TENNESSEE FAMILY SOLUTIONS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

TENNESSEE FAMILY SOLUTIONS, INC.

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CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Tennessee Family Solutions, Inc.
Nashville, Tennessee

We have audited the accompanying consolidated statement of financial position of Tennessee Family Solutions, Inc. (a Tennessee nonprofit Corporation) as of June 30, 2011 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of Tennessee Family Solutions, Inc. as of June 30, 2010, were audited by other auditors whose report dated September 30, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in G*overnment 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Family Solutions, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011, on our consideration of Tennessee Family Solutions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Crosslin & Associates, P.C.

September 26, 2011
Nashville, Tennessee

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TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FINANICAL POSITION

ASSETS

	June 30, 2011	June 30, 2010
Cash and cash equivalents	$ 252,630	$ 318,802
Agency fund cash (Note B)	78,193	45,014
Accounts receivable, no allowance considered necessary	984,926	602,111
Other receivables	40,461	31,909
Prepaid expenses and other assets	65,270	68,978
Property, buildings and equipment, net (Notes C, D and E)	9,939,750	129,831
Bond issue costs, net of amortization of $6,954 as of June 30, 2011	369,919	-
Total assets	$11,731,149	$1,196,645

LIABILITIES AND NET ASSETS

	2011	2010
Accounts payable and accrued expenses	$ 147,608	$ 204,188
Funds held in custody for residents (Note B)	78,193	45,014
Accrued payroll and compensated absences	354,521	243,464
Notes payable (Note E)	119,642	156,157
Bonds payable (Note D)	9,753,000	-
Total liabilities	10,452,964	648,823
Net Assets:		
Unrestricted	1,278,185	547,822
Total net assets	1,278,185	547,822
Total liabilities and net assets	$11,731,149	$1,196,645

See accompanying notes to consolidated financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Unrestricted Year Ended June 30, 2011	Unrestricted Year Ended June 30, 2010
Support:		
Contributions	$ 12,616	$ 23,441
Total support	12,616	23,441
Revenue:		
Health and related services, net	8,551,066	6,950,473
Other income	18,297	7,957
Total revenue	8,569,363	6,958,430
Total support and revenue	8,581,979	6,981,871
Expenses:		
Program services	6,715,387	5,567,836
General and administrative	1,136,229	907,335
Total expenses	7,851,616	6,475,171
Increase in net assets	730,363	506,700
Net assets at beginning of year	547,822	41,122
Net assets at end of year	$1,278,185	$ 547,822

See accompanying notes to consolidated financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011		
	Program Services	General and Administrative	Total
Salaries and wages	$3,881,815	$ 279,028	$4,160,843
Employee benefits and taxes	493,841	40,933	534,774
Total salaries and related expenses	4,375,656	319,961	4,695,617
Advertising	-	11,329	11,329
Property leases	451,258	204,663	655,921
Property taxes and dues	68,430	18,283	86,713
Utilities	151,063	11,620	162,683
Food	148,910	2,853	151,763
Maintenance	125,344	69,105	194,449
Equipment lease	40,961	7,826	48,787
Supplies	127,557	34,234	161,791
Travel	75,379	12,988	88,367
Professional services	28,428	72,335	100,763
ICF/MR tax	62,223	-	62,223
Other operating expenses	-	16,564	16,564
Insurance	-	143,215	143,215
Administrative services	-	182,784	182,784
Foster care program	534,365	-	534,365
Communication	61,080	22,443	83,523
Total other expenses	1,874,998	810,242	2,685,240
Total operating expenses before interest, depreciation, and amortization	6,250,654	1,130,203	7,380,857
Interest expense	265,519	886	266,405
Amortization expense	6,954	-	6,954
Depreciation expense	192,260	5,140	197,400
Total expenses per statement of operations and changes in net assets	$6,715,387	$1,136,229	$7,851,616

2010		
	General and	
Program Services	Administrative	Total
$3,209,231	$262,221	$3,471,452
410,066	30,467	440,533
3,619,297	292,688	3,911,985
-	15,428	15,428
631,699	124,392	756,091
100,148	5,918	106,066
117,748	8,441	126,189
134,204	2,642	136,846
163,682	17,678	181,360
10,760	13,494	24,254
82,059	31,157	113,216
59,892	6,739	66,631
3,845	57,021	60,866
-	-	-
-	15,091	15,091
-	129,883	129,883
-	154,127	154,127
537,944	-	537,944
62,618	22,814	85,432
1,904,599	604,825	2,509,424
5,523,896	897,513	6,421,409
2,413	1,510	3,923
-	-	-
41,527	8,312	49,839
$5,567,836	$907,335	$6,475,171

See accompanying notes to consolidated financial statements.

TENNESSEE FAMILY SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 730,363	$ 506,700
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities:		
Items not requiring cash:		
Depreciation and amortization	204,354	49,839
Changes in:		
Receivables	(391,367)	(51,869)
Prepaid expenses and other assets	3,708	(18,118)
Accounts payable and accrued expenses	54,477	(57,423)
Net cash provided by operating activities	601,535	429,129
Cash flows from investing activities:		
Purchases of property, buildings and equipment	(10,007,319)	(93,209)
Net cash used in investing activities	(10,007,319)	(93,209)
Cash flows from financing activities:		
Proceeds from bond issuance	9,883,000	-
Proceeds from note payable	546,591	173,854
Bond issue costs	(376,873)	-
Principal payments on notes payable	(583,106)	(592,684)
Principal payments on bonds payable	(130,000)	-
Net cash provided by (used in) financing activities	9,339,612	(418,830)
Decrease in cash	(66,172)	(82,910)
Cash and cash equivalents at beginning of year	318,802	401,712
Cash and cash equivalents at end of year	$ 252,630	$ 318,802

Supplemental disclosure:
Cash paid for interest was $266,405 and $3,923 for 2011 and 2010, respectively.

See accompanying notes to consolidated financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General

Tennessee Family Solutions, Inc., (the Corporation) is a nonprofit corporation organized on October 25, 1999. The Corporation's primary mission is to provide residential and support services to children and adults with severe and multiple disabilities allowing them the opportunity to lead safe, stable and personally fulfilling lifestyles in Tennessee communities. Orchard Foundation, LLC is a wholly-owned subsidiary of the Corporation formed in fiscal 2011 for the purpose of future acquisition and development of residential care facilities. The financial statements and footnotes are presented on a consolidated basis with all significant intercompany balances and transactions eliminated in the consolidation. The significant accounting principles and practices followed by Tennessee Family Solutions, Inc., are presented below to assist the reader in evaluating the financial statements.

Financial Statement Presentation

The consolidated financial statements of the Corporation have been prepared using the accrual basis of accounting.

The Corporation classifies its support, revenue, expenses, gains, and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Corporation and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Funds designated by the Corporation's Board represent funds for which the Board has set general guidelines for use and are classified as unrestricted net assets.

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation.

The amount for each of these classes of net assets is presented in the consolidated statements of financial position and the amount of change in each class of net assets is displayed in the consolidated statements of activities. There were no temporarily or permanently restricted net assets as of June 30, 2011 and 2010.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

The Corporation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

The Corporation considers all cash and liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. The Corporation maintains cash balances in financial institutions that it considers to be high quality financial institutions.

Accounts Receivable

Accounts receivable are carried at cost less an allowance for doubtful accounts. Accounts receivable are periodically evaluated for collectability. Provisions for uncollectible accounts are determined on the basis of experience, known and inherent risks, and current economic conditions. No allowance was considered necessary at June 30, 2011 and 2010.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property, Buildings and Equipment

Property, buildings and equipment are carried at cost. Property donated is recorded at its estimated market value at the date of the gift. The Corporation's capitalizes asset additions greater than $1,000 that have a useful life of more than one year. Additions that do not meet these criteria are expensed when purchased. Repairs and maintenance are charged to expenses as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following is a summary of useful lives:

Buildings	25 years
Equipment and vehicles	3 - 5 years
Leasehold improvements	3 - 10 years

Bond Issue Costs

Bond issue costs are being amortized over the terms of the bond issues using the interest method.

Donated Services and Materials

A substantial number of unpaid volunteers have made significant contributions of their time to the Corporation's programs and administrative activities. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation. Donated materials are recorded at fair market value at the date of the gift.

Health and Related Services, Revenue, Net

The Corporation has agreements with third-party payers that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Health and related services revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. The Corporation participates in certain Medicaid programs.

Tax Status

The Corporation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code; and accordingly, no provision for income tax is included in the accompanying financial statements. The Corporation is not classified as a private foundation.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Corporation accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Corporation include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Corporation has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant estimates include the recovery period for buildings and equipment, the collectibility of receivables and the allocation of functional expenses. Management believes that such estimates have been based on reasonable assumptions and that such estimates are appropriate. Actual results could differ from those estimates.

Fair Value Instruments

The carrying value of cash equivalents, receivables, accounts payable and accrued expenses approximates fair value because of the short maturity of these instruments. The carrying value of notes and bonds payable are not materially different from the estimated fair value of these instruments.

Functional Expenses

Expenses have been allocated by function into program services and general and administrative activities benefited based on certain estimates made by management.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

B. AGENCY FUND HELD FOR RESIDENTS

The Corporation serves as custodian for social security, patient and supplemental security income received for certain residents and miscellaneous contributions. These funds are deposited into the agency fund cash account. As of June 30, 2011 and 2010, the Corporation was serving as custodian for $78,193 and $45,014, respectively, which represents the unexpended personal funds held for residents.

C. PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment at June 30, 2011 and 2010, consisted of the following:

	2011	2010
Land	$ 1,065,549	$ -
Buildings	8,751,041	-
Equipment and vehicles	505,568	416,154
Leasehold improvements	195,698	121,282
Total property, buildings and equipment	10,517,856	537,436
Less accumulated depreciation	(578,106)	(407,605)
	$ 9,939,750	$ 129,831

D. BONDS PAYABLE

During the year ended June 30, 2011, the Corporation used the proceeds from the sale of $7,883,000 Health Facilities Revenue bonds, Series 2011A and $2,000,000 Health Facilities Revenue bonds, Series 2011B to finance a portion of the acquisition of certain residential care facilities. These facilities were previously leased and have been purchased from 4-B Tennessee, LLC (See Note G).

Bonds payable at June 30, 2011, consisted of the following:

	Amount
Health Care Facilities Revenue Bonds, Series 2011A*	$7,753,000
Health Care Facilities Revenue Bonds, Series 2011B**	$2,000,000
Total	$9,753,000

*-variable rate - 5.82% at June 30, 2011
**-fixed rate of 12% at June 30, 2011

Series 2011A

Variable interest, tax exempt Health Care Facilities Revenue Bonds, Series 2011A are dated February 17, 2011, and mature serially through March 1, 2031. The bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Board"). The Corporation has issued a note payable to the Board for the bonds pursuant to a Loan Agreement secured by the revenues and assets of the Corporation. The agreements require monthly principal installments of $32,500 commencing on April 1, 2011 and due the 1st of each month thereafter. Interest on the bonds is due on the first business day of every month commencing April 1, 2011. Payments for the bonds are required to be deposited with the trustee for retirement of bond principal and interest.

Optional Redemption

The Series 2011A bonds are subject to optional redemption prior to maturity at the option of the Corporation, subject to the consent of the Metropolitan Board, in whole or in part prior to maturity on any interest rate adjustment date at a redemption price of 100% of the principal amount to be redeemed plus accrued interest thereon to the date of redemption, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chose not to prepay.

D. BONDS PAYABLE - Continued

Mandatory Redemption

The mandatory redemption amounts of the bonds are shown as principal reductions during the year of required redemption. The bonds will be redeemed at 100% of the principal amount, plus accrued interest to the redemption date.

The bonds are also subject to extraordinary mandatory redemption, in whole or in part, in the event of certain circumstances or determinations, which include a determination of taxability. The bonds, depending on the circumstances, would be redeemed at redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chose not to prepay.

Series 2011B

Fixed interest, tax exempt Health Facilities Revenue Refunding Bonds, Series 2011B are dated February 17, 2011, and mature serially through December 5, 2030. The bonds were issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the “Metropolitan Board”). The Corporation has issued a note payable to the Board for the bonds pursuant to a Loan Agreement secured by the revenues and assets of the Corporation. The agreements require quarterly principal and interest installments of $72,266 commencing on March 5, 2016. Interest accrues at the rate of 12%.

Optional Redemption

Beginning January 1, 2021, the Series 2011B bonds are subject to optional redemption prior to maturity at the option of the Corporation, subject to the consent of the Metropolitan Bond, in whole or in part prior to maturity on any interest rate adjustment date at a redemption price equal to the following percentages of the principal amount to be redeemed plus accrued interest thereon to the date of redemption as follows:

Redemption Date	Redemption Price
During 2021	105%
During 2022	104%
During 2023	103%
During 2024	102%
During 2025	101%
Thereafter	Par

D. BONDS PAYABLE - Continued

Mandatory Redemption

The mandatory redemption amounts of the bonds are shown as principal reductions during the year of required redemption. The bonds will be redeemed at 100% of the principal amount, plus accrued interest to the redemption date.

The bonds are also subject to extraordinary mandatory redemption, in whole or in part, in the event of certain circumstances or determinations, which include a determination of taxability. The bonds, depending on the circumstances, would be redeemed at redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, plus the sum of the present value of the difference between the interest due at date of redemption and what would have been due had the Corporation chose not to prepay.

The maturities of bonds payable at June 30, 2011, are as follows:

Year Ending June 30,	Series 2008 Bonds Payable
2012	$ 390,000
2013	390,000
2014	390,000
2015	390,000
2016	414,900
Thereafter	7,778,100
	$9,753,000

E. NOTES PAYABLE

A summary of notes payable at June 30, 2011 and 2010 follows:

	2011	2010
Note payable to State of Tennessee, maturing September 2010. This note is a non-interest bearing instrument.	$ -	$ 62,304
Note payable to private company, unsecured, maturing July 2011. This note is a non-interest bearing instrument.	4,372	43,724
Note payable to financial institution due in monthly principal and interest installments of $337 at 6.8%, maturing May 2011, secured by vehicle.	-	3,580
Note payable to financial institution due in monthly principal and interest installments of $446 at 7%, maturing October 2011, secured by vehicle.	1,882	7,145
Note payable to financial institution due in monthly principal and interest installments of $644 at 8.4%, maturing February 2011, secured by vehicle.	-	4,993
Note payable to financial institution due in monthly principal and interest installments of $744 at 7.55%, maturing January 2015, secured by vehicle.	27,889	34,411
Note payable to financial institution due in monthly principal and interest installments of $763 at 7.55%, maturing July 2015, secured by vehicle.	32,035	-
Note payable to financial institution due in monthly principal and interest installments of $807 at 5.75%, maturing April 2016, secured by vehicle.	39,886	-
Note payable to financial institution due in monthly principal and interest installments of $562 at 6.69%, maturing September 2013, secured by vehicle.	13,578	-
Total notes payable	$119,642	$156,157

E. NOTES PAYABLE - Continued

The future notes payable maturities at June 30, 2011, are as follows:

2012	$ 33,840
2013	29,539
2014	25,863
2015	22,850
2016	7,550
	$119,642

F. LINE-OF-CREDIT

At June 30, 2011 and 2010, the Corporation had revolving lines-of-credit with financial institutions of $500,000 and $300,000, respectively, in order to meet working capital needs. The $300,000 line-of-credit expired during fiscal 2011. The $500,000 line-of-credit at June 30, 2011, is secured by the assets of the Corporation. As of June 30, 2011 and 2010, there were no outstanding borrowings under the agreements.

G. OPERATING LEASES

The Corporation leases certain facilities, equipment and vehicles under noncancelable operating leases. The leases expire at various dates through June 2014. Total rent expense was $704,708 and $780,345 for fiscal 2011 and 2010, respectively.

A summary of the future minimum rental payments under the remaining operating leases at June 30, 2011, is as follows:

Year Ending June 30,	Amount
2012	$ 92,280
2013	57,520
2014	33,531
	$183,331

The Corporation leased certain of its facilities, from 4-B Tennessee, LLC which is owned in part by an individual who also is a partial owner of Eidetik, Inc. (See Note K). Such leases are included above in total rent expense. Total rent expense under the 4-B Tennessee, LLC leases totaled $451,257 and $677,548 for the years ended June 30, 2011 and 2010, respectively. These facilities were purchased from 4-B Tennessee, LLC during fiscal 2011 by the Corporation (See Note D).

H. SIGNIFICANT FUNDING SOURCES

Approximately 99% and 95% of the Corporation's total support and revenue was provided through Medicaid programs for the years ended June 30, 2011 and 2010, respectively.

I. RETIREMENT PLAN

The Corporation maintains a defined contribution retirement plan covering substantially all of its employees. The Corporation may make discretionary contributions on the employee's behalf. Employees are vested immediately in benefits arising from their contributions. Benefits relating to contributions by the Corporation become fully vested after 2 years of participation. Contributions totaled $4,903 and $2,526 for the years ended June 30, 2011 and 2010, respectively.

J. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs for the fiscal years ended June 30, 2011 and 2010 were $11,329 and $15,428, respectively.

K. MANAGEMENT AND CONSULTING CONTRACTS

The Corporation has a five-year service agreement with Eidetik, Inc. Under the terms of the contract, effective December 1, 2010, Eidetik, Inc. provides certain services including financial management, human resources and employee training, technology, and program quality evaluation. Base fees will be $12,500 per month plus 2.75% of monthly gross revenue of ICF/MR beds.

L. CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalents in financial institutions at balances, which, at times, may be uninsured or may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant risk of loss on cash and cash equivalents. The Corporation derives a majority of its revenues from the State of Tennessee under Medicaid programs. Credit risk extends to receivables, which are uncollateralized. Management does not believe there is any significant collection risk.

M. SUBSEQUENT EVENTS

The Corporation evaluated subsequent events through September 26, 2011, the issuance date of the Corporation's consolidated financial statements, and have determined that there are no subsequent events that require disclosure.

SUPPLEMENTAL INFORMATION

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Tennessee Family Solutions, Inc.
Nashville, Tennessee

We have audited the financial statements of Tennessee Family Solutions, Inc., (a Tennessee nonprofit Corporation), as of and for the year ended June 30, 2011, and have issued our report thereon dated September 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

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

To the Board of Directors of
Tennessee Family Solutions, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Crosslin & Associates, P.C.

Nashville, Tennessee
September 26, 2011