

**EXCHANGE CLUB FAMILY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2011 AND 2010**

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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, 2011 and 2010 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, 2011 and 2010, 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 17, 2011

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash	\$ 48,105	\$ 19,336
Accounts receivable	22,969	15,838
Contributions receivable	11,000	20,611
Property and equipment, net	590,243	606,619
Prepaid expenses	<u>2,268</u>	<u>2,818</u>
TOTAL ASSETS	<u>\$ 674,585</u>	<u>\$ 665,222</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 20,278	\$ 19,163
Line of credit	123,821	127,700
Accrued expenses	4,355	11,269
Capital lease payable	<u>2,625</u>	<u>3,938</u>
Total Liabilities	<u>151,079</u>	<u>162,070</u>
NET ASSETS		
Unrestricted	515,986	503,152
Temporarily restricted	<u>7,520</u>	<u>-</u>
Total Net Assets	<u>523,506</u>	<u>503,152</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 674,585</u>	<u>\$ 665,222</u>

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

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Changes in Unrestricted Net Assets		
Revenues and Support:		
Contributions	\$ 255,968	\$ 286,815
Contracts and grants	194,375	205,511
Program fees	112,389	143,565
Special events	84,625	76,475
Other	164	101
	<u>647,521</u>	<u>712,467</u>
Total Unrestricted Revenues and Support		
	<u>647,521</u>	<u>712,467</u>
Expenses:		
Program services	481,575	550,007
Supporting services:		
Management and general	72,990	84,271
Fundraising	54,199	48,126
Special events direct costs	25,923	27,261
Total fundraising	80,122	75,387
	<u>634,687</u>	<u>709,665</u>
Total Expenses		
	<u>634,687</u>	<u>709,665</u>
Increase in Unrestricted Net Assets	12,834	2,802
	<u>12,834</u>	<u>2,802</u>
Changes in Temporarily Restricted Net Assets		
Contributions	7,520	-
	<u>7,520</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets		
	<u>7,520</u>	<u>-</u>
Increase in net assets	20,354	2,802
Net assets, beginning of year	503,152	500,350
	<u>503,152</u>	<u>500,350</u>
Net assets, end of year	<u>\$ 523,506</u>	<u>\$ 503,152</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, 2011

	Program	Supporting Services		
	Services	Management and General	Fund Raising	Total
Salaries	\$ 237,476	\$ 40,903	\$ 10,226	\$ 288,605
Contract wages	86,609	4,135	35,184	125,928
Employee benefits	21,142	1,833	917	23,892
Payroll taxes	18,084	1,661	759	20,504
 Total personnel costs	 363,311	 48,532	 47,086	 458,929
 Depreciation	 17,107	 2,994	 1,283	 21,384
Supplies	16,303	2,436	-	18,739
Communications	10,737	1,879	805	13,421
Utilities	10,629	1,860	797	13,286
Insurance	9,483	1,659	711	11,853
Building repairs and maintenance	7,556	1,323	567	9,446
Professional services	5,816	2,344	521	8,681
Interest	6,156	2,511	-	8,667
Equipment rental and maintenance	5,562	974	418	6,954
Travel and entertainment	5,501	795	331	6,627
Security	5,851	649	-	6,500
Advertising	3,855	1,554	345	5,754
Merchant service charges	3,450	671	671	4,792
Technology	3,083	1,243	275	4,601
Printing	3,447	383	-	3,830
Conferences and professional development	2,663	762	379	3,804
Dues and licenses	932	398	-	1,330
Miscellaneous	133	23	10	166
 Total expenses before special events direct costs	 481,575	 72,990	 54,199	 608,764
 Special events direct cost	 -	 -	 18,080	 18,080
Donated items - silent auction	-	-	7,843	7,843
 Total special events direct costs	 -	 -	 25,923	 25,923
 Total expenses	 \$ 481,575	 \$ 72,990	 \$ 80,122	 \$ 634,687

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
Contract wages	60,619	2,894	24,626	88,139
Employee benefits	39,798	3,451	1,726	44,975
Payroll taxes	24,813	2,279	1,041	28,133
Total personnel costs	441,206	63,048	40,999	545,253
Depreciation	16,297	2,852	1,222	20,371
Supplies	13,597	2,032	-	15,629
Communications	10,358	1,813	777	12,948
Utilities	9,799	1,715	735	12,249
Insurance	9,530	1,667	715	11,912
Building repairs and maintenance	10,785	1,888	809	13,482
Professional services	3,693	1,488	331	5,512
Interest	3,217	1,312	-	4,529
Equipment rental and maintenance	5,700	998	428	7,126
Travel and entertainment	8,582	1,241	517	10,340
Security	3,848	427	-	4,275
Advertising	2,009	809	180	2,998
Merchant service charges	4,035	785	785	5,605
Technology	2,255	910	201	3,366
Printing	1,259	140	-	1,399
Conferences and professional development	2,798	800	398	3,996
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
Special events direct cost	-	-	17,877	17,877
Donated items - silent auction	-	-	9,384	9,384
Total special events direct costs	-	-	27,261	27,261
Total expenses	\$ 550,007	\$ 84,271	\$ 75,387	\$ 709,665

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

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 20,354	\$ 2,802
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	21,384	20,371
In-kind contribution of property and equipment	(2,511)	-
(Increase) decrease in:		
Accounts receivable	(7,131)	(4,148)
Contributions receivable	9,611	(20,611)
Prepaid expenses	550	(1,822)
Increase (decrease) in:		
Accounts payable	1,115	8,400
Accrued expenses	(6,914)	(948)
Net cash provided by operating activities	<u>36,458</u>	<u>4,044</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>(2,497)</u>	<u>(75,992)</u>
Net cash used in investing activities:	<u>(2,497)</u>	<u>(75,992)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,313)	(1,312)
(Repayments) proceeds from line of credit, net	(3,879)	102,700
Repayments on mortgage	<u>-</u>	<u>(16,931)</u>
Net cash (used in) provided by financing activities	<u>(5,192)</u>	<u>84,457</u>
Net increase in cash	28,769	12,509
Cash, beginning of year	<u>19,336</u>	<u>6,827</u>
Cash, end of year	<u><u>\$ 48,105</u></u>	<u><u>\$ 19,336</u></u>
Additional information:		
Interest paid during the year	<u><u>\$ 8,667</u></u>	<u><u>\$ 4,529</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, 2011 AND 2010**

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, 2011 or 2010.

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, 2011 or 2010.

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

Cash includes cash on hand and cash on deposit in financial institutions.

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 (IRS) as other than a private foundation.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2011, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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, 2011 AND 2010**

NOTE 3 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets as of June 30, 2011 consisted of a technology grant totaling \$7,520. There were no temporarily restricted net assets as of June 30, 2010. There were no permanently restricted net assets as of June 30, 2011 and 2010.

NOTE 4 - DONATED SERVICES AND MATERIALS

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

	2011	2010
Included in property and equipment:		
Equipment	\$ 2,511	\$ -
Included in Program and Management and General expense:		
Staff salaries	14,100	8,235
Supplies	4,619	-
Professional services	4,100	-
Technology services	-	240
Included in Special events expenses:		
Silent auction items	<u>7,843</u>	<u>9,384</u>
	<u>\$ 33,173</u>	<u>\$ 17,859</u>

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2011	2010
Land	\$ 124,887	\$ 124,887
Building and improvements	693,843	693,843
Furniture and equipment	65,794	60,786
Software	<u>7,909</u>	<u>7,909</u>
	892,433	887,425
Accumulated depreciation	<u>(302,190)</u>	<u>(280,806)</u>
	<u>\$ 590,243</u>	<u>\$ 606,619</u>

Depreciation expense was \$21,384 and \$20,371 for 2011 and 2010, respectively.

**EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

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 had an outstanding balance at June 30, 2010 of \$127,700. The terms called 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,	
2012	\$ 6,233
2013	6,667
2014	7,131
2015	<u>103,790</u>
Total	<u>\$ 123,821</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, 2011 follows:

	Capital Lease	Operating Leases
Year Ending June 30,		
2012	\$ 1,879	\$ 2,736
2013	1,879	1,740
2014	<u>-</u>	<u>1,740</u>
Total minimum lease payments	3,758	<u>\$ 6,216</u>
Less: interest imputed at 7%	(<u>1,133</u>)	
Net minimum lease payments	<u>\$ 2,625</u>	

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010

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, 2011 or 2010.

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, 2011. Including realized and unrealized investment earnings, the market value of the Fund was \$29,740 and \$24,618 as of June 30, 2011 and 2010, respectively.

NOTE 10 - CONTINGENCIES

On June 8, 2011, the Organization was named in a complaint filed with the Tennessee Human Rights Commission (the "Commission") alleging employment discrimination by a former employee. The Organization has responded with the required Position Statement and is awaiting further notification from the Commission. The Organization believes the allegations are without merit and is vigorously defending the complaint. At this time, it is not possible to predict the outcome in the case or a range of possible loss. No provision for liability, if any, relating to this matter has been made in the accompanying financial statements.

NOTE 11 - RELATED PARTY TRANSACTION

A member of the board of directors is employed by the company that administers the Organization's retirement plan. This board member generally receives a commission of under \$100 per year for managing the account.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 17, 2011, which is the date the financial statements were available to be issued.