDUCATION				-	5,000	10,000	-	5,000	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 545,890	\$ 2,587,537	\$ 2,615,491	\$ 12,359	\$ 590,272	\$ 4,069

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

Summary of Expenditures by CFDA Number

84.393A	\$ 10,000
93.104	1,603,986
93.243	705,583
93.590	12,120
93.958	220,866
93.959	62,936
Total	\$ 2,615,491

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, 2013

<u>Grant Description</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Accrued (Deferred) 7/1/12</u>	<u>State Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Accrued (Deferred) 6/30/13</u>	<u>Reimbursable to Grantor 6/30/13</u>
TENNESSEE DEPARTMENT OF MENTAL HEALTH								
Child Care Consultation	GR-1235532	07/01/11 - 06/30/12	\$ 57,445	\$ 57,445	\$ -	\$ -	\$ -	\$ -
Child Care Consultation	GR-1338696	07/01/12 - 06/30/13	-	71,841	83,514	-	11,673	-
Family Support and Advocacy	GR-1235745	07/01/11 - 06/30/12	71,136	71,136	-	-	-	-
Family Support and Advocacy	GR-1338348	07/01/12 - 06/30/13	-	326,688	319,274	-	-	7,414
Teen Screen	GR-1236258	07/01/11 - 06/30/12	14,564	14,564	-	-	-	-
TOTAL TENNESSEE DEPARTMENT OF MENTAL HEALTH			<u>143,145</u>	<u>541,674</u>	<u>402,788</u>	<u>-</u>	<u>11,673</u>	<u>7,414</u>
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES								
Child Abuse Prevention	31775	07/01/12 - 06/30/14	-	23,631	27,863	-	4,232	-
Intensive In-Home Family Preservation Services	GR-1339396	07/01/11 - 06/30/12	36,920	36,480	-	(440)	-	-
Intensive In-Home Family Preservation Services	GR-1339396	07/01/12 - 06/30/13	-	178,300	209,750	-	31,450	-
TOTAL TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			<u>36,920</u>	<u>238,411</u>	<u>237,613</u>	<u>(440)</u>	<u>35,682</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 180,065</u>	<u>\$ 780,085</u>	<u>\$ 640,401</u>	<u>\$ (440)</u>	<u>\$ 47,355</u>	<u>\$ 7,414</u>

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal 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, 2013

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, 2013, 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 January 9, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2013-1 to be a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-1.

TVC'S RESPONSE TO FINDINGS

TVC's response to the finding identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Kraft CPAs PLLC

Nashville, Tennessee
January 9, 2014

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 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, 2013. TVC's major federal program is 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, 2013.

OTHER MATTERS

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

TVC's response to the noncompliance 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-2 to be a material weakness.

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
January 9, 2014

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 auditors' 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:

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

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

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, 2013

Section II - Financial Statement Findings

PRIOR YEAR

2012 - 1 Reconciliation of bank accounts

Status:

This finding was resolved during 2013.

CURRENT YEAR

2013-1 Internal control over certain accounting transactions and financial reporting and compliance with allowable costs

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 accounting process did not periodically reconcile and review for correctness certain asset and liability accounts to ensure accounts were properly recorded. In addition, a detail of balances included in such accounts was not maintained. As a result, incorrect adjustments were made by accounting personnel and therefore, significant audit adjustments were proposed by the audit team and approved by management to properly present the financial statements in accordance with GAAP. A summary of the impact of these adjustments is as follows:

- The health and supplemental insurance and 403B contribution expenses were not correctly recorded during the year and as a result, expenses were overstated by approximately \$115,500, for which federal and state grantors were overcharged by approximately \$71,000.
- A reduction of a valid accrued expense was recorded for approximately \$84,000 due to a lack of detail supporting the components of accrued liability accounts. The accountant recorded this entry as a prior period adjustment by reducing net assets. In addition, other liability accounts had not been reconciled, which resulted in a net decrease in net assets of approximately \$4,700.
- The collection of insurance proceeds was recorded as additional revenue instead of reducing the previously recognized and recorded receivable for approximately \$16,000.

Effect:

Accounting records did not properly account for certain transactions of TVC during 2013, and as a result grants were improperly charged.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section II - Financial Statement Findings (Continued)

2013-1 Internal control over certain accounting transactions and financial reporting and compliance with allowable costs (continued)

Recommendation:

TVC's accounting team should maintain detail support of each account, and reconcile and review accounts monthly to ensure that all balance sheet accounts are properly stated.

Management's Response:

Management understands the findings and has taken steps to ensure that they will not re-occur related to the benefit expenses. A recurring entry should have been removed when we modified our benefits in 2012 but was not, thus resulting in the overstatement of benefits expensed. We also agree that there was an error in how the insurance proceeds were recorded.

The accounting department did not have clear documentation of the detail of amounts accrued in the accrued expense account, which resulted in an erroneous entry being made during the audit period. Appropriate separation of accrued expenses into accounts with descriptive names has subsequently been done and will prevent this problem in the future.

Section III - Federal Award Findings

PRIOR YEAR

None were reported in the prior year.

CURRENT YEAR

2013-2 Internal control over compliance for reporting allowable cost (see also Section II - item 2013-1)

U.S. Department of Health and Human Services

CFDA #93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

Passed through The State of Tennessee Department of Mental Health, Shelby County, Tennessee, and Advantage Behavioral Health

Criteria:

Management is responsible for only charging allowable costs to grants.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2013

Section III - Federal Award Findings (Continued)

**2013-2 Internal control over compliance for reporting allowable cost (see also Section II - item 2013-1)
(continued)**

U.S. Department of Health and Human Services

CFDA #93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

Passed through The State of Tennessee Department of Mental Health, Shelby County, Tennessee, and Advantage Behavioral Health

Statement of Condition/Cause/Context:

There was no review or reconciliation process in place for certain liability and related expense accounts to ensure compliance with allowable cost requirements.

Questioned Costs/Effect:

Three of TVC's federal grants under CFDA #93.104 were overcharged approximately \$34,000. In addition, eight other of TVC's federal grants under four CFDA programs were overcharged approximately \$20,000.

Recommendation:

We recommend that management reimburse granting agencies for amounts overcharged by reducing subsequent invoices or submitting payment to the agencies for the amount of the unallowable costs.

Management's Response:

Management agrees with the audit finding and will reimburse the granting agencies that need to be reimbursed by check or by adjusting invoices where appropriate for the amounts overcharged.