

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION

AND

REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2006 AND 2005

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NASHVILLE, TENNESSEE
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ADDITIONAL INFORMATION
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JUNE 30, 2006 AND 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of Tennessee Voices for Children, Inc. ("TVC") as of June 30, 2006 and 2005, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of TVC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Voices for Children, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2006, on our consideration of Tennessee Voices for Children, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 15 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the U.S. Department of Education, and is not a required part of the basic financial statements. The schedule of expenditures of state awards on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kraft CPAs PLLC

Nashville, Tennessee
November 17, 2006

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		(Restated - Note 9)
Cash and cash equivalents - Note 4	\$ 1,438,757	\$ 1,561,996
Certificates of deposit	499,063	498,862
Investments	68,100	46,319
Grants receivable - Note 2	704,838	523,761
Contributions receivable, net - Note 7	2,856	5,738
Other receivables	9,757	24,105
Prepaid expenses	42,370	9,900
Funds advanced to another agency - Note 8	-	14,194
Furniture and equipment - at cost, less accumulated depreciation: 2006 - \$333,929; 2005 - \$310,999	<u>34,369</u>	<u>42,816</u>
TOTAL ASSETS	<u>\$ 2,800,110</u>	<u>\$ 2,727,691</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 26,382	\$ 30,541
Accrued expenses	159,299	112,730
Deferred revenue	-	2,702
Funds held on behalf of another agency - Note 8	<u>29,795</u>	<u>-</u>
TOTAL LIABILITIES	<u>215,476</u>	<u>145,973</u>
COMMITMENTS AND CONTINGENCIES - Notes 3 and 5		
NET ASSETS		
Unrestricted	2,581,059	2,547,606
Temporarily restricted	<u>3,575</u>	<u>34,112</u>
TOTAL NET ASSETS	<u>2,584,634</u>	<u>2,581,718</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,800,110</u>	<u>\$ 2,727,691</u>

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

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
SUPPORT AND REVENUE			
Contributions	\$ 60,408	\$ -	\$ 60,408
Conferences	-	-	-
Federal grants	1,052,898	-	1,052,898
Other grants and contracts	1,522,945	-	1,522,945
Interest and dividends	45,329	-	45,329
Miscellaneous	16,750	-	16,750
Net assets released from restriction	<u>30,537</u>	<u>(30,537)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>2,728,867</u>	 <u>(30,537)</u>	 <u>2,698,330</u>
 EXPENSES			
Program services	<u>2,205,877</u>	<u>-</u>	<u>2,205,877</u>
Supporting services:			
Management and general	374,795	-	374,795
Fundraising	<u>552</u>	<u>-</u>	<u>552</u>
Total supporting services	<u>375,347</u>	<u>-</u>	<u>375,347</u>
 TOTAL EXPENSES	 <u>2,581,224</u>	 <u>-</u>	 <u>2,581,224</u>
 CHANGE IN NET ASSETS	 147,643	 (30,537)	 117,106
 NET ASSETS - BEGINNING OF YEAR, as restated - Note 9	 2,547,606	 34,112	 2,581,718
 SPIN-OUT OF NET ASSETS APPLICABLE TO NASHVILLE SEES - Note 8	 <u>(114,190)</u>	 <u>-</u>	 <u>(114,190)</u>
 NET ASSETS - END OF YEAR	 <u>\$ 2,581,059</u>	 <u>\$ 3,575</u>	 <u>\$ 2,584,634</u>

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

2005		
UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS
(Restated - Note 9)		
32,217	5,738	37,955
29,760	-	29,760
1,350,308	-	1,350,308
1,160,019	10,000	1,170,019
15,390	-	15,390
13,780	-	13,780
-	-	-
<u>2,601,474</u>	<u>15,738</u>	<u>2,617,212</u>
<u>1,965,457</u>	<u>-</u>	<u>1,965,457</u>
318,966	-	318,966
<u>5,764</u>	<u>-</u>	<u>5,764</u>
<u>324,730</u>	<u>-</u>	<u>324,730</u>
<u>2,290,187</u>	<u>-</u>	<u>2,290,187</u>
311,287	15,738	327,025
2,236,319	18,374	2,254,693
-	-	-
<u>\$ 2,547,606</u>	<u>\$ 34,112</u>	<u>\$ 2,581,718</u>

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u> (Restated - Note 9)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 117,106	\$ 327,025
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	22,930	39,400
(Increase) decrease in:		
Grants receivable	(181,077)	(8,609)
Contributions receivable	2,882	(5,738)
Other receivables	14,348	16,289
Prepaid expenses	(32,470)	33,752
Increase (decrease) in:		
Accounts payable	(4,159)	(18,300)
Accrued expenses	46,569	(37,438)
Deferred revenue	(2,702)	(12,209)
TOTAL ADJUSTMENTS	(133,679)	7,147
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(16,573)	334,172
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption (purchases) of certificates of deposit - net	(201)	(299,248)
Purchases of investments	(21,781)	(3,947)
Purchases of equipment	(14,483)	-
(Increase) decrease in funds advanced to another agency - Note 8	14,194	(14,194)
NET CASH USED IN INVESTING ACTIVITIES	(22,271)	(317,389)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in funds held on behalf of another agency - Note 8	(84,395)	-
NET CASH USED IN FINANCING ACTIVITIES	(84,395)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(123,239)	16,783
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,561,996	1,545,213
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,438,757	\$ 1,561,996
NON-CASH FINANCING ACTIVITIES		
Net assets transferred to funds held on behalf of another agency - Note 8	\$ 114,190	\$ -

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

TENNESSEE VOICES FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006

	PROGRAM SERVICES										SUPPORTING SERVICES		TOTAL FUNCTIONAL EXPENSES
	CHILD MENTAL HEALTH INITIATIVE NASHVILLE CONNECTION	FEDERAL FAMILIES SUPPORT NETWORK	STATEWIDE RESPITE NETWORK	EARLY CHILDHOOD INTERVENTION	FAMILY SUPPORT AND ADVOCACY	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL		FUNDRAISING			
Salaries	\$ 301,720	\$ 41,877	\$ 48,824	\$ 84,599	\$ 162,095	\$ 585,414	\$ 1,224,529	\$ 214,937	\$ -	\$ -	\$ 1,439,466		
Employee benefits	36,955	4,672	5,892	9,892	19,007	48,458	124,876	54,495	-	-	179,371		
Payroll taxes	24,201	3,333	3,913	6,587	12,707	47,278	98,019	14,668	-	-	112,687		
TOTAL PAYROLL AND RELATED EXPENSES	362,876	49,882	58,629	101,078	193,809	681,150	1,447,424	284,100	-	-	1,731,524		
Professional	104,950	5,702	1,479	7,435	18,492	96,480	234,538	39,866	-	-	274,404		
Office supplies	12,354	1,461	1,308	2,798	7,285	27,827	53,033	4,266	-	-	57,299		
Postage	4,238	517	313	1,473	2,764	10,200	19,505	1,901	-	27	21,433		
Meetings	2,043	-	158	723	2,978	1,489	7,391	4,477	-	-	11,868		
Miscellaneous	-	-	-	-	-	1,524	1,524	1,157	-	297	2,978		
Conferences	-	2,528	-	-	-	1,451	3,979	-	-	228	4,207		
Maintenance	2,368	172	258	1,411	1,325	7,704	13,238	-	-	-	13,238		
Printing and publications	8,665	690	735	2,278	3,745	18,885	34,998	6,144	-	-	41,142		
Contract services	-	-	-	-	-	47,945	47,945	-	-	-	47,945		
Telephone	10,622	2,938	658	2,248	8,307	14,193	38,966	2,323	-	-	41,289		
Insurance	2,919	-	238	381	952	2,473	6,963	726	-	-	7,689		
Rent	48,941	3,280	5,696	10,605	22,178	48,782	139,482	4,923	-	-	144,405		
Travel	19,154	8,970	837	5,082	16,021	59,502	109,566	1,982	-	-	111,548		
Stipends	3,574	-	-	-	-	43,751	47,325	-	-	-	47,325		
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	582,704	76,140	70,309	135,512	277,856	1,063,356	2,205,877	351,865	552	-	2,558,294		
Depreciation	-	-	-	-	-	-	-	22,930	-	-	22,930		
TOTAL FUNCTIONAL EXPENSES	\$ 582,704	\$ 76,140	\$ 70,309	\$ 135,512	\$ 277,856	\$ 1,063,356	\$ 2,205,877	\$ 374,795	\$ 552	\$ -	\$ 2,581,224		

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

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2005

(Restated - Note 9)

	PROGRAM SERVICES										TOTAL FUNCTIONAL EXPENSES
	CHILD MENTAL HEALTH INITIATIVE NASHVILLE CONNECTION	FEDERAL FAMILIES SUPPORT NETWORK	STATEWIDE RESPITE NETWORK	EARLY CHILDHOOD INTERVENTION	FAMILY SUPPORT AND ADVOCACY	OTHER PROGRAM SERVICES	TOTAL	SUPPORTING SERVICES			
								MANAGEMENT AND GENERAL	FUNDRAISING		
Salaries	\$ 378,914	\$ 34,220	\$ 47,040	\$ 79,125	\$ 171,550	\$ 390,042	\$ 1,100,891	\$ 181,111	\$ -	\$ -	\$ 1,282,002
Employee benefits	38,035	3,472	4,617	7,417	16,374	26,882	96,797	19,518	-	-	116,315
Payroll taxes	30,433	2,559	3,736	6,183	13,383	32,616	88,910	11,855	-	-	100,765
TOTAL PAYROLL AND RELATED EXPENSES	447,382	40,251	55,393	92,725	201,307	449,540	1,286,598	212,484	-	-	1,499,082
Professional	62,029	4,510	1,378	10,564	16,901	54,781	150,163	29,856	3,125	-	183,144
Office supplies	18,489	1,515	1,500	3,391	6,724	15,604	47,223	8,749	504	-	56,476
Postage	4,367	299	430	1,254	2,151	4,619	13,120	202	-	-	13,322
Meetings	49,499	-	527	505	2,295	1,282	54,108	19,183	-	-	73,291
Miscellaneous	-	-	-	-	-	-	-	50	1,405	-	1,455
Conferences	-	811	-	-	-	1,794	2,605	-	730	-	3,335
Maintenance	3,254	-	399	1,215	2,288	4,343	11,499	-	-	-	11,499
Printing and publications	6,205	912	1,232	2,222	2,715	10,040	23,326	4,402	-	-	27,728
Contract services	-	-	-	-	328	41,725	42,053	-	-	-	42,053
Telephone	10,582	1,245	1,319	2,444	8,410	11,996	35,996	1,429	-	-	37,425
Insurance	3,649	-	263	420	1,050	2,311	7,693	-	-	-	7,693
Rent	90,460	8,279	6,926	11,656	23,060	38,996	179,377	809	-	-	180,186
Travel	20,585	4,342	738	5,453	10,366	21,878	63,362	2,402	-	-	65,764
Stipends	10,123	-	-	-	-	38,211	48,334	-	-	-	48,334
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	726,624	62,164	70,105	131,849	277,595	697,120	1,965,457	279,566	5,764	-	2,250,787
Depreciation	-	-	-	-	-	-	-	39,400	-	-	39,400
TOTAL FUNCTIONAL EXPENSES	\$ 726,624	\$ 62,164	\$ 70,105	\$ 131,849	\$ 277,595	\$ 697,120	\$ 1,965,457	\$ 318,966	\$ 5,764	\$ -	\$ 2,290,187

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

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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 the Agency's services is provided principally by federal and state grants and certain contract revenues.

Basis of presentation

TVC reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted, depending on the existence and nature of any restrictions placed on contributions by donors. The Agency had no permanently restricted net assets at June 30, 2006 and 2005.

A description of the net assets of TVC follows:

Unrestricted - Represents expendable funds available for support of operations.

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

Temporarily restricted net assets consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Thompson Foundation - purchase of equipment	\$ -	\$ 16,852
Frist Foundation - resource library	-	1,522
Memorial Foundation - Nashville Connection Program	719	10,000
Contributions receivable in future years	<u>2,856</u>	<u>5,738</u>
	<u>\$ 3,575</u>	<u>\$ 34,112</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

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 federal grant revenues from the U.S. Department of Health and Human Services (HHS) and the U.S. Department of Education (ED) and state grant revenues from the Tennessee Department of Mental Health and Developmental Disabilities (TDMHDD), and the Tennessee Department of Children's Services (TDCS). The HHS grant revenues are passed through the TDMHDD, Vanderbilt University, the University of Illinois and the Tennessee Department of Human Services. The ED grant revenues are passed through the University of South Florida and the ARC of Tennessee. Grant revenues are deferred initially and recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Gifts of equipment or materials are reported 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.

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.

Furniture and equipment

Furniture and equipment are stated at acquisition cost, or estimated fair value if donated, less accumulated depreciation. Depreciation is computed on the straight-line method to allocate the cost of depreciable assets to operations over estimated useful lives of five to seven years.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

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 fair value of the services received.

Use of estimates in the preparation of financial statements

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

Program and supporting services

The following functional expense allocations are included in the accompanying financial statements:

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

- Nashville Connection - serves children ages 8-13 with serious emotional disturbance and their families who require services from more than one agency. It targets children at imminent risk of being removed from their homes into state custody, hospitalization or residential placement due to behavioral, emotional, or mental issues. The goal of this program is for children to be cared for in their homes, schools and communities and to help the children and their families gain the skills to enable them to manage their daily living in healthy ways.
- Respite services - provides a statewide information and referral service for families with children ages 0-18 with any type of serious disabilities.
- Child Care Consulting - provides onsite consultation and training to parents and staff associated with preschool centers on child development, developmentally appropriate practices, classroom management, behavioral intervention and positive discipline, support for administrators, parent support and involvement, behavioral screening, resource utilization, and self-evaluation.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services (Continued):

Program services (Continued):

- Family Support Network - provides education and empowerment to parents/caregivers on navigating the different agencies. It provides information, resources and referrals for parents and professionals, advocacy for children's and parents' rights, parent support groups, training, education and community awareness.
- Nashville Supports Early Education Staff (SEES) - a child care initiative designed to provide a qualified and affordable substitute pool to Davidson County's child care providers. (See Note 8.)

Supporting services:

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

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

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

Cash equivalents

Cash equivalents include demand deposits with banks, time deposits and highly liquid debt instruments with original maturities when purchased of three months or less.

Certificates of deposit

Certificates of deposit mature at various times through June 14, 2007, and bear interest at rates ranging from 3.25% to 5.15%. Certificates of deposit are reported at cost, which approximates fair value at June 30, 2006 and 2005.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of shares of a mutual fund and are carried at the quoted fair market value of the securities on the last business day of the reporting period. Changes in unrealized gains and losses are recognized in the statement of activities for the year.

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.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable consist of the following as of June 30:

	<u>2006</u>	<u>2005</u>
U.S. Department of Health and Human Services	\$ 14,852	\$ 18,105
U.S. Department of Education	40,206	55,494
State of Tennessee Department of Mental Health and Developmental Disabilities	383,690	356,568
State of Tennessee Department of Human Services	-	44,200
State of Tennessee Department of Children's Services	203,191	-
ARC of Tennessee	-	957
University of Illinois	19,599	18,705
University of South Florida	<u>43,300</u>	<u>29,732</u>
	<u>\$ 704,838</u>	<u>\$ 523,761</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 3 - OPERATING LEASES

The Agency conducts its operations from a facility leased under a noncancelable operating lease. The lease expires August 31, 2007, and requires a monthly rental ranging from \$7,755 to \$8,745. The lease is cancelable if the Agency has a certifiable loss equal to seventy-five percent of its operating revenues, as defined. The lease is renewable at expiration for an additional three-year term. Certain other office space is leased on a month-to-month basis.

A summary of minimum future rental payments required under all noncancelable operating leases as of June 30, 2006, follows:

Year Ending June 30:

2007	\$105,950
2008	<u>17,490</u>
Total	<u>\$123,440</u>

NOTE 4 - 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 81% (2005 - 75%) of its funding from federal and state grants.

TVC maintains deposit balances in various accounts with several financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. Excess uninsured balances of the Agency amounted to approximately \$1,700,000 at June 30, 2006 (\$1,200,000 at June 30, 2005). In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NOTE 5 - 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 the grantors.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 6 - DONATED SERVICES

Donated services consisted of consulting and planning services concerning the development of an internet-based, integrated clinical and enterprise information system. The Agency recognized \$46,581 of in-kind revenues and related expenses for the year ended June 30, 2006 (\$12,319 for the year ended June 30, 2005). The expenses are included in Child Mental Health Initiative-Nashville Connection program services each year.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2006</u>	<u>2005</u>
Temporarily restricted:		
Less than one year	\$ 1,000	\$ 2,000
One to five years	<u>2,000</u>	<u>4,000</u>
	3,000	6,000
Less discount to net present value	<u>(144)</u>	<u>(262)</u>
Total	<u>\$ 2,856</u>	<u>\$ 5,738</u>

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

TVC had contracts with the State of Tennessee Department of Human Services (the "State") and the Metropolitan Government of Nashville and Davidson County, Tennessee ("Metro") to operate the Nashville Supports Early Education Staff (SEEs) program. This program provided full-time substitute childcare teachers in Nashville area childcare centers and family childcare homes. The contract was effective for the period from July 1, 2003 through June 30, 2005. Nashville SEEs, Inc., a Tennessee not-for-profit corporation, was organized in 2005 to take over this program. Effective July 1, 2005, TVC entered into an agreement with Nashville SEEs, Inc. providing for all fees collected by TVC from the childcare centers under the grants with the State and Metro, less (i) expenses incurred by TVC that were not reimbursed by such grants, and (ii) a 10% administrative fee to be transferred to Nashville SEEs, Inc., which assumed operating control of the program. In addition, TVC transferred \$114,190 of accumulated net assets relating to this program to Nashville SEEs, Inc. Under the terms of the agreement, TVC will act as fiscal agent for Nashville SEEs, Inc. and disburse funds for expenses of Nashville SEEs, Inc. upon request. The amount of funds held on behalf of Nashville SEEs, Inc., which amounted to \$29,795 at June 30, 2006, is reported on the Statement of Financial Position.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2006 AND 2005

NOTE 9 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to unrestricted net assets as of July 1, 2005, and the 2005 financial statements have been restated, in order to properly reflect certain grant revenues and expenses related to the Nashville SEEs program (see Note 8). These adjustments include (i) \$60,415 of grant revenues earned that were previously reported by TVC as funds held on behalf of another agency and (ii) \$14,194 of organizational costs and other nonreimbursed expenses under the grants that were paid on behalf of Nashville SEEs, Inc. and were previously reported by TVC as program services expense. The effects of this restatement were (i) to increase expenses paid on behalf of another agency by \$14,194, decrease funds held on behalf of another agency by \$60,415, and increase net assets by \$74,609 as of June 30, 2005, and (ii) to increase revenues by \$60,415, decrease program expenses by \$14,194, and increase the change in net assets by \$74,609 for the year then ended. A schedule summarizing the restatement of net assets as of July 1, 2005, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance - July 1, 2005, as previously reported	\$ 2,472,997	\$ 34,112	\$ 2,507,109
Prior Period Adjustment:			
(i) To properly report grant revenues	60,415	-	60,415
(ii) To properly report grant expenses	<u>14,194</u>	<u>-</u>	<u>14,194</u>
Balance - July 1, 2005, as restated	<u>\$ 2,547,606</u>	<u>\$ 34,112</u>	<u>\$ 2,581,718</u>

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

Federal CFDA#	Grant Description	Grant Number	Grant Period	Federal Grant Amount	State Grant Amount	Accrued (Deferred)	Federal Receipts	Expenditures	Refund to grantor and other adjustments	Accrued (Deferred)
						7/1/05				6/30/06
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
DIRECT:										
93.230	Youth Suicide Prevention	4 U79 SM53277-02	9/30/01-8/31/03	\$ 187,457	\$ -	(2)	\$ -	\$ -	\$ 2	\$ -
93.243	Federal Family Support Network	1 HR1 SM5637-01	09/30/04 - 09/30/05	\$ 70,000		18,105	18,105	-	-	-
93.243	Federal Family Support Network	5 HR1 SM56367-02	09/30/05 - 09/29/06	\$ 70,000	\$ -	-	80,943	76,140	19,655	14,852
DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES:										
* 93.958	Child Mental Health Initiative - Nashville Connection	GR-05-16306-00	07/01/04 - 06/30/05	\$ 683,813	\$ -	157,476	157,476	-	-	-
* 93.958	Child Mental Health Initiative - Nashville Connection	GR-06-17086-00	07/01/05 - 08/31/05	\$ 28,825	\$ 115,298	-	144,123 (1)	144,123	-	-
* 93.958	Child Mental Health Initiative - Nashville Connection	GR-06-17595-00	09/01/05 - 08/31/06	\$ 698,838	\$ -	-	369,081	480,748	-	111,667
PASSED THROUGH VANDERBILT UNIVERSITY:										
93.230	Consolidated Knowledge Development and Application Program	13683S1	1/1/97-9/30/00	\$ 314,833	\$ -	(1,384)	-	-	1,384	-
93.230	Consolidated Knowledge Development and Application Program	15310S2	1/1/01-9/30/04	\$ 186,036	\$ -	(177)	-	-	177	-
PASSED THROUGH UNIVERSITY OF ILLINOIS:										
93.600	Head Start Center on Social and Emotional Foundations for Early Learning	90YD0119/01	09/30/04 - 09/29/05	\$ 59,963	\$ -	18,705	18,705	-	-	-
93.600	Head Start Center on Social and Emotional Foundations for Early Learning	90YD0119	09/30/05 - 09/29/06	\$ 64,321	\$ -	-	37,088	56,687	-	19,599
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF HUMAN SERVICES:										
93.575	Child Care Facilities Grant Program	GR-03-15249-02	7/01/04 - 06/30/05	\$ 237,968	\$ -	44,200	44,614	-	414	-
U.S. DEPARTMENT OF EDUCATION										
DIRECT:										
84.324C	Identification & Analysis - Use of Research-based Intervention Practices	H324C030118	01/01/04 - 12/31/05	\$ 178,661	\$ -	(1,139)	-	-	1,139	-
84.324C	Identification & Analysis - Use of Research-based Intervention Practices	H324C030118	01/01/05 - 12/31/05	\$ 178,614	\$ -	55,494	55,494	-	-	-
84.324C	Identification & Analysis - Use of Research-based Intervention Practices	H324C030118	01/01/06 - 12/31/06	\$ 178,614	\$ -	-	103,864	144,070	-	40,206
PASSED THROUGH UNIVERSITY OF SOUTH FLORIDA:										
84.324Z	Centers on Evidence-Based Practice: Young Children with Challenging Behaviors	H324Z010001-02A	01/01/05 - 12/31/05	\$ 118,927	\$ -	29,732	29,732	-	-	-
84.324Z	Centers on Evidence-Based Practice: Young Children with Challenging Behaviors	H324Z010001-02A	01-01-06 - 12/31/06	\$ 132,889	\$ -	-	107,830	151,130	-	43,300
PASSED THROUGH THE ARC OF TENNESSEE:										
84.328C	Community Parent Resource Center	H328C010038	10/1/01-9/30/04	\$ 86,904	\$ -	957	-	-	(957)	-
TOTAL EXPENDITURES OF FEDERAL AWARDS										
				\$ 321,967	\$ -	\$ 321,967	\$ 1,167,055	\$ 1,052,898	\$ 21,814	\$ 229,624

Summary of expenditures by CFDA number

84.324	\$ 295,200
93.958	624,871
93.243	76,140
93.600	56,687
Total	\$ 1,052,898

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

(1) The amount of federal award per the contract is 20% or \$ 28,825.

See Note to Schedules of Expenditures of Federal and State Awards.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

Grant Description	Grant Number	Grant Period	State Grant Amount	Accrued (Deferred) 7/1/05	State Receipts	Expenditures	Accrued (Deferred) 6/30/06
TENNESSEE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES							
Community Mental Health Services	GR-05-16279-00	7/1/04-6/30/05	\$ 500,959	\$ 171,103	\$ 171,103	\$ -	\$ -
Community Mental Health Services	GR-06-17076-00	7/1/05-6/30/06	\$ 500,959	-	317,143	477,591	160,448
Tennessee Respite Network	GR-05-16268-00	7/01/04-6/30/05	\$ 88,175	27,989	27,989	-	-
Tennessee Respite Network	GR-06-17076-00	7/1/05-6/30/06	\$ 88,175	-	59,307	81,251	21,944
Muletown Family Network	GR-06-17753-00	2/1/06-6/30/06	\$ 229,602	-	447	90,078	89,631
TOTAL TENNESSEE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENT DISABILITIES				199,092	575,989	648,920	272,023
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES							
Family Connections for Davidson County and Mid Cumberland Regions	GR-06-17404-00	8/1/05-6/30/06	\$ 669,290	-	272,761	441,698	168,937
Family Connections for Hamilton County	GR-06-17778-00	3/15/06-6/30/06	\$ 51,840	-	-	34,254	34,254
TOTAL TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES				-	272,761	475,952	203,191
TOTAL EXPENDITURES OF STATE AWARDS				\$ 199,092	\$ 848,750	\$ 1,124,872	\$ 475,214

See Note to Schedules of Expenditures of Federal and State Awards.

TENNESSEE VOICES FOR CHILDREN, INC.

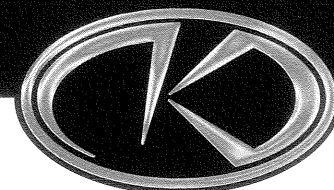
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - BASIS OF PRESENTATION

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

OTHER REPORTS



KraftCPAs
PLLC

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

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

We have audited the financial statements of Tennessee Voices for Children, Inc. (the "Agency") as of and for the year ended June 30, 2006, and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tennessee Voices for Children, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we reported to management of the Agency in a separate letter dated November 17, 2006.

Compliance and Other Matters

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

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

KraftCPAs PLLC

Nashville, Tennessee
November 17, 2006



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Tennessee Voices for Children, Inc. (the "Agency") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Tennessee Voices for Children, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Yaght CPAs PLLC

Nashville, Tennessee
November 17, 2006

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ none reported

Noncompliance material to financial statements noted?

☐ Yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ none reported

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

Unqualified

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

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.958

Child Mental Health Initiative - Nashville Connection

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, 2006

Section II - Financial Statement Findings

PRIOR YEAR REPORTABLE CONDITIONS

None

CURRENT YEAR REPORTABLE CONDITIONS

None

TENNESSEE VOICES FOR CHILDREN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

Section III - Federal Award Findings and Questioned Costs

PRIOR YEAR

None

CURRENT YEAR

None