FAMILY AND CHILDREN'S SERVICE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2013 and 2012

FAMILY AND CHILDREN'S SERVICE

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family and Children's Service
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Family and Children's Service, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 Family and Children's Service as of June 30, 2013 and 2012, 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

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 November 12, 2013 on our consideration of Family and Children's Service'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 Family and Children's Service's internal control over financial reporting and compliance.

Frasier, Dean & Howard, PLLC

November 12, 2013
Nashville, Tennessee

FAMILY AND CHILDREN'S SERVICE
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 311,025	$ 518,090
Receivables from federal and state grants	452,684	215,305
Unconditional promises to give	501,073	433,117
Other receivables	50,106	124,177
Total current assets	1,314,888	1,290,689
Land, building and equipment, net	632,889	680,637
Investments	3,724,685	3,508,755
Total assets	$ 5,672,462	$ 5,480,081
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 57,203	$ 57,231
Accrued payroll and benefits	115,126	95,934
Total liabilities	172,329	153,165
Net assets:		
Unrestricted:		
Designated for endowment	2,183,125	2,183,125
Other unrestricted	2,596,979	2,584,799
Total unrestricted	4,780,104	4,767,924
Temporarily restricted	720,029	558,992
Total net assets	5,500,133	5,326,916
Total liabilities and net assets	$ 5,672,462	$ 5,480,081

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and other support from operations:			
Federal and state grants and fees	$ 1,859,797	$ -	$ 1,859,797
United Way	509,479	501,073	1,010,552
Other grants	248,754	391,618	640,372
Contributions	163,832	1,385	165,217
Special events, net of direct benefit costs of $29,498	142,703	-	142,703
Program service fees	417,728	-	417,728
Miscellaneous income	1,085	-	1,085
Net assets released from restrictions	733,039	(733,039)	-
Total revenue and other support from operations	4,076,417	161,037	4,237,454
Operating expenses:			
Program services	3,568,705	-	3,568,705
Management and general	557,554	-	557,554
Fundraising	289,372	-	289,372
Total operating expenses	4,415,631	-	4,415,631
Change in net assets before investment activity	(339,214)	161,037	(178,177)
Investment activity:			
Interest and dividends	75,836	-	75,836
Realized and unrealized gains	275,558	-	275,558
Total investment income	351,394	-	351,394
Change in net assets	12,180	161,037	173,217
Net assets - beginning of year	4,767,924	558,992	5,326,916
Net assets - end of year	$ 4,780,104	$ 720,029	$ 5,500,133

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and other support from operations:			
Federal and state grants and fees	$ 1,610,425	$ -	$ 1,610,425
United Way	533,008	433,117	966,125
Other grants	272,905	177,830	450,735
Contributions	127,149	1,200	128,349
Special events, net of direct benefit costs of $28,890	149,621	-	149,621
Program service fees	136,870	-	136,870
Miscellaneous income	1,452		1,452
Net assets released from restrictions	573,115	(573,115)	-
Total revenue and other support from operations	3,404,545	39,032	3,443,577
Operating expenses:			
Program services	2,817,621	-	2,817,621
Management and general	469,285	-	469,285
Fundraising	277,627	-	277,627
Total operating expenses	3,564,533	-	3,564,533
Change in net assets before investment activity	(159,988)	39,032	(120,956)
Investment activity:			
Interest and dividends	88,833	-	88,833
Realized and unrealized losses	(94,033)	-	(94,033)
Total investment loss	(5,200)	-	(5,200)
Change in net assets	(165,188)	39,032	(126,156)
Net assets - beginning of year	4,933,112	519,960	5,453,072
Net assets - end of year	$ 4,767,924	$ 558,992	$ 5,326,916

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program Services	Management and General	Fundraising	Total
Salaries	$ 2,268,064	$ 374,330	$ 116,885	$ 2,759,279
Professional fees	349,643	28,702	69,108	447,453
Payroll taxes	207,160	29,538	9,958	246,656
Employee benefits	185,893	20,194	12,521	218,608
Travel	114,865	7,241	5	122,111
Financial aid	113,373	-	-	113,373
Equipment & building expense	67,036	13,649	11,758	92,443
Supplies	53,723	18,612	5,157	77,492
Occupancy	57,004	10,639	3,553	71,196
Depreciation	51,635	7,231	2,205	61,071
Telephone	45,605	7,341	2,853	55,799
Miscellaneous	4,401	958	32,933	38,292
Insurance	21,889	11,238	1,036	34,163
Organizational dues	10,017	6,511	710	17,238
Bad debt expense	-	16,929	-	16,929
Conferences & meetings	11,984	1,998	323	14,305
Printing & publications	690	1,587	11,905	14,182
Postage	5,723	856	3,198	9,777
Marketing	-	-	5,264	5,264
	$ 3,568,705	$ 557,554	$ 289,372	$ 4,415,631

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,821,826	$ 291,210	$ 120,673	$ 2,233,709
Professional fees	194,093	62,210	25,766	282,069
Payroll taxes	164,373	22,769	10,841	197,983
Employee benefits	125,919	13,873	6,343	146,135
Financial aid	115,071	-	-	115,071
Equipment & building expense	87,852	12,376	12,330	112,558
Travel	74,534	7,650	2,874	85,058
Occupancy	68,532	7,567	2,151	78,250
Depreciation	51,295	7,115	2,143	60,553
Supplies	29,482	19,885	10,259	59,626
Miscellaneous	8,107	3,001	29,839	40,947
Insurance	21,506	10,806	1,750	34,062
Telephone	26,571	636	1,202	28,409
Rebranding	-	-	26,500	26,500
Printing & publications	1,071	775	20,092	21,938
Organizational dues	14,157	4,848	1,381	20,386
Conferences & meetings	9,069	4,287	1,066	14,422
Postage	4,163	277	2,417	6,857
	$ 2,817,621	$ 469,285	$ 277,627	$ 3,564,533

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 173,217	$ (126,156)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	61,071	60,553
Unrealized and realized (gains) losses on investments	(275,558)	94,033
Changes in operating assets and liabilities:		
Receivables from federal and state grants	(237,379)	119,405
Unconditional promises to give	(67,956)	(24,897)
Other receivables	74,071	(99,707)
Accounts payable	(28)	(46,532)
Accrued payroll and benefits	19,192	(68,027)
Net cash used in operating activities	(253,370)	(91,328)
Cash flows from investing activities:		
Proceeds from sale of investments	131,139	125,738
Purchase of investments	(71,511)	(64,595)
Purchase of equipment	(13,323)	-
Net cash provided by investing activities	46,305	61,143
Net decrease in cash and cash equivalents	(207,065)	(30,185)
Cash and cash equivalents - beginning of year	518,090	548,275
Cash and cash equivalents - end of year	$ 311,025	$ 518,090

See accompanying notes.

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

The purpose of Family and Children's Service (the "Organization") is to make best-practice mental health care accessible to all that need it to enable children and families to lead healthier, more fulfilling and productive lives. This is accomplished through 24-hour telephone crisis counseling, trauma counseling for child and adult victims of violence, attachment counseling to help foster and adoptive children and families form secure loving relationships, and family and individual counseling for addiction, depression, marriage and relationship issues. The Organization serves various regions throughout the State of Tennessee.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed for not-for-profit organizations. Accordingly, net assets of the Organization, and changes therein are classified and reported as follows:

Unrestricted net assets

Undesignated – Net assets that are not subject to donor-imposed stipulations or designated by the Organization's Board.

Designated – Net assets designated by the Organization's Board for particular purposes, presently designated by the Board for endowment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent in the same fiscal year.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2013 or 2012.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity when purchased of three months or less to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are not restricted, or are restricted by the donor and the restriction expires during the fiscal year, are reported as increases in unrestricted net assets. All other contributions are reported as increases in temporarily or permanently restricted net assets. Management considers all unconditional promises to give to be fully collectible at June 30, 2013 and 2012. Accordingly, no allowance for doubtful accounts has been recorded in the accompanying statements of financial position. All unconditional promises to give at June 30, 2013 are receivable within one year.

Land, Building and Equipment

It is the Organization's policy to capitalize land, building and equipment with cost in excess of $5,000. All purchases less than that amount are expensed in the period purchased. Donated land, building and equipment are reported as contributions at their estimated fair value. Unless donor-restricted, all donated land, building and equipment are reported as increases in unrestricted net assets. Building and equipment are depreciated over their useful lives using the straight-line method. Useful lives range from three years for computer equipment to forty years for a building.

Investments

The Organization accounts for investments in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidelines for not-for-profit organizations. Under these guidelines, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Investment income and realized and unrealized gains and losses are reported as changes in unrestricted net assets unless the use of income has been restricted by the donor. See Note 2 for additional information on fair value measurements.

Estimates

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

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended June 30, 2010 through June 30, 2013.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $5,264 and $0 for the years ended June 30, 2013 and 2012, respectively.

Subsequent Events

The Organization evaluated subsequent events through November 12, 2013 when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the accompanying financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization follows the provisions of the Fair Value Measurement topic of the FASB ASC. This guidance establishes a framework for measuring fair value for financial assets and financial liabilities. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in actives markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2013 and 2012.

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

Investments of the Organization represent units of ownership in certain common trust funds owned by the Diversified Trust Company. The Organization values these investments as Level 2 because the specific units held do not have quoted prices and are not traded on an active market.

The following level 2 investments are stated at fair market value as of June 30, 2013 and 2012:

	2013	2012
Investments held by Diversified Trust Company:		
Money market funds	$ 48,499	$ 174,596
Equity funds	2,239,994	2,059,651
Bond funds	1,436,192	1,274,508
	$ 3,724,685	$ 3,508,755

FAMILY AND CHILDREN'S SERVICE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

NOTE 3 – LAND, BUILDING AND EQUIPMENT

Land, building, and equipment consists of the following at June 30:

	2013	2012
Land	$ 89,000	$ 89,000
Building	867,362	867,362
Building improvements	37,899	24,576
Equipment	433,427	433,427
	1,427,688	1,414,365
Less accumulated depreciation	(794,799)	(733,728)
	$ 632,889	$ 680,637

NOTE 4 – LINE OF CREDIT

The Organization has a $300,000 line of credit available with a bank, which expires January 6, 2014. The line of credit bears interest at a rate of 4% and is secured by certain business assets. No borrowings were outstanding at June 30, 2013 and 2012.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes or periods at June 30:

	2013	2012
United Way Programs		
Family Resource Centers	$ 146,000	$ 73,000
FACES	139,850	137,892
Helping People in Crisis	110,053	108,054
Counseling Practice Program	65,080	65,080
Survivors of Suicide Program	28,851	19,851
Operations	8,000	2,000
Relative Caregiver Program	3,239	3,240
Divorce and Bereavement Program	-	24,000
Total United Way Programs	501,073	433,117
Program services	218,956	125,875
	$ 720,029	$ 558,992

NOTE 6 – DESIGNATED FOR ENDOWMENT NET ASSETS

Designated for endowment net assets consist of the following at June 30:

	2013	2012
General Endowment	$ 2,183,125	$ 2,183,125

The interest earned on designated for endowment net assets is available to the Organization on an unrestricted basis.

The Organization's endowment consists of board designated funds held in investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions and board designations.

Endowment Net Asset Composition by Type of Fund as of June 30, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment funds	$ 2,183,125	$ -	$ -	$ 2,183,125

Endowment Investment Policy and Risk Parameters

The Organization follows investment and spending policies for endowment assets that attempt to supplement annual operating expenses, while allowing sufficient long-term growth to meet future capital and budgetary requirements. Endowment assets include funds designated by the board of directors. Prohibited investments include non-liquid securities, private placements, and futures (except for hedging purposes). The use of leverage for investment purposes is expressly prohibited.

Strategies Employed for Achieving Investment Objectives

To satisfy its long term rate of return objectives, the Organization relies on a targeted mix of investments as follows: 0 – 10% cash & cash equivalents; 30 – 50% fixed income; 50 – 70% equities; 0 – 10% real estate.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating monthly up to 5% of the average of the most recent thirty-six monthly investment balances, updated quarterly.

NOTE 7 – LEASES

The Organization has operating lease commitments for office space and equipment through fiscal year 2017. The following is a schedule of future minimum lease payments at June 30, 2013:

Fiscal Year		
2015	$	17,227
2016		3,060
2017		255
	$	20,542

Rent expense amounted to $64,542 and $65,208, respectively, for the years ended June 30, 2013 and 2012.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Organization may at times have cash amounts at financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. Cash balances were within federally insured limits at June 30, 2013 and 2012.

NOTE 9 – CONCENTRATION OF REVENUE

The Organization receives a substantial amount of its revenue from federal and state grants and the United Way. A significant reduction in the amount received from these sources could have an adverse effect on the operations of the Organization.

NOTE 10 – ASSUMPTION OF CONTRACTS

Effective June 8, 2012, the Organization assumed the rights and obligations of certain contracts entered into by Health Assist Tennessee (a not-for-profit organization). Subsequent to June 7, 2012, the Organization performed all obligations required under such contracts and recognized all revenue generated and expenses incurred.

NOTE 11 – COLLABORATION FOR FAMILY SUPPORT

The Organization entered into an agreement effective January 1, 2013 to December 31, 2014 with three not-for-profit organizations to develop an operational model that strengthens each agency and improves the outcomes of families seeking support from the partner agencies. The Organization provides fiscal management and clinical supervision. Grant funds awarded are primarily for health clinician and therapist costs. Persons served through this collaboration are affiliated with the Organization and therefore revenue and expense is recognized accordingly.

SUPPLEMENTAL INFORMATION

FAMILY AND CHILDREN'S SERVICE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2012	Cash Receipts	Expenditures	Receivable June 30, 2013
U.S. Department of Health and Human Services Passed Through:							
TN Dept. of Health and Human Services	Families First	93.558	GR-08-22022-06	$ 69,335	$ 69,335	$ -	$ -
TN Dept. of Health and Human Services	Families First	93.558	GR-13-38987	-	410,532	509,227	98,695
Total for CFDA No. 93.558 *+				69,335	479,867	509,227	98,695
U.S. Department of Health and Human Services Passed Through:							
TN Dept. of Mental Health and Substance Abuse Services	Tennessee Prevention Network	93.959*	GR-13-39334	-	55,500	64,080	8,580
U.S. Department of Health and Human Services Passed Through:							
TN Dept. of Children's Services	Foster Care and Adoption	93.658*	GR-12-38398	10,675	90,975	154,775	74,475
U.S. Department of Justice Passed Through:							
TN Dept. of Finance and Administration Office of Criminal Justice	Domestic Violence Family	16.575	38280510	3,724	3,724	-	-
TN Dept. of Finance and Administration Office of Criminal Justice	Children Traumatized by Violence	16.575	38290510	10,216	10,216	-	-
TN Dept. of Finance and Administration Office of Criminal Justice	Domestic Violence and Trauma	16.575	18805	-	108,491	117,851	9,360
Total for CFDA No. 16.575*				13,940	122,431	117,851	9,360
U.S. Department of Transportation Passed Through:							
Nashville Metropolitan Transit Authority	Ways to Work	20.516*	2012357-C	-	23,866	31,824	7,958
Total Federal Awards				93,950	772,639	877,757	199,068

FAMILY AND CHILDREN'S SERVICE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
Year Ended June 30, 2013

STATE AWARDS

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2012	Cash Receipts	Expenditures	Receivable June 30, 2013
TN Dept. of Health and Human Services	Families First	n/a	GR-08-22022-06#	23,111	23,111	-	-
TN Dept. of Health and Human Services	Families First	n/a	GR-13-38987#	-	202,203	250,813	48,610
TN Dept. of Children's Services	Foster Care and Adoption	n/a	GR-12-38398#	10,675	90,975	154,775	74,475
Nashville Metropolitan Transit Authority	Ways to Work	n/a	2012357-C#	-	9,545	15,912	6,367
TN Dept. of Children's Services	Relative Caregiver Program	n/a	GR-11-31770	76,620	475,860	498,155	98,915
TN Dept. of Children's Services	Permanency Groups	n/a	GR-12-36128	10,000	10,000	-	-
TN Dept. of Children's Services	Home Studies - Shelby Co.	n/a	FA-08-25307-00	-	13,690	21,119	7,429
TN Dept. of Children's Services	Home Studies - Upper Cumberland	n/a	FA-08-25513-01	949	24,395	41,266	17,820
Total State Awards				121,355	849,779	982,040	253,616
Total Federal and State Awards				$ 215,305	$ 1,622,418	$ 1,859,797	$ 452,684

*Cash grant receipts represent federal pass-through funds

+ Indicates a major program

Represents state's portion of grant

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The schedule of expenditures of federal and state awards is prepared on the accrual basis of accounting.

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

To the Board of Directors of
Family and Children's Service
Nashville, 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 Family and Children's Service (the "Organization"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2013.

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 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 consolidated 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Frasier, Dean & Howard, PLLC

November 12, 2013
Nashville, Tennessee

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Family and Children's Service
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Family and Children's Service's (the "Organization") compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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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 each of its major federal programs for the year ended June 30, 2013.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 would not be 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.

Frasier, Dean & Howard, PLLC

November 12, 2013
Nashville, Tennessee

FAMILY AND CHILDREN'S SERVICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Family and Children's Service.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Family and Children's Service were disclosed during the audit.

4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for Family and Children's Service expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.

7. The program tested as a major program included:

CFDA Number	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Family and Children's Service qualified as a low-risk auditee.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FAMILY AND CHILDREN'S SERVICE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

None.