

**EXCHANGE CLUB FAMILY CENTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2008 AND 2007**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Exchange Club Family Center, Inc.

We have audited the accompanying statements of financial position of Exchange Club Family Center, Inc. (the "Organization") as of June 30, 2008 and 2007 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Exchange Club Family Center, Inc. as of June 30, 2008 and 2007, 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.

*Blankenship CPA Group, PLLC*

August 27, 2008

## Management Recommendation Letter

August 27, 2008

To the Board of Directors  
Exchange Club Family Center, Inc.

In planning and performing our audit of the financial statements of Exchange Club Family Center, Inc. (the "Organization") for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of these matters that are an opportunity for strengthening internal controls and operating efficiency. The comments and suggestions regarding these matters are summarized below. This letter does not affect our audit report dated August 27, 2008, on the financial statements of Exchange Club Family Center, Inc.

1. Document Executive Director's Approval

According to the Organization's policy, the Executive Director approves all expenditures greater than \$500. During the audit, it was noted that this approval is not evidenced in writing. We recommend that the Executive Director either note his approval on the invoice or an attached approval form.

2. Continue to Strengthen Credit Card Expense Documentation

During the audit, we noted several instances of missing receipts for credit card purchases. We recommend that all receipts be attached to the credit card statements. Additionally, the business purpose of the expenditure should be written on the receipt if the receipt itself does not clearly indicate the nature of the transaction.

3. Approval of Executive Director's Expense Reports

We noted during the audit that the Organization does not have a policy for who approves the Executive Director's expense reports. We recommend that a designated party of the Board of Directors should approve reimbursements to the Executive Director.

We sincerely appreciate the opportunity to have been of service to you and extend our appreciation for the courtesy extended to us by you and your staff. Should you wish to discuss these matters, or to assist you in implementing the recommendations, please feel free to call on us.

Sincerely,



Blankenship CPA Group, PLLC

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2008 AND 2007**

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 24,559	\$ 39,823
Accounts receivable	20,439	31,171
Property and equipment, net	566,193	582,285
Prepaid expenses	<u>2,279</u>	<u>4,197</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 613,470</u></b>	<b><u>\$ 657,476</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 20,190	\$ 7,775
Accrued expenses	7,140	5,479
Lease payable	6,563	7,875
Mortgage payable	<u>22,047</u>	<u>39,141</u>
<b>Total Liabilities</b>	<b><u>55,940</u></b>	<b><u>60,270</u></b>
<b>NET ASSETS</b>		
Unrestricted	551,366	588,827
Temporarily restricted	<u>6,164</u>	<u>8,379</u>
<b>Total Net Assets</b>	<b><u>557,530</u></b>	<b><u>597,206</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 613,470</u></b>	<b><u>\$ 657,476</u></b>

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

EXCHANGE CLUB FAMILY CENTER, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
<b>Changes in Unrestricted Net Assets</b>		
Revenues and Support:		
Contributions	\$ 266,148	\$ 218,704
Special events	112,773	130,310
Contracts and grants	281,587	250,360
Program fees	124,747	118,255
Interest	88	366
Other	1,692	9,527
	<u>787,035</u>	<u>727,522</u>
Total Unrestricted Revenues and Support		
Net assets released from restriction	<u>11,867</u>	<u>3,771</u>
Total Unrestricted Revenues, Support and Reclassification	<u>798,902</u>	<u>731,293</u>
Expenses:		
Program services	<u>611,134</u>	<u>525,647</u>
Supporting services:		
Management and general	<u>123,761</u>	<u>100,495</u>
Fundraising	<u>62,791</u>	<u>57,839</u>
Special events direct cost	<u>38,677</u>	<u>38,930</u>
Total fundraising	<u>101,468</u>	<u>96,769</u>
Total Expenses	<u>836,363</u>	<u>722,911</u>
(Decrease) Increase in Unrestricted Net Assets	<u>(37,461)</u>	<u>8,382</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Board Consulting Grant	-	6,000
Technology Grant	4,150	-
Ford Foundation Grant	5,502	-
Net assets released from restriction	<u>(11,867)</u>	<u>(3,771)</u>
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(2,215)</u>	<u>2,229</u>
(Decrease) Increase in net assets	<u>(39,676)</u>	<u>10,611</u>
Net assets, beginning of year	<u>597,206</u>	<u>586,595</u>
Net assets, end of year	<u>\$ 557,530</u>	<u>\$ 597,206</u>

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

EXCHANGE CLUB FAMILY CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2008

	Program Services	Supporting Services Management and General	Fund Raising	Total
Salaries	\$ 347,241	\$ 70,447	\$ 40,334	\$ 458,022
Employee benefits	43,544	14,801	-	58,345
Payroll taxes	25,994	4,986	3,324	34,304
Contract wages	77,865	4,440	8,297	90,602
Total personnel costs	494,644	94,674	51,955	641,273
Professional services	14,555	5,887	1,323	21,765
Depreciation	14,061	4,017	2,009	20,087
Supplies	14,428	2,107	-	16,535
Travel and entertainment	13,620	1,923	826	16,369
Communications	11,652	2,833	1,087	15,572
Insurance	10,577	3,022	1,511	15,110
Building repairs and maintenance	9,633	2,752	1,376	13,761
Utilities	8,645	2,470	1,235	12,350
Conferences and professional development	5,592	621	-	6,213
Equipment rental and maintenance	4,104	1,173	586	5,863
Printing	3,332	634	634	4,600
Dues and licenses	2,116	853	-	2,969
Merchant service charges	2,313	256	-	2,569
Interest	1,741	497	249	2,487
Miscellaneous	99	42	-	141
Client assistance	22	-	-	22
Security	-	-	-	-
Total expenses before special events direct costs	611,134	123,761	62,791	797,686
Donated items - silent auction	-	-	12,146	12,146
Special events direct cost	-	-	26,531	26,531
Total special events direct costs	-	-	38,677	38,677
Total expenses	\$ 611,134	\$ 123,761	\$ 101,468	\$ 836,363

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

EXCHANGE CLUB FAMILY CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2007

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 307,675	\$ 60,725	\$ 36,435	\$ 404,835
Employee benefits	36,286	7,161	4,297	47,744
Payroll taxes	23,930	4,723	2,834	31,487
Contract wages	41,109	2,390	4,302	47,801
Total personnel costs	409,000	74,999	47,868	531,867
Professional services	10,021	4,038	897	14,956
Depreciation	13,112	3,746	1,873	18,731
Supplies	12,318	1,841	-	14,159
Travel and entertainment	13,789	1,994	831	16,614
Communications	9,662	2,319	902	12,883
Insurance	8,619	2,462	1,231	12,312
Building repairs and maintenance	7,556	2,159	1,079	10,794
Utilities	7,398	2,114	1,057	10,569
Conferences and professional development	5,892	655	-	6,547
Equipment rental and maintenance	4,601	1,315	657	6,573
Printing	5,621	1,093	1,093	7,807
Dues and licenses	1,740	711	-	2,451
Merchant service charges	2,256	251	-	2,507
Interest	2,454	701	351	3,506
Miscellaneous	225	97	-	322
Client assistance	1,744	-	-	1,744
Security	9,639	-	-	9,639
Total expenses before special events direct costs	525,647	100,495	57,839	683,981
Donated items - silent auction	-	-	13,290	13,290
Special events direct cost	-	-	25,640	25,640
Total special events direct costs	-	-	38,930	38,930
Total expenses	\$ 525,647	\$ 100,495	\$ 96,769	\$ 722,911

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



EXCHANGE CLUB FAMILY CENTER, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
(Decrease) Increase in net assets	\$ (39,676)	\$ 10,611
Adjustments to reconcile (decrease) increase in net assets to cash provided by operating activities:		
Depreciation	20,087	18,731
Donation of equipment	(1,600)	-
(Increase) decrease in:		
Accounts receivable	10,732	(26,344)
Prepaid expenses	1,918	(3,285)
Increase (decrease) in:		
Accounts payable	12,416	5,722
Accrued expenses	<u>1,661</u>	<u>(1,173)</u>
Net cash provided by operating activities	<u>5,538</u>	<u>4,262</u>
Cash flows from investing activities:		
Building improvements	-	(11,899)
Purchase of equipment and furniture	<u>(2,395)</u>	<u>(11,383)</u>
Net cash used in investing activities	<u>(2,395)</u>	<u>(23,282)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,313)	-
Proceeds from capital lease	-	7,875
Repayments on mortgage	<u>(17,094)</u>	<u>(15,507)</u>
Net cash used in financing activities	<u>(18,407)</u>	<u>(7,632)</u>
Net decrease in cash and cash equivalents	(15,264)	(26,652)
Cash and cash equivalents, beginning of year	<u>39,823</u>	<u>66,475</u>
Cash and cash equivalents, end of year	<u>\$ 24,559</u>	<u>\$ 39,823</u>
Additional information:		
Interest paid during the year	<u>\$ 2,487</u>	<u>\$ 3,506</u>

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

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

The Exchange Club Family Center, Inc. (the "Organization") is a private, not-for-profit agency licensed by the State of Tennessee as a Child Abuse Prevention agency. The mission of the Organization is to help prevent child abuse and neglect in Middle Tennessee through family support and by educating parents in how to create nurturing, safe environments where their children can thrive. Each year the agency serves over 15,000 individuals through Parent Education Classes, Lifeskills Training in elementary schools, Community Awareness Presentations, In-Home Family Preservation Services, Safe Exchanges between custodial and non-custodial parents for visits and Supervised Visits between children and a non-custodial parent or relative. Nine local Exchange Clubs associated with the National Exchange Clubs based in Toledo, Ohio support the Organization. This civic organization adopted child abuse prevention as its national service project in 1979 and the Nashville Organization was established in 1985. The Center is also supported by United Ways, State and local government grants, corporate and foundation funding and various fundraising activities of the Board of Directors and the local Exchange Clubs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Revenue Recognition and Accounts Receivable

Contracts and grants revenue are recognized in the period in which the contracts and grants are awarded. Program fee revenues are collected and recognized at the time the educational and awareness services are provided to the community. Accounts receivable represent amounts owed from contracts, grants and program fees. No allowance for bad debts was deemed necessary as of June 30, 2008 and 2007.

EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Donated Services and Materials

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are reflected in the financial statements only when the services require specialized skills. Materials, prizes and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of the receipt.

Property and Equipment and Depreciation

It is the Organization's policy to capitalize all property and equipment over \$1,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statement of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is computed using the straight-line method over 20 to 40 years for buildings and improvements and 5 to 10 years for furniture, equipment and software.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 3 - RESTRICTIONS ON NET ASSETS**

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

	2008	2007
Technology grant	\$ 662	\$ 2,379
Board Consulting grant	-	6,000
Ford Foundation grant	<u>5,502</u>	<u>-</u>
	<u>\$ 6,164</u>	<u>\$ 8,379</u>

There were no permanently restricted net assets as of June 30, 2008 and 2007.

**NOTE 4 - DONATED SERVICES AND MATERIALS**

The following donated services and materials have been included in unrestricted revenues and expenses in the financial statements for the year ended June 30:

	2008	2007
Included in contributions:		
Professional services	\$ 1,710	\$ 2,225
Staff salaries	5,300	-
Legal services	3,707	-
Equipment and furniture	1,600	-
Included in Special events expenses:		
Silent auction items	<u>12,147</u>	<u>13,290</u>
	<u>\$ 24,464</u>	<u>\$ 15,515</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	2008	2007
Land	\$ 124,887	\$ 124,887
Building and improvements	613,861	613,861
Furniture and equipment	60,786	59,186
Software	<u>7,909</u>	<u>5,514</u>
	807,443	803,448
Accumulated depreciation	<u>(241,250)</u>	<u>(221,163)</u>
	<u>\$ 566,193</u>	<u>\$ 582,285</u>

Depreciation expense was \$20,087 and \$18,731 for 2008 and 2007, respectively.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 6 - MORTGAGE PAYABLE**

The Organization has a mortgage on the Thompson Lane property. The terms on the mortgage call for principal and interest payments of \$751 per month with an interest rate of 7% and a maturity date of January 25, 2020.

Scheduled repayments on the mortgage are as follows:

Year ending June 30,

2009	\$ 7,713
2010	8,271
2011	<u>6,063</u>
Total	<u>\$ 22,047</u>

**NOTE 7 - LEASES**

During June 2007, the Organization entered into a capital lease for certain building improvements. The lease expires in June 2013 and calls for monthly payments of \$156. Capitalized assets under the lease in the amount of \$7,875 are included in property and equipment on the statements of financial position.

A schedule of future minimum lease payments required under capital lease as of June 30, 2008 follows:

Year ending June 30,	Capital Lease
2009	\$ 1,879
2010	1,879
2011	1,879
2012	1,879
2013	<u>1,879</u>
Total minimum lease payments	9,395
Less: interest imputed at 7%	( <u>2,832</u> )
Net minimum lease payments	<u>\$ 6,563</u>

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 8 - RETIREMENT PLAN**

Beginning July 1, 2007, the Organization provides a defined contribution 401(k) retirement plan. Employees meeting certain eligibility requirements can participate in the plan to the extent allowed under ERISA. The plan also provides for discretionary matching contributions and profit sharing by the Organization. Participants are immediately vested in their voluntary contributions plus related earnings; whereas, participants are fully vested in the Organization's contributions plus related earnings after five years of service. The Organization made no matching or profit sharing contributions for the year ended June 30, 2008.

**NOTE 9 - ENDOWMENT FUND**

In December 1996, the Organization created the Exchange Child Abuse Prevention Center Endowment Fund (the "Fund") at the Nashville Area Community Foundation, Inc. (the "Foundation"). The Organization retains the right to make future contributions to the Fund and to suggest the manner in which income of the Fund is distributed to charitable organizations, including the Organization, which meet the eligibility standards of the Foundation.

The Foundation has ultimate authority and control over all property of the Fund, including income derived therefrom, for use in conjunction with the charitable purposes of the Foundation, and, therefore, these assets are not included in the financial statements of the Organization. The Fund will be charged an asset management fee by the Foundation equal to 0.4% of the current value of the Fund annually, payable quarterly in arrears.

Contributions since inception total \$10,000 as of June 30, 2008. Including realized and unrealized investment earnings, the market value of the Fund was \$27,568 and \$28,668 as of June 30, 2008 and 2007, respectively.