

The Board of Directors of
Prevent Child Abuse Tennessee:

We have audited the financial statements of Prevent Child Abuse Tennessee (the "Organization") as of and for the year ended June 30, 2015 and have issued our report thereon dated October 27, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 2, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the anticipated collection of grants and accounts receivable and the functional allocation of expenses, which assigns direct costs, administrative costs and allocable direct costs based on a number of factors. We have reviewed and evaluated all areas where management's estimates significantly impact the financial statements and have concluded that they are reasonable in the context of the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Additionally, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Independence

We are not aware of any relationships between our firm and the Organization that, in our professional judgment, may reasonably be thought to bear on our independence which have occurred during the period from July 1, 2014 through the date of this letter.

Internal Control and Operating Efficiency

In planning and performing our audit of the financial statements of the Organization as of and for the year ended June 30, 2015, in accordance with the auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control. We identified the following items during our audit that are opportunities for improving internal controls, compliance with governmental regulations and operating efficiency.

Authorization of Pay Rates

The Organization's current method of pay rate authorization for employees is a spreadsheet prepared each year by the Finance Manager, Operations Manager, and Executive Director, which is ultimately also approved by the Executive Director. However, no formal approval is indicated on the spreadsheet and there is no document version control. Accordingly, we recommend that, any time pay-rates are revised, a version of this spreadsheet be printed and signed by all responsible parties. This would allow evidence of formal approval, a verifiable paper trail of compensation changes and protection against unauthorized changes to the spreadsheet.

Monthly Program-Level Financial Review

We noted that the Organization's program directors do not perform a review of program profit and loss statements to budgetary and prior month results on a monthly basis. While such reviews do take place, these reviews should be required on a monthly basis. A monthly review would help to identify errors or other misstatements requiring correction for amounts incurred and billed to the State in a timely manner, and would significantly strengthen the Organization's internal control over its programs.

This information is intended solely for the use of the Board of Directors and management of Prevent Child Abuse Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

LB MCR

PREVENT CHILD ABUSE TENNESSEE

Financial Statements and Supplementary Information

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

LBMC

MAKE A GOOD
BUSINESS BETTER

PREVENT CHILD ABUSE TENNESSEE

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Prevent Child Abuse Tennessee:

Report on the Financial Statements

We have audited the accompanying financial statements of Prevent Child Abuse Tennessee (the "Organization"), a Tennessee corporation, which are comprised of the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' 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 auditors' 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 Prevent Child Abuse Tennessee as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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 and State Awards, as required by 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. 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 October 27, 2015, on our consideration of the Organization'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* in considering the Organization's internal control over financial reporting and compliance.

LBMC, PC

Brentwood, Tennessee
October 27, 2015

PREVENT CHILD ABUSE TENNESSEE

Statements of Financial Position

June 30, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 3,731	\$ 18,277
Grants receivable	458,359	735,908
Other accounts receivable	<u>180</u>	<u>19,355</u>
Total current assets	462,270	773,540
Property and equipment	<u>6,000</u>	<u>7,000</u>
Total assets	\$ <u>468,270</u>	\$ <u>780,540</u>

Liabilities and Net Assets

Current liabilities:		
Line of credit	\$ -	\$ 201,248
Checks written in excess of bank balance	7,764	-
Accounts payable	116,859	321,659
Accrued expenses	<u>50,557</u>	<u>52,383</u>
Total current liabilities	<u>175,180</u>	<u>575,290</u>
Net assets -unrestricted	<u>293,090</u>	<u>205,250</u>
Total liabilities and net assets	\$ <u>468,270</u>	\$ <u>780,540</u>

See accompanying notes to the financial statements.

PREVENT CHILD ABUSE TENNESSEE

Statements of Activities

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Revenue:		
Grants	\$ 3,722,539	\$ 3,129,352
Donations	202,340	162,000
Fundraising	157,480	68,316
Service fees	8,095	18,580
In-kind donations	<u>64,323</u>	<u>57,409</u>
Total revenue	4,154,777	3,435,657
Expenses:		
Programs	3,842,009	3,256,183
Management and general	99,561	104,063
Fundraising	<u>125,367</u>	<u>62,605</u>
Total expenses	<u>4,066,937</u>	<u>3,422,851</u>
Increase in net assets	87,840	12,806
Net assets at beginning of year	<u>205,250</u>	<u>192,444</u>
Net assets at end of year	\$ <u>293,090</u>	\$ <u>205,250</u>

See accompanying notes to the financial statements.

PREVENT CHILD ABUSE TENNESSEE

Statements of Functional Expenses

Year ended June 30, 2015

	<u>Parent Leadership</u>	<u>Healthy Start</u>	<u>Healthy Families</u>	<u>Helpline</u>	<u>Nurturing Parents</u>	<u>VOCA</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 93,105	\$ 160,891	\$ 1,177,398	\$ -	\$ 100,120	\$ 70,311	\$ 32,774	\$ 1,634,599	\$ 23,494	\$ 38,955	\$ 1,697,048
Fringe benefits	21,961	48,775	337,823	-	15,862	6,114	6,056	436,591	3,689	11,394	451,674
Professional fees	271	-	612,091	-	861	-	287	613,510	9,847	14,305	637,662
Supplies	5,183	21,142	210,746	2,532	6,681	2,638	2,567	251,489	34,869	19,515	305,873
Telephone	3,154	7,239	54,149	-	2,660	17,124	941	85,267	102	1,538	86,907
Postage	91	379	1,618	-	128	94	161	2,471	916	1,158	4,545
Rent	4,140	6,960	64,658	-	5,534	1,215	1,311	83,818	1,226	3,062	88,106
Equipment and maintenance	3,078	5,061	36,624	-	1,901	722	589	47,975	238	592	48,805
Printing	834	62	7,362	-	1,515	226	548	10,547	228	1,999	12,774
Travel and conferences	9,262	24,414	305,422	32	11,566	432	6,712	357,840	4,304	3,318	365,462
Insurance	918	1,145	3,941	-	576	397	208	7,185	107	471	7,763
Administrative	-	-	-	-	-	-	-	-	-	-	-
Indirect	9,427	15,312	189,186	-	15,216	-	5,418	234,559	5,994	5,966	246,519
Parent stipends	2,750	-	-	-	8,000	-	-	10,750	1,000	-	11,750
Other	2,537	4,875	47,284	-	5,582	5,129	1	65,408	2,164	23,094	90,666
Interest	-	-	-	-	-	-	-	-	11,383	-	11,383
Total expenses	\$ 156,711	\$ 296,255	\$ 3,048,302	\$ 2,564	\$ 176,202	\$ 104,402	\$ 57,573	\$ 3,842,009	\$ 99,561	\$ 125,367	\$ 4,066,937

See accompanying notes to the financial statements.

PREVENT CHILD ABUSE TENNESSEE

Statements of Functional Expenses

Year ended June 30, 2014

	<u>Parent Leadership</u>	<u>Healthy Start</u>	<u>Healthy Families</u>	<u>Nurturing Parents</u>	<u>VOCA</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 90,331	\$ 37,882	\$ 1,119,750	\$ 86,108	\$ 60,965	\$ 54,746	\$ 1,449,782	\$ 49,679	\$ 17,026	\$ 1,516,487
Fringe benefits	7,796	9,968	295,183	9,079	2,876	8,286	333,188	8,437	5,733	347,358
Professional fees	-	20	744,582	-	-	2,475	747,077	1,712	9,485	758,274
Supplies	8,672	4,837	65,244	19,014	4,330	2,184	104,281	28,984	9,094	142,359
Telephone	2,730	2,730	41,143	1,685	16,160	2,065	66,513	566	1,770	68,849
Postage	649	362	2,657	1,599	41	1,657	6,965	159	42	7,166
Rent	2,428	3,217	46,110	2,500	394	2,586	57,235	255	3,385	60,875
Equipment and maintenance	4,004	43	16,823	1,071	1,329	3,001	26,271	(23)	758	27,006
Printing	5,804	77	17,376	200	5,829	580	29,866	74	1,092	31,032
Travel and conferences	12,532	4,719	200,142	11,441	194	17,200	246,228	3,742	2,888	252,858
Insurance	569	629	14,648	947	1,495	1,131	19,419	(3,343)	380	16,456
Administrative	-	407	4,298	340	-	294	5,339	(2,892)	96	2,543
Indirect	9,767	1,234	94,042	12,514	-	9,402	126,959	1,966	2,479	131,404
Parent stipends	8,535	-	-	19,995	-	-	28,530	-	-	28,530
Other	1,500	160	3,570	-	3,228	72	8,530	1,985	8,377	18,892
Interest	-	-	-	-	-	-	-	12,762	-	12,762
Total expenses	<u>\$ 155,317</u>	<u>\$ 66,285</u>	<u>\$ 2,665,568</u>	<u>\$ 166,493</u>	<u>\$ 96,841</u>	<u>\$ 105,679</u>	<u>\$ 3,256,183</u>	<u>\$ 104,063</u>	<u>\$ 62,605</u>	<u>\$ 3,422,851</u>

See accompanying notes to the financial statements.

PREVENT CHILD ABUSE TENNESSEE

Statements of Cash Flows

Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 87,840	\$ 12,806
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,000	-
Decrease (increase) in operating assets:		
Grants receivable	277,549	117,801
Other accounts receivable	19,175	(17,311)
Increase (decrease) in operating liabilities:		
Accounts payable	(204,800)	145,909
Accrued expenses	(1,826)	(20,044)
Deferred revenue	<u>-</u>	<u>(10,000)</u>
Total adjustments	<u>91,098</u>	<u>216,355</u>
Net cash provided by operating activities	<u>178,938</u>	<u>229,161</u>
Cash flows from investing activities -		
Purchase of property and equipment	<u>-</u>	<u>(7,000)</u>
Cash flows from financing activities:		
Repayments on line of credit, net	(201,248)	(268,752)
Change in checks written in excess of bank balance	<u>7,764</u>	<u>-</u>
Net cash used by financing activities	<u>(193,484)</u>	<u>(268,752)</u>
Decrease in cash	(14,546)	(46,591)
Cash at beginning of year	<u>18,277</u>	<u>64,868</u>
Cash at end of year	\$ <u>3,731</u>	\$ <u>18,277</u>

See accompanying notes to the financial statements.

PREVENT CHILD ABUSE TENNESSEE

Notes to the Financial Statements

June 30, 2015 and 2014

(1) Nature of activities

Prevent Child Abuse Tennessee (the "Organization") is a not-for-profit organization located in Nashville, Tennessee. The Organization provides services aimed at preventing the occurrence or continuation of child abuse. These services consist of parent support groups, a statewide toll-free parent helpline, and pairing of trained volunteers with new families at a high risk for child abuse. All services are available at no charge. Principal funding is provided by federal grants through the Tennessee Department of Human Services. Organization operations are conducted by the executive director and staff under the guidance of the board of directors.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets which are not subject to donor-imposed restrictions.

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

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

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. There were no temporarily restricted or permanently restricted net assets as of June 30, 2015 and 2014.

Expirations of temporary restrictions on net assets are reported as net assets released from restriction between the applicable classes of net assets. Restricted donations which have been used in the same period as received are considered unrestricted in nature and reported as such.

PREVENT CHILD ABUSE TENNESSEE

Notes to the Financial Statements

June 30, 2015 and 2014

(b) Receivables and credit policies

Substantially all receivables are from grantors. The carrying amount of receivables is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on management's knowledge of its grantors and customers, historical loss experience and existing economic conditions. Late or interest charges on delinquent accounts are not recorded until collected. Accounts receivable are written-off when, in management's opinion, all collection efforts have been exhausted. As of June 30, 2015 and 2014, no valuation allowance was deemed necessary.

(c) Property and equipment

Property and equipment is stated at cost, net of depreciation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Equipment is generally depreciated over a period between five and seven years. The Organization's policy is to capitalize property and equipment expenditures over \$1,000 with useful lives of one year or more.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in the change in unrestricted net assets.

(d) Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements. The Organization does not believe there are any uncertain tax positions and, accordingly it has not recognized any asset or liability for unrecognized tax benefit.

As of June 30, 2015 and 2014, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service for years subsequent to June 30, 2011.

PREVENT CHILD ABUSE TENNESSEE

Notes to the Financial Statements

June 30, 2015 and 2014

(e) Revenue recognition

Contribution revenue is recognized when received. Contributions and grants restricted by the donor, grantor, or other outside parties for particular operating purposes are deemed to be earned and reported as revenues when the Organization has incurred expenditures in compliance with the specific grant restrictions. Revenue from special events is recognized when it is earned, generally when the event occurs.

(f) In-kind donations

Individuals volunteer their time and perform a variety of tasks that assist the Organization with program services. Certain contributed services, such as those provided by volunteers trained in social work, require specialized skills and would otherwise need to be purchased if not provided by donation. Accordingly, the Organization recognized revenue and expense for those contributed services in the amount of \$64,323 and \$57,409 during the years ended June 30, 2015 and 2014, respectively.

(g) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Functional allocation of expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(j) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2015 and October 27, 2015 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

PREVENT CHILD ABUSE TENNESSEE

Notes to the Financial Statements

June 30, 2015 and 2014

(3) Credit risk and other concentrations

Grants from the State of Tennessee and the federal government agencies amounted to approximately 88.0% and 99.6% of the Organization's revenue and accounts receivable, respectively, as of and for the year ended June 30, 2015. Grants from the State of Tennessee and the federal government agencies amounted to approximately 88.0% and 96.0% of the Organization's revenue and accounts receivable, respectively, as of and for the year ended June 30, 2014.

(4) Property and equipment

Property and equipment at June 30, 2015 and 2014, consisted of the following:

Equipment	\$ 7,000	\$ 36,326
Accumulated depreciation	<u>(1,000)</u>	<u>(29,326)</u>
	\$ <u>6,000</u>	\$ <u>-</u>

(5) Line of credit

At June 30, 2014, the Organization had a \$250,000 line of credit with a bank. The line of credit was secured by all grants receivable and bore interest at a variable rate. The Organization owed approximately \$201,000 on this line of credit at June 30, 2014. The line of credit was repaid during 2015 and expired in April, 2015.

During 2015, the Organization obtained a new line of credit with a different bank. The line of credit provides for maximum borrowings of up to \$350,000. The line is unsecured and bears interest a variable interest rate equal to the Wall Street Journal Prime rate plus 1.0% (4.25% at June 30, 2015), payable monthly. All outstanding principle and unpaid interest is due at maturity on March 15, 2016. The Organization did not owe any balance on the line of credit at June 30, 2015.

(6) Retirement plan

During 2015, the Organization began sponsoring a defined contribution plan pursuant to Section 403(b) of the Internal Revenue Code of 1986 (the "Code"), as amended. Under the terms of the plan, each eligible employee may contribute a percentage of wages subject to certain limitations. The Organization may match employee contributions at its discretion. No contributions were made by the Organization for 2015.

(7) Lease commitments

The Company leases office space under operating leases. Rent expense under these leases amounted to \$88,106 and \$60,875 in 2015 and 2014, respectively.

PREVENT CHILD ABUSE TENNESSEE

Notes to the Financial Statements

June 30, 2015 and 2014

A summary of approximate future minimum payments under these leases as of June 30, 2015 is as follows:

	<u>Amount</u>
2016	\$ 26,500
2017	<u>1,400</u>
	<u>\$ 27,900</u>

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2015.

(8) Supplemental disclosures of cash flow statement information

Interest paid during the years ended June 30, 2015 and 2014 totaled \$11,383 and 12,762, respectively.

PREVENT CHILD ABUSE TENNESSEE

Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2015

<u>CFDA #</u>		<u>Grant Number</u>	<u>Receivable Balance June 30, 2014</u>	<u>Receipts and Other Reductions</u>	<u>Expenditures</u>	<u>Receivable Balance June 30, 2015</u>
<u>FEDERAL AWARDS</u>						
16.575	U.S. Dept. of Justice Pass-through from Tennessee Department of Finance and Administration Child Abuse Prevention Program - VOCA	18819	\$ 26,158	\$ 91,802	\$ 82,734	\$ 17,090
	Total program		26,158	91,802	82,734	17,090
93.505	U.S. Dept. of Health and Human Services Pass-through from Tennessee Department of Health Healthy Families	GR1338748	86,726	535,334	479,824	31,216
	Healthy Families	GR1334604	470,186	2,732,135	2,575,626	313,677
	Total program		556,912	3,267,469	3,055,450	344,893
93.590	U.S. Dept. of Health and Human Services Pass-through from Tennessee Department of Children's Services Nurturing Families - Mid Cumberland	31715	5,858	17,451	14,705	3,112
	Nurturing Families - East Tennessee	31701	3,087	9,753	9,999	3,333
	Nurturing Families - Tennessee Valley	31769	16,656	27,908	14,705	3,453
	Darkness to Light	31657	2,976	9,457	8,823	2,342
	Parent Leadership	35723	17,193	45,810	36,763	8,146
	Total program		45,770	110,379	84,995	20,386
	Total federal awards		628,840	3,469,650	3,223,179	382,369
<u>STATE AWARDS</u>						
N/A	Tennessee Department of Children's Services Nurturing Families - Mid Cumberland	31715	14,061	41,886	35,295	7,470
	Nurturing Families - East Tennessee	31701	7,410	23,411	24,001	8,000
	Nurturing Families - Tennessee Valley	31769	6,939	33,948	35,296	8,287
	Darkness to Light	31657	7,144	22,700	21,177	5,621
	Parent Leadership	35723	41,266	109,953	88,238	19,551
	Healthy Start	42888	-	202,659	227,946	25,287
	Total state awards		76,820	434,557	431,953	74,216
	Total federal and state awards		\$ 705,660	\$ 3,904,207	\$ 3,655,132	\$ 456,585

See accompanying notes to the Schedule of Expenditures of Federal and State Grant Awards

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Notes to the Schedule of Expenditures of Federal and State Grant Awards

Year ended June 30, 2015

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Grant Awards (the "Schedule") includes the federal and state grant activity of Prevent Child Abuse Tennessee (the "Organization"). The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) Summary of Significant Accounting Policies for Federal and State Award Expenditures

For purposes of the Schedule, expenditures of federal and state awards are recognized on the accrual basis of accounting.

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*

The Board of Directors of
Prevent Child Abuse Tennessee:

We have audited, in accordance with the 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 Prevent Child Abuse Tennessee (the "Organization"), which are comprised of the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMc, PC

Brentwood, Tennessee
October 27, 2015

Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by OMB Circular A-133

The Board of Directors of
Prevent Child Abuse Tennessee:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Prevent Child Abuse Tennessee (the "Organization") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2015. The Organization's major federal program is identified in the summary of auditors' 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 program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance the Organization's major federal program 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 the Organization'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 the Organization's major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

LB MC, PC

Brentwood, Tennessee
October 27, 2015

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(1) Summary of Auditors' Results

- (a) The independent auditors' report expressed an unmodified opinion on the financial statements.
- (b) No significant deficiencies relating to the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
- (c) No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Accounting Standards*, were disclosed during the audit.
- (d) No deficiencies in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
- (e) The independent auditors' report on compliance for the major federal award program for the Organization expresses an unmodified opinion on the major federal program.
- (f) There are no audit findings relative to the federal award programs for the Organization which are required to be reported under Section 510(a) of OMB Circular A-133.
- (g) The program tested as a major program was as follows:

<u>CFDA#</u>	<u>Grantor</u>	<u>Program</u>
93.505	U.S. Department of Health and Human Services	Healthy Families

- (h) The threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Organization qualified as a low-risk auditee.

(2) Findings - Financial Statement Audit

None

(3) Findings and Questioned Costs - Major Federal Award Program Audit

None

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Summary Schedule of Prior Audit Findings

June 30, 2015

Financial Statement Findings

There were no prior findings reported

Federal Award Findings and Questioned Costs

There were no prior findings reported