

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2012 AND 2011

TENNESSEE VOICES FOR CHILDREN, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
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INDEPENDENT AUDITORS' REPORT

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, 2012 and 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TVC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the financial position of Tennessee Voices for Children, Inc. as of June 30, 2012 and 2011, 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 our report dated January 15, 2013, 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 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 performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 18 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 is not a required part of the financial statements. The schedule of expenditures of state awards on page 19 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 audits 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.

Kraft CPAs PLLC

Nashville, Tennessee
January 15, 2013

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash	\$ 400,925	\$ 8,151
Investments	1,753,714	1,741,921
Grants receivable	733,995	1,186,760
Other receivables	41,809	28,481
Prepaid expenses and other	36,701	70,606
Property, building and equipment, net	<u>1,202,234</u>	<u>1,234,808</u>
TOTAL ASSETS	<u>\$ 4,169,378</u>	<u>\$ 4,270,727</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Checks written in excess of bank balance	\$ -	\$ 49,400
Accounts payable	128,480	193,293
Accrued expenses and other	203,259	200,730
Deferred revenue	16,328	15,539
Note payable	<u>714,991</u>	<u>768,269</u>
TOTAL LIABILITIES	<u>1,063,058</u>	<u>1,227,231</u>
NET ASSETS		
Unrestricted:		
Designated for property, building and equipment, net of related debt	487,243	466,539
Undesignated	<u>2,619,077</u>	<u>2,576,957</u>
TOTAL NET ASSETS	<u>3,106,320</u>	<u>3,043,496</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,169,378</u>	<u>\$ 4,270,727</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
SUPPORT AND REVENUE		
Grants and other contracts	\$ 4,036,519	\$ 4,330,437
Contributions	61,308	50,311
Conferences and other meetings	60,988	11,367
Investment income	15,767	37,628
Miscellaneous	<u>1,729</u>	<u>3,782</u>
 TOTAL SUPPORT AND REVENUE	 <u>4,176,311</u>	 <u>4,433,525</u>
 EXPENSES		
Program services	3,459,733	3,823,641
Supporting services:		
Management and general	<u>653,754</u>	<u>549,875</u>
 TOTAL EXPENSES	 <u>4,113,487</u>	 <u>4,373,516</u>
 CHANGE IN NET ASSETS	 62,824	 60,009
 NET ASSETS - BEGINNING OF YEAR	 <u>3,043,496</u>	 <u>2,983,487</u>
 NET ASSETS - END OF YEAR	 <u>\$ 3,106,320</u>	 <u>\$ 3,043,496</u>

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 62,824	\$ 60,009
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,574	32,752
Unrealized gains on investments	(4,208)	(16,695)
Loss on disposal of furniture and equipment	-	1,547
(Increase) decrease in:		
Grants receivable	452,765	(485,374)
Other receivables	(13,328)	(22,871)
Prepaid expenses and other	33,905	(1,872)
Increase (decrease) in:		
Checks written in excess of bank balance	(49,400)	49,400
Accounts payable	(56,774)	59,269
Accrued expenses and other	2,529	34,720
Deferred revenue	(7,250)	(4,580)
TOTAL ADJUSTMENTS	390,813	(353,704)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	453,637	(293,695)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(7,585)	(20,975)
Purchases of property, building and equipment	-	(17,785)
NET CASH USED IN INVESTING ACTIVITIES	(7,585)	(38,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(53,278)	(45,755)
NET CASH USED IN FINANCING ACTIVITIES	(53,278)	(45,755)
INCREASE (DECREASE) IN CASH	392,774	(378,210)
CASH - BEGINNING OF YEAR	8,151	386,361
CASH - END OF YEAR	\$ 400,925	\$ 8,151
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	\$ 38,370	\$ 48,611

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

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

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM SERVICES									SUPPORTING SERVICES	
	TENNESSEE PARENT INFORMATION RESOURCE CENTER	JUSTCARE FAMILY NETWORK	K-TOWN YOUTH EMPOWERMENT NETWORK	MULETOWN SYSTEM OF CARE	INTENSIVE IN-HOME FAMILY PRESERVATION SERVICES	STATEWIDE FAMILY SUPPORT NETWORK	EARLY CHILDHOOD PROGRAMS	OTHER PROGRAM SERVICES	TOTAL	MANAGEMENT AND GENERAL	TOTAL FUNCTIONAL EXPENSES
Salaries	\$ 209,054	\$ 491,337	\$ 421,957	\$ 196,012	\$ 163,473	\$ 190,331	\$ 84,208	\$ 266,631	\$ 2,023,003	\$ 262,210	\$ 2,285,213
Employee benefits	28,529	66,461	52,666	29,268	22,138	24,983	5,849	25,491	255,385	42,997	298,382
Payroll taxes	18,131	42,933	37,864	16,308	13,977	16,008	7,997	24,556	177,774	19,050	196,824
TOTAL PAYROLL AND RELATED EXPENSES	255,714	600,731	512,487	241,588	199,588	231,322	98,054	316,678	2,456,162	324,257	2,780,419
Conferences and meetings	10,972	32,019	27,298	6,352	1,147	5,989	1,881	34,774	120,432	21,656	142,088
Contract services	126,830	-	-	-	614	-	-	21,104	148,548	-	148,548
Depreciation	-	-	-	-	-	-	-	-	-	32,752	32,752
Insurance	1,161	3,568	3,234	1,034	1,133	1,544	1,181	3,462	16,317	2,380	18,697
Equipment rental and maintenance	3,460	6,205	5,574	-	1,291	1,409	892	4,792	23,623	5,509	29,132
Miscellaneous	-	-	100	-	-	-	-	-	100	1,767	1,867
Occupancy	15,960	44,770	48,218	-	12,117	24,251	9,482	25,346	180,144	20,039	200,183
Office supplies	29,976	16,548	15,238	722	1,840	7,434	4,237	20,341	96,336	12,985	109,321
Postage	1,536	1,674	1,209	253	407	2,906	213	2,464	10,662	2,962	13,624
Printing and publications	6,558	3,318	160	476	379	5,817	4,663	9,859	31,230	4,377	35,607
Professional	34,817	148,272	61,676	18,251	7,449	48,115	36,636	63,946	419,162	109,772	528,934
Specific assistance for individuals	-	20,346	2,446	-	-	-	-	108	22,900	-	22,900
Telephone	4,326	19,352	16,909	6,778	4,293	8,325	1,254	4,903	66,140	3,551	69,691
Travel	29,763	61,757	31,671	18,803	17,235	19,888	5,340	47,428	231,885	7,868	239,753
TOTAL FUNCTIONAL EXPENSES	\$ 521,073	\$ 958,560	\$ 726,220	\$ 294,257	\$ 247,493	\$ 357,000	\$ 163,833	\$ 555,205	\$ 3,823,641	\$ 549,875	\$ 4,373,516

See accompanying notes to the financial statements.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Tennessee Voices for Children, Inc. ("TVC" or the "Agency") is a statewide advocacy agency for families whose children have emotional, behavioral, and/or mental health issues. Its mission is to bridge the gap between professionals and family members so that they can work as a team to do what is best for the child and family. TVC takes an active role in the development of family friendly policies and encourages and supports family involvement on advisory boards such as the statewide Mental Health Planning Council, Behavioral Health Organizations, advisory councils, and community planning groups. Funding for TVC's services is provided principally by federal and state grants and certain contract revenues.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of TVC on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. TVC had no temporarily restricted net assets at June 30, 2012 or 2011.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. TVC had no permanently restricted net assets as of June 30, 2012 or 2011.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

TVC receives grant revenues from various federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

TVC reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Conference Revenue

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

Cash

Cash consists principally of checking account balances.

Investments

Investments consist of money market funds, shares of a mutual fund and certificates of deposit. Money market funds and mutual funds are carried at their quoted market value on the last business day of the reporting period. Certificates of deposit are reported at cost, plus any accrued interest. Changes in unrealized gains and losses are recognized currently in the Statement of Activities for the year.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid securities and certain other products, such as mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity, or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2012 and 2011.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while TVC believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Allowance for Uncollectible Accounts/Bad Debts

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

Property, Building and Equipment

Property, building and equipment are reported at cost at the date of purchase or at estimated fair value at the date of gift to TVC. TVC's policy is to capitalize expenditures with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: five to seven years for furniture and equipment and thirty-nine years for the building and improvements.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

TVC's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor, at the estimated fair value of the services received.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

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

- Early Connections Network - the purpose of the Early Connections Network is to build a system of care for young children, birth to five, with social, emotional and behavioral needs. (Early Connection Network expenses were in Other Program Services on the Statement of Functional Expenses for the year ended June 30, 2011).
- JustCare Family Network - provides a service infrastructure to serve the needs of families of children and youth with serious emotional disturbance in Shelby County, Tennessee. The program is family-driven and includes community-based mental health delivery that engages youth and their families. Youth engagement and community outreach are enhanced through high fidelity wraparound services to families and children, partnerships with local secular and faith-based youth organizations, as well as partnerships with the schools, traditional service providers, policy makers, and community natural support services.
- K-Town Youth Empowerment Network ("K-Town") - provides youth-guided and family-driven wraparound services to youth in Knox County, Tennessee with Serious Emotional Disturbance or Serious Mental Illness and their families. K-Town focuses on transition aged youth (ages 14-21 yrs.), incorporating family, youth and mental health supports with a high fidelity wraparound approach. The initiative also includes an active Youth in Action Council and comprehensive Family Advocacy programs.
- Muletown/South Central System of Care ("South Central SOC") - provides high fidelity wraparound services to families of children with serious emotional disturbance at risk of out-of-home placement and develops a coordinated system of services through partnerships among agencies, schools, and parents that will enable families to maintain children with complex needs at home and in the community. The program is a Substance Abuse and Mental Health Services Administration ("SAMHSA") funded system of care demonstration site operating in South Central Tennessee.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued):

Program Services (continued):

- Intensive In-Home Family Preservation Services ("Family Connection") - provides families the tools they need to maintain children and youth with complex needs at home, in school, and in the community. The program is family-driven, providing assistance in navigating the child-serving systems, advocacy, support, and therapeutic skill-building to prevent placement outside the home to a higher level of care. Program staff ensures that caregivers are an integral part of the intervention at all stages.
- Statewide Family Support Network ("SFSN") - provides valuable support, information and training to parents and caregivers across the state, empowering them to successfully "navigate" the complex child-serving systems to obtain the services necessary for their children and youth with emotional and behavioral disorders. SFSN staff provides direct assistance, support groups, information and skill-based training, family representation on over 145 councils and coalitions, Youth in Action Council facilitation, and outreach to schools, mental health providers, and policy-makers in Tennessee.
- Early Childhood Programs - provides on-site consultation and training to parents and staff associated with childcare and Head Start programs throughout Tennessee. Program staff is also involved in state and national research to identify effective strategies for working with young children with challenging behaviors.
- Tennessee Parent Information Resource Center ("TPIRC") - provides training designed to enable parents of preschool and school-aged children to achieve developmental goals, meet educational standards and to enable schools to effectively involve parents in school activities. TPIRC is funded by a five-year federal grant allowing TVC to work with educationally and economically disadvantaged children. The TPIRC program ended on September 30, 2012. Expenses for the year ended June 30, 2012 are included in Other Program Services on the Statement of Functional Expenses.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (continued):

- Other Program Services - significant programs included in this category are:

Team Tennessee - promotes the positive social and emotional development of young children. Team Tennessee succeeds in its efforts through a cross-agency collaborative professional development system, including community based training, continuing teacher education and higher education.

TeenScreen - developed by Columbia University and implemented by TVC, TeenScreen provides free screenings for youth in Middle Tennessee. The screening helps identify teens at risk for emotional and behavioral issues, including depression, anxiety disorders, suicidal ideation, substance abuse and other related physical health issues. Screening is provided with both caregiver consent and youth assent and families of youth with positive screens receive brief case management services to facilitate connection with services of their choosing.

Supporting Services:

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

Allocation of Functional Expenses

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

Income Taxes

TVC qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

TVC files a U.S. Federal Form 990 for organizations exempt from income tax. TVC's returns for years prior to fiscal year end June 30, 2009 are closed.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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

Use of Estimates in the Preparation of Financial Statements

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

Events Occurring After Reporting Date

The Agency has evaluated events and transactions that occurred between June 30, 2012 and January 15, 2013, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK AND OFF-BALANCE-SHEET RISK

Grants receivable represent concentrations of credit risk to the extent the grants are receivable from concentrated sources. TVC receives over 90% of its funding from federal, state and local grants and contracts.

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. At times, the Agency's deposits at financial institutions may exceed federally insured limits.

Certain cash and securities held in broker/dealer accounts are insured by the Securities Investor Protection Corporation ("SIPC"), up to \$500,000 per broker/dealer (including a maximum of \$250,000 for cash claims), in certain circumstances such as fraud or failure of the institution. The SIPC does not insure against market risk.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Certificates of deposit	\$ 258,167	\$ 899,961
Money market funds	1,386,621	739,880
Mutual funds	<u>108,926</u>	<u>102,080</u>
	<u>\$ 1,753,714</u>	<u>\$ 1,741,921</u>

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

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 11,559	\$ 20,933
Unrealized gains	<u>4,208</u>	<u>16,695</u>
Total investment income	<u>\$ 15,767</u>	<u>\$ 37,628</u>

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consisted of the following as of June 30:

	<u>2012</u>	<u>2011</u>
U.S. Department of Health and Human Services	\$ 6,197	\$ 5,839
State of Tennessee Department of Mental Health	670,925	928,794
Advantage Behavioral Health	19,953	-
Middle Tennessee State University	-	7,506
U.S. Department of Education	-	155,452
State of Tennessee Department of Education	-	64,157
State of Tennessee Department of Children's Services	<u>36,920</u>	<u>25,012</u>
	<u>\$ 733,995</u>	<u>\$ 1,186,760</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 5 - PROPERTY, BUILDING AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Land	\$ 200,604	\$ 200,604
Buildings and improvements	1,121,275	1,121,275
Furniture and equipment	<u>206,174</u>	<u>206,174</u>
	1,528,053	1,528,053
Less: accumulated depreciation	<u>(325,819)</u>	<u>(293,245)</u>
	<u>\$ 1,202,234</u>	<u>\$ 1,234,808</u>

NOTE 6 - NOTE PAYABLE

In August 2007, TVC entered into a loan agreement with a financial institution to finance the purchase of the Agency's office building. The mortgage was refinanced in March 2009 at an annual rate of 5.95% and again in November 2011, lowering the rate to 4.75%. The loan is secured by a deed of trust on the property. The note matures in monthly principal and interest payments of \$7,490 through August 2022.

Annual principal maturities of the note payable as of June 30, 2012, are as follows:

Year ending June 30,

2013	\$ 56,540
2014	59,285
2015	62,164
2016	65,182
2017	68,346
Thereafter	<u>403,474</u>
	<u>\$ 714,991</u>

Total interest expense was \$38,370 and \$48,611 for the years ended June 30, 2012 and 2011, respectively, which is included in occupancy expense on the Statement of Functional Expenses.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table set forth TVC's major categories of assets measured at fair value on a recurring basis, by level, within the fair hierarchy, as of June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2012</u>				
Investments:				
Money Market Funds	\$ 1,386,621	\$ -	\$ -	\$ 1,386,621
Mutual Fund:				
Equity Investment Funds - Balance Fund	<u>108,926</u>	<u>-</u>	<u>-</u>	<u>108,926</u>
Total Investments	<u>\$ 1,495,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,495,547</u>
<u>2011</u>				
Investments:				
Money Market Funds	\$ 739,880	\$ -	\$ -	\$ 739,880
Mutual Fund:				
Equity Investment Funds - Balance Fund	<u>102,080</u>	<u>-</u>	<u>-</u>	<u>102,080</u>
Total Investments	<u>\$ 841,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841,960</u>

NOTE 8 - OPERATING LEASES

Lease obligations for satellite offices in Knoxville and Memphis are multi-year leases, both expiring in fiscal year 2015, with options to cancel only in the event of loss of grant funding for the programs conducted at those locations. During 2012, TVC entered into a one-year lease for office space in Gallatin.

Future lease obligations, assuming continuation of grant funding, for operating leases in effect at June 30, 2012 follows:

Year ending June 30.

2013	\$ 103,710
2014	103,620
2015	<u>46,040</u>
	<u>\$ 253,370</u>

TENNESSEE VOICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012 AND 2011

NOTE 8 - OPERATING LEASES (CONTINUED)

The Agency operates under a month-to-month cancelable lease for its Jackson, TN office.

Total rent expense was approximately \$105,150 and \$102,500 for the years ended June 30, 2012 and 2011, respectively.

NOTE 9 - CONTINGENCIES

The Agency has received various government grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for potential reimbursements to grantors.

NOTE 10 - EMPLOYEE BENEFIT PLANS

TVC sponsors the Tennessee Voices for Children 403(b) Plan (the "Plan") under Section 403(b) of the Internal Revenue Code established on January 1, 2009. All employees are eligible to make elective deferrals on their date of hire. Upon completion of three months of service, employees become eligible for matching and nonelective contributions. TVC may make discretionary matching and nonelective contributions to the Plan. TVC's discretionary match was 2% for the years ended June 30, 2012 and 2011. Such contributions amounted to \$97,727 and \$113,697 for the years ended June 30, 2012 and 2011, respectively.

ADDITIONAL INFORMATION

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

Grant Description	Federal CFDA#	Grant Number	Grant Period	Accrued (Deferred) 7/1/11	Federal Receipts	Expenditures	Other Adjustments	Accrued (Deferred) 6/30/12
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
DIRECT:								
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	1HR1SM059891-01	09/30/10 - 09/29/11	\$ 5,839	\$ 23,128	\$ 17,424	\$ (135)	\$ -
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	5HR1SM059891-02	09/30/11 - 09/29/12	-	44,215	50,412	-	6,197
TOTAL DIRECT FROM U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				5,839	67,343	67,836	(135)	6,197
PASSED THROUGH TENNESSEE STATE UNIVERSITY:								
Child Care and Development Block Grant	93.575	PF-034637	09/30/10 - 6/30/11	(8,039)	-	-	-	(8,039)
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH								
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1132988	07/01/10 - 06/30/11	276,858	275,186	-	(1,672)	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1236256	07/01/11 - 09/30/12	-	308,265	308,265	-	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1237317-01	10/01/11 - 09/30/12	-	446,565	528,195	-	81,630
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1133029-01	07/01/10 - 06/30/11	72,494	61,324	-	(11,170)	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1236092	07/01/11 - 09/30/11	-	74,191	74,191	-	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-11330201	07/01/11 - 06/30/11	219,969	218,483	-	(1,486)	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	GR-1236091-02	07/01/11 - 06/30/12	-	827,609	1,126,639	-	299,030
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	GR-1134407	01/26/11 - 06/30/11	43,052	42,714	-	(338)	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	GR-1236257	07/01/11 - 09/30/11	-	46,233	46,233	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	GR-1237268-01	10/01/11 - 09/30/12	-	246,171	378,057	-	131,886
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	GR-1132366	07/01/10 - 06/30/11	22,723	22,723	-	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	* 93.243	GR-1235332	07/01/11 - 06/30/12	-	75,632	90,866	-	15,234
Maternal and Child Health Federal Consolidated Programs	93.110	FA-1134038	12/01/10 - 06/30/11	34,998	34,998	-	-	-
TOTAL PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH				670,094	2,680,094	2,552,446	(14,666)	527,780
PASSED THROUGH ADVANTAGE BEHAVIORAL HEALTH								
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	* 93.104	N/A	10/01/11 - 09/30/12	-	151,047	171,000	-	19,953
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				667,894	2,898,484	2,791,282	(14,801)	545,891
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT								
PASSED THROUGH MIDDLE TENNESSEE STATE UNIVERSITY								
Office of Healthy Homes and Lead Hazard Control	14.903	TNLR0036-08	04/01/10 - 09/30/11	7,506	15,010	7,504	-	-
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				7,506	15,010	7,504	-	-
U.S. DEPARTMENT OF EDUCATION								
DIRECT:								
Parental Information and Resource Centers	84.310A	U310A060182-10	10/01/10 - 09/30/11	155,452	284,181	129,231	(502)	-
TOTAL DIRECT FROM U.S. DEPARTMENT OF EDUCATION				155,452	284,181	129,231	(502)	-
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF EDUCATION								
Safe and Drug-Free Schools and Communities - State Grants	84.186B	GR-1028040	07/01/10 - 06/30/11	24,448	24,334	-	(114)	-
Safe and Drug-Free Schools and Communities - State Grants	84.186B	GR-1235293	07/01/11 - 09/30/11	-	23,326	23,326	-	-
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393A	GR-1131554	07/01/10 - 06/30/11	21,929	21,785	-	(144)	-
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393A	GR-1235992	08/01/11 - 09/30/11	-	20,280	20,280	-	-
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393A	GR-1237087	11/01/11 - 12/31/11	-	109,850	109,850	-	-
TOTAL PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF EDUCATION				46,377	199,575	153,456	(258)	-
TOTAL U.S. DEPARTMENT OF EDUCATION				201,829	483,756	282,687	(760)	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 877,229	\$ 3,397,250	\$ 3,081,473	\$ (15,561)	\$ 545,891

Summary of Expenditures by CFDA Number

14.903	\$ 7,504
84.186B	23,326
84.310A	129,231
84.393A	130,130
93.104	2,208,290
93.243	582,992

Total \$ 3,081,473

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards on page 20.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

Grant Description	Grant Number	Grant Period	Accrued (Deferred) 7/1/11	State Receipts	Expenditures	Other Adjustments	Accrued (Deferred) 6/30/12
TENNESSEE DEPARTMENT OF MENTAL HEALTH							
Child Care Consultation	GR-1132302	07/01/10 - 06/30/11	\$ 93,992	\$ 93,619	\$ -	\$ (373)	\$ -
Child Care Consultation	GR-1235532	07/01/11 - 06/30/12	-	132,555	190,000	-	57,445
Family Support and Advocacy	GR-1131302	07/01/10 - 06/30/11	139,506	139,088	-	(418)	-
Family Support and Advocacy	GR-1235745	07/01/11 - 06/30/12	-	258,864	330,000	-	71,136
Teen Screen	GR-1131304	07/01/10 - 06/30/11	25,202	25,078	-	(124)	-
Teen Screen	GR-1236258	07/01/11 - 06/30/12	-	107,806	122,370	-	14,564
TOTAL TENNESSEE DEPARTMENT OF MENTAL HEALTH			<u>258,700</u>	<u>757,010</u>	<u>642,370</u>	<u>(915)</u>	<u>143,145</u>
TENNESSEE DEPARTMENT OF EDUCATION							
Team Tennessee	GR-1237087	11/01/11 - 12/31/11	-	2,500	2,500	-	-
Porter Leath Center	GR-1131570	07/01/10 - 06/30/11	<u>17,780</u>	<u>17,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TENNESSEE DEPARTMENT OF EDUCATION			<u>17,780</u>	<u>20,280</u>	<u>2,500</u>	<u>-</u>	<u>-</u>
TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES							
Intensive In-Home Family Preservation Services	GR-08-21992	07/01/11 - 06/30/12	<u>25,012</u>	<u>242,160</u>	<u>254,640</u>	<u>(572)</u>	<u>36,920</u>
TOTAL TENNESSEE DEPARTMENT OF CHILDREN'S SERVICES			<u>25,012</u>	<u>242,160</u>	<u>254,640</u>	<u>(572)</u>	<u>36,920</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 301,492</u>	<u>\$ 1,019,450</u>	<u>\$ 899,510</u>	<u>\$ (1,487)</u>	<u>\$ 180,065</u>

See Note to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards on page 20.

TENNESSEE VOICES FOR CHILDREN, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - BASIS OF PRESENTATION

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

OTHER REPORTS

INDEPENDENT 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

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

We have audited the financial statements of Tennessee Voices for Children, Inc. ("TVC") as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. 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

Management of TVC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered TVC'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 TVC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TVC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be material weaknesses.

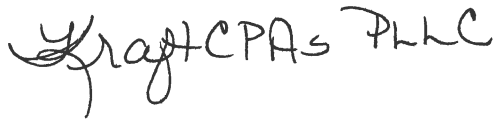
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2012-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TVC'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*.

TVC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit TVC's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is stylized, with the first letter of "Kraft" being a large, looped capital "K".

Nashville, Tennessee
January 15, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
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 Tennessee Voices for Children, Inc.'s ("TVC") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of TVC's major federal programs for the year ended June 30, 2012. TVC'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 TVC's management. Our responsibility is to express an opinion on TVC'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 TVC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of TVC's compliance with those requirements.

In our opinion, TVC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

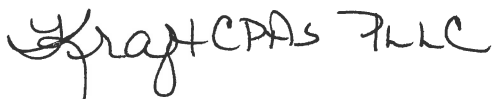
Internal Control Over Compliance

Management of TVC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered TVC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TVC's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "KRAFT CPAS PLLC". The signature is stylized, with the first letters of each word being capitalized and prominent.

Nashville, Tennessee
January 15, 2013

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

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
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

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

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

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:

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

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

\$300,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings

PRIOR YEAR

None were reported in the prior year.

CURRENT YEAR

2012 - 1 Reconciliation of bank accounts

Criteria:

Bank accounts should be reconciled monthly and outstanding or reconciling items should be reviewed and analyzed for appropriate resolution on a timely basis.

Statement of Condition:

Monthly reconciliations were performed, however, there were many items included in the reconciling items that were errors in the accounting records that had not been properly recorded or that were improperly included as reconciling items.

Context:

Such errors noted were as follows:

- Direct deposit payments to vendors were showing as outstanding items, even though they had been withdrawn from the bank accounts.
- A voided check not entered into the accounting system led to improper reimbursement by a grantor. (Management did communicate with the grantor notifying them of the error, and the grantor has allowed TVC to keep the funds to use towards other allowable costs.)
- A check was voided multiple times in the accounting system.
- Cash transactions were dated incorrectly.
- Unresolved old outstanding items.

Effect:

Due to the lack of review and analysis of the reconciling items for appropriate action and impact on other aspects of proper accounting and reporting, there were misstatements to cash, accounts payable, accrued expenses and various expense accounts.

Cause:

Controls were not in place to account for voided checks and a reasonableness review of the cash reconciliations was not performed.

TENNESSEE VOICES FOR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings (Continued)

2012 - 1 Reconciliation of bank accounts (continued)

Recommendation:

TVC should review all controls around cash transactions to ensure proper recording of all transactions. We also recommend that the bank reconciliations be reviewed and approved monthly, and that all outstanding items be reviewed for accuracy and adjusted in the general ledger if necessary.

Management's Response:

Voided checks will have the backup from Peachtree, our accounting software, verifying it was voided in the system. That will be included with the check stamped void and will then go to the Executive Director for an initial to show their approval. Any documentation regarding the reason for voiding the check will be included as backup with that material. Also, access to the void stamps will be limited to the Finance Manager and Assistant Director for Operations (ADO).

We will also change how we process the monthly bank reconciliations. The Finance Manager will reconcile the bank statement monthly and then give the bank statement, general ledger and other relevant information from Peachtree to the Assistant Director for Operations to review as well. After being reviewed by the ADO it will then go to the Executive Director to initial if approved.

We will ensure that all cash transactions will be recorded in Peachtree with the same date as the deposit. This will be completed by the Finance Manager and approved by the Executive Director.

If any accounting errors are found, the Executive Director will be informed immediately and they will be processed by the Finance Manager within 1 business day.

Section III - Federal Award Findings

PRIOR YEAR

None were reported in the prior year.

CURRENT YEAR

None reported in the current year.