

**EXCHANGE CLUB FAMILY CENTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2010 AND 2009**

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# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## 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, 2010 and 2009 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, 2010 and 2009, 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*

October 11, 2010

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,336	\$ 6,827
Accounts receivable	15,838	11,690
Contributions receivable	20,611	-
Property and equipment, net	606,619	550,998
Prepaid expenses	<u>2,818</u>	<u>996</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 665,222</u></b>	<b><u>\$ 570,511</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 19,163	\$ 10,763
Line of credit	127,700	25,000
Accrued expenses	11,269	12,217
Lease payable	3,938	5,250
Mortgage payable	<u>-</u>	<u>16,931</u>
<b>Total Liabilities</b>	<b><u>162,070</u></b>	<b><u>70,161</u></b>
<b>NET ASSETS</b>		
Unrestricted	503,152	500,350
Temporarily restricted	<u>-</u>	<u>-</u>
<b>Total Net Assets</b>	<b><u>503,152</u></b>	<b><u>500,350</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 665,222</u></b>	<b><u>\$ 570,511</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, 2010 AND 2009**

	2010	2009
<b>Changes in Unrestricted Net Assets</b>		
Revenues and Support:		
Contributions	\$ 286,815	\$ 321,613
Contracts and grants	205,511	198,868
Program fees	143,565	159,885
Special events	76,475	90,084
Interest	-	3
Other	101	54
	<u>712,467</u>	<u>770,507</u>
Total Unrestricted Revenues and Support	712,467	770,507
Net assets released from restriction	<u>-</u>	<u>6,164</u>
Total Unrestricted Revenues, Support and Reclassification	<u>712,467</u>	<u>776,671</u>
Expenses:		
Program services	<u>550,007</u>	<u>623,049</u>
Supporting services:		
Management and general	<u>84,271</u>	<u>100,841</u>
Fundraising	<u>48,126</u>	<u>68,893</u>
Special events direct costs	<u>27,261</u>	<u>34,904</u>
Total fundraising	<u>75,387</u>	<u>103,797</u>
Total Expenses	<u>709,665</u>	<u>827,687</u>
Increase (Decrease) in Unrestricted Net Assets	<u>2,802</u>	<u>(51,016)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Net assets released from restriction	<u>-</u>	<u>(6,164)</u>
Decrease in Temporarily Restricted Net Assets	<u>-</u>	<u>(6,164)</u>
Increase (decrease) in net assets	2,802	(57,180)
Net assets, beginning of year	<u>500,350</u>	<u>557,530</u>
Net assets, end of year	<u><u>\$ 503,152</u></u>	<u><u>\$ 500,350</u></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, 2010**

	Program	Supporting Services		
	Services	Management and General	Fund Raising	Total
Salaries	\$ 315,976	\$ 54,424	\$ 13,606	\$ 384,006
Employee benefits	39,798	3,451	1,726	44,975
Payroll taxes	24,813	2,279	1,041	28,133
Contract wages	60,619	2,894	24,626	88,139
 Total personnel costs	 441,206	 63,048	 40,999	 545,253
Depreciation	16,297	2,852	1,222	20,371
Insurance	9,530	1,667	715	11,912
Supplies	13,597	2,032	-	15,629
Communications	10,358	1,813	777	12,948
Travel and entertainment	8,582	1,241	517	10,340
Professional services	7,957	3,207	712	11,876
Utilities	9,799	1,715	735	12,249
Building repairs and maintenance	10,785	1,888	809	13,482
Equipment rental and maintenance	5,700	998	428	7,126
Security	3,848	427	-	4,275
Merchant service charges	4,035	785	785	5,605
Printing	1,259	140	-	1,399
Conferences and professional development	2,798	800	398	3,996
Interest	3,217	1,312	-	4,529
Dues and licenses	652	278	-	930
Miscellaneous	387	68	29	484
Total expenses before special events direct costs	550,007	84,271	48,126	682,404
Donated items - silent auction	-	-	9,384	9,384
Special events direct cost	-	-	17,877	17,877
Total special events direct costs	-	-	27,261	27,261
Total expenses	<u>\$ 550,007</u>	<u>\$ 84,271</u>	<u>\$ 75,387</u>	<u>\$ 709,665</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, 2009**

		Supporting Services		
	Program	Management	Fund	
	Services	and General	Raising	Total
Salaries	\$ 369,084	\$ 61,752	\$ 46,717	\$ 477,553
Employee benefits	49,622	10,277	4,681	64,580
Payroll taxes	26,660	4,322	3,270	34,252
Contract wages	69,743	4,055	7,299	81,097
Total personnel costs	515,109	80,406	61,967	657,482
Depreciation	15,348	2,686	1,151	19,185
Insurance	12,077	2,113	906	15,096
Supplies	12,697	1,897	-	14,594
Communications	11,229	1,965	842	14,036
Travel and entertainment	11,444	1,655	689	13,788
Professional services	9,003	3,629	806	13,438
Utilities	10,170	1,780	763	12,713
Building repairs and maintenance	8,248	1,444	619	10,311
Equipment rental and maintenance	4,840	847	363	6,050
Security	-	-	-	-
Merchant service charges	3,820	424	-	4,244
Printing	2,816	548	548	3,912
Conferences and professional development	3,045	338	-	3,383
Interest	1,679	480	239	2,398
Dues and licenses	1,140	465	-	1,605
Miscellaneous	384	164	-	548
Total expenses before special events direct costs	623,049	100,841	68,893	792,783
Donated items - silent auction	-	-	16,204	16,204
Special events direct cost	-	-	18,700	18,700
Total special events direct costs	-	-	34,904	34,904
Total expenses	\$ 623,049	\$ 100,841	\$ 103,797	\$ 827,687

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,802	\$ (57,180)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,371	19,185
(Increase) decrease in:		
Accounts receivable	(4,148)	8,749
Contributions receivable	(20,611)	
Prepaid expenses	(1,822)	1,283
Increase (decrease) in:		
Accounts payable	8,400	(9,428)
Accrued expenses	(948)	5,077
Net cash provided by (used in) operating activities	<u>4,044</u>	<u>(32,314)</u>
Cash flows from investing activities:		
Building improvements	<u>(75,992)</u>	<u>(3,989)</u>
Net cash used in investing activities:	<u>(75,992)</u>	<u>(3,989)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,312)	(1,313)
Proceeds from line of credit, net	102,700	25,000
Repayments on mortgage	<u>(16,931)</u>	<u>(5,116)</u>
Net cash provided by financing activities	<u>84,457</u>	<u>18,571</u>
Net increase (decrease) in cash	12,509	(17,732)
Cash and cash equivalents, beginning of year	<u>6,827</u>	<u>24,559</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,336</u></u>	<u><u>\$ 6,827</u></u>
Additional information:		
Interest paid during the year	<u><u>\$ 4,529</u></u>	<u><u>\$ 2,398</u></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, 2010 AND 2009**

**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 promote healthy, happy families by reducing the occurrence and effects of child abuse and neglect. Each year the agency serves over 3,000 individuals through Parent Education Classes, Community Awareness Presentations, In-Home Family Counseling Services, Safe Exchanges and Supervised Visits between children and non-custodial parents. Eleven local, civic Exchange Clubs associated with the National Exchange Club Foundation based in Toledo, Ohio support the Organization. The National Exchange Club Foundation adopted child abuse prevention as its national service project in 1979 and the Organization's Nashville office was established by sponsorship of area Exchange Clubs in 1985. The Organization's Murfreesboro office was established in 1989 by the Exchange Club of Rutherford County. The Organization is financially supported by state and local government grants, client program fees, corporate and foundation grants, area Exchange Clubs, individual donations, various special events, and the Rutherford and Cannon County United Way.

**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 and Contributions Receivable

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. All contributions receivable are considered current and no allowance for bad debts was deemed necessary as of June 30, 2010 or 2009.

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, 2010 or 2009.

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

**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 federal 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, 2010 AND 2009**

**NOTE 3 - RESTRICTIONS ON NET ASSETS**

There were no temporarily restricted net assets or permanently restricted net assets as of June 30, 2010 and 2009.

**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:

	2010	2009
Included in contributions:		
Technical services	\$ 240	\$ 2,200
Staff salaries	8,235	24,000
Professional services	-	1,595
Included in Special events expenses:		
Silent auction items	<u>9,384</u>	<u>16,204</u>
	<u>\$ 17,859</u>	<u>\$ 43,999</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	2010	2009
Land	\$ 124,887	\$ 124,887
Building and improvements	693,843	617,850
Furniture and equipment	60,786	60,786
Software	<u>7,909</u>	<u>7,909</u>
	887,425	811,432
Accumulated depreciation	<u>( 280,806)</u>	<u>(260,434)</u>
	<u>\$ 606,619</u>	<u>\$ 550,998</u>

Depreciation expense was \$20,371 and \$19,185 for 2010 and 2009, respectively.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2010 AND 2009**

**NOTE 6 - LINE OF CREDIT/MORTGAGE PAYABLE**

The Organization had an unsecured line of credit agreement with a Bank. The borrowing limit as of June 30, 2009 was \$80,000 with an outstanding balance of \$25,000. Additionally, the Organization had a mortgage on the Thompson Lane property with an outstanding balance of \$16,931 at June 30, 2009. On May 13, 2010, these notes were consolidated into a single line of credit secured by the Organization's real property at 139 Thompson Lane. The line of credit has a borrowing limit of \$150,000 and an outstanding balance at June 30, 2010 of \$127,700. The terms call for interest only payments of 6.75% until December 13, 2010 at which time the note calls for monthly principal and interest payments of \$1,200 with a balloon payment due at maturity on May 13, 2015.

Scheduled repayments on the note are as follows:

Year ending June 30,	
2011	\$ 3,429
2012	6,201
2013	6,633
2014	7,095
2015	<u>104,342</u>
Total	<u>\$ 127,700</u>

**NOTE 7 - LEASES**

The Organization has a capital lease for certain building improvements and two operating leases for certain office equipment. A schedule of future minimum lease payments required under the capital lease and the operating lease as of June 30, 2010 follows:

Year Ending June 30,	Capital Lease	Operating Leases
2011	\$ 1,879	\$ 2,736
2012	1,879	2,736
2013	1,879	1,740
2014	<u>-</u>	<u>1,740</u>
Total minimum lease payments	5,637	<u>\$ 8,952</u>
Less: interest imputed at 7%	( <u>1,699</u> )	
Net minimum lease payments	<u>\$ 3,938</u>	

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

**NOTE 8 - RETIREMENT PLAN**

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 in years ending June 30, 2010 or 2009.

**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, 2010. Including realized and unrealized investment earnings, the market value of the Fund was \$24,618 and \$21,965 as of June 30, 2010 and 2009, respectively.

**NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 11, 2010, which is the date the financial statements were available to be issued.