THE FAMILY CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2018 AND 2017

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TABLE OF CONTENTS

Independent Auditors' Report

To the Board of Directors
The Family Center

Report on the Financial Statements
We have audited the accompanying financial statements of The Family Center (a Tennessee not-for-profit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' 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. 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 auditors' 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.

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 The Family Center as of June 30, 2018 and 2017, 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.

Blankenship CPA Group, PLLC
January 11, 2019

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THE FAMILY CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash	$ 438,768	$ 585,606
Accounts receivable	18,556	55,697
Pledge and contributions receivables, net	271,206	108,810
Prepaid expenses	1,707	4,406
Property and equipment, net	427,440	457,668
Beneficial interest in trust held by others	33,236	32,503
TOTAL ASSETS	$ 1,190,913	$ 1,244,690
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 16,467	$ 14,776
Accrued expenses	17,872	9,693
Total Liabilities	34,339	24,469
NET ASSETS		
Unrestricted	845,649	1,038,234
Temporarily restricted	277,689	149,484
Permanently restricted	33,236	32,503
Total Net Assets	1,156,574	1,220,221
TOTAL LIABILITIES AND NET ASSETS	$ 1,190,913	$ 1,244,690

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

THE FAMILY CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in Unrestricted Net Assets		
Revenues and Support:		
Contracts and government grants	$ 302,049	$ 474,767
Contributions and foundation grants	268,817	253,945
Special events (net of direct benefits to donors of $32,101 and $29,341 for 2018 and 2017, respectively)	109,862	120,715
Program fees	11,836	19,122
Distribution from beneficial interest in agency endowment	1,500	1,600
Interest income	1,352	1,523
Other	3,703	-
Total Unrestricted Revenues and Support	699,119	871,672
Net assets released from restrictions	164,001	105,344
Total Unrestricted Revenues, Support and Reclassifications	863,120	977,016
Functional Expenses:		
Program services	750,970	677,407
Supporting services:		
Management and general	126,863	105,075
Fundraising	160,777	140,611
Special events direct costs	17,095	19,470
Total fundraising	177,872	160,081
Total Functional Expenses	1,055,705	942,563
(Decrease) Increase in Unrestricted Net Assets	(192,585)	34,453
Changes in Temporarily Restricted Net Assets		
Contributions and foundation grants	292,206	170,323
Net assets released from restrictions	(164,001)	(105,344)
Increase in Temporarily Restricted Net Assets	128,205	64,979
Changes in Permanently Restricted Net Assets		
Change in value of beneficial interest in trust held by others	733	1,529
Increase in Permanently Restricted Net Assets	733	1,529
(Decrease) increase in net assets	(63,647)	100,961
Net assets, beginning of year	1,220,221	1,119,260
Net assets, end of year	$ 1,156,574	$ 1,220,221

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

THE FAMILY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries	$ 472,566	$ 41,891	$ 119,072	$ 633,529
Contract wages	30,875	32,886	-	63,761
Employee benefits	43,780	1,588	10,975	56,343
Payroll taxes	32,924	3,000	8,330	44,254
Total personnel costs	580,145	79,365	138,377	797,887
Depreciation	25,694	1,814	2,720	30,228
Conferences and professional development	16,137	3,289	3,735	23,161
Insurance	17,125	1,209	1,813	20,147
Facility rent	19,200	-	-	19,200
Bad debts	-	17,908	-	17,908
Travel and entertainment	13,566	515	2,042	16,123
Communications	12,378	2,052	1,555	15,985
Supplies	14,989	287	463	15,739
Professional services	1,071	12,653	-	13,724
Printing	6,172	2,275	4,903	13,350
Technology	11,801	435	689	12,925
Utilities	9,365	661	992	11,018
Building repairs and maintenance	8,157	576	863	9,596
Equipment rental and maintenance	6,672	471	706	7,849
Dues and licenses	5,134	366	1,738	7,238
Advertising	2,308	-	181	2,489
Merchant service charges	1,056	1,152	-	2,208
Miscellaneous	-	1,835	-	1,835
Total expenses before special events direct costs	750,970	126,863	160,777	1,038,610
Special events direct costs	-	-	49,196	49,196
Less direct benefits to donors	-	-	(32,101)	(32,101)
Total special events direct costs	-	-	17,095	17,095
Total functional expenses	$ 750,970	$ 126,863	$ 177,872	$ 1,055,705

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

THE FAMILY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Total
Salaries	$ 368,478	$ 37,890	$ 85,162	$ 491,530
Contract wages	72,276	23,881	23,790	119,947
Employee benefits	35,684	2,008	8,337	46,029
Payroll taxes	30,519	3,224	6,976	40,719
Total personnel costs	506,957	67,003	124,265	698,225
Depreciation	26,232	2,186	2,811	31,229
Conferences and professional development	6,872	2,717	2,091	11,680
Insurance	14,643	1,220	1,569	17,432
Facility rent	17,280	-	-	17,280
Bad debts	-	3,500	-	3,500
Travel and entertainment	9,777	2,286	2,410	14,473
Communications	9,433	458	1,867	11,758
Supplies	16,954	288	371	17,613
Professional services	-	21,349	-	21,349
Printing	1,067	-	2,458	3,525
Technology	6,247	351	452	7,050
Utilities	8,277	435	559	9,271
Building repairs and maintenance	12,321	348	447	13,116
Equipment rental and maintenance	7,410	348	447	8,205
Dues and licenses	5,467	397	864	6,728
Advertising	27,315	-	-	27,315
Merchant service charges	1,155	1,156	-	2,311
Miscellaneous	-	1,033	-	1,033
Total expenses before special events direct costs	677,407	105,075	140,611	923,093
Special events direct costs	-	-	48,811	48,811
Less direct benefits to donors	-	-	(29,341)	(29,341)
Total special events direct costs	-	-	19,470	19,470
Total functional expenses	$ 677,407	$ 105,075	$ 160,081	$ 942,563

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

THE FAMILY CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	**2017**
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (63,647)	$ 100,961
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities:		
Depreciation	30,228	31,229
Payout from beneficial interest held in trust by others	(1,500)	(1,600)
Change in value of beneficial interest in agency endowment	(733)	(1,529)
(Increase) decrease in		
Accounts receivable	37,141	22,962
Pledge and contributions receivables	(162,396)	(50,058)
Prepaid expenses	2,699	1,346
Increase (decrease) in		
Accounts payable	1,691	(4,750)
Accrued expenses	8,179	(2,117)
Deferred special event income	-	(2,500)
Net cash (used) provided by operating activities	(148,338)	93,944
Cash flows from investing activities:		
Cash from beneficial interest in trust held by others	1,500	1,600
Additions to property and equipment	-	(10,884)
Net cash provided (used) by investing activities	1,500	(9,284)
Net (decrease) increase in cash	(146,838)	84,660
Cash, beginning of year	585,606	500,946
Cash, end of year	$ 438,768	$ 585,606

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

THE FAMILY CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Family Center (formally known as Exchange Club Family Center, the "Organization") is a private, not-for-profit organization focused on changing lives, changing families, and changing futures through its mission of breaking multi-generational cycles of child abuse, neglect, and trauma. It is a licensed Tennessee Child Abuse Prevention Agency with locations in Nashville and Murfreesboro and serves individuals and families from across Middle Tennessee. During the year ending June 30, 2018, the Organization served 2,064 adults and impacted 2,181 children through its Positive Parenting/Nurturing Family, Nurturing Home, Co-Parenting, and Trauma Informed Cultures programs (direct services).

Research demonstrates that the key to mitigating multi-generational risks for negative health, mental health, substance abuse, emotional, or socio-economic outcomes is through a trauma informed lens that promotes resilience. The Organization works with myriad families of all races, ethnicities, and socio-economics, with an emphasis on higher risk families, to increase awareness about Adverse Childhood Experiences/Adverse Community Environments (ACEs) and provide education, skills, support, and resources that increase the potential for positive change.

The Organization's direct service programs, along with its community outreach, awareness, and advocacy efforts incorporate evidence-informed and evidence-based curricula and current data in the field. It is a founding member of and active partner with All Children Excel (ACE) Nashville, a collective impact initiative aimed at reducing ACEs through a public health approach. As neuroscience, psychology, and sociology converge to better understand the dynamics behind brain development, The Organization is at the forefront of integrating this knowledge into its service delivery. Our programs are evolving to better meet community and family needs, offering clients both more voice and choice in how and where they participate. In addition, we are using more analytics in determining efficacy in our programs, involving clients and volunteers through expanded program opportunities, and raising our profile among donors and community partners. Our staff and Board of Directors are committed to our values of Excellence, Integrity, Inclusion, Transformation, and Connection as we align the organization to family and community needs across Middle Tennessee.

On November 30, 2017 the Organization formally changed its name from Exchange Club Family Center to The Family Center.

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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of these financial statements in accordance 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, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

Contributions and Pledge Receivables

Contributions and grants are recognized when the donor makes an unconditional promise to give to the Organization. The Organization uses the allowance method to determine uncollectible unconditional pledge receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. 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

Government grants are considered exchange transactions and accordingly revenue is recognized in the period in which the Organization incurs and bills for the associated reimbursable costs. Program fees revenues are recognized and generally collected at the time the educational and awareness services are provided to the individuals or families. Accounts receivable represents amounts owed from government grants and programs fees. No allowance for bad debts was deemed necessary as of June 30, 2018 and 2017.

Donated Services, Materials and Rent

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, rent 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.

Cash

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

Agency Endowment Fund

The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the fund are recognized in the statements of activities, and distributions received from the fund are recorded as decreases in the beneficial interest.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements 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 10 to 40 years for buildings and improvements and 5 to 10 years for furniture and equipment.

Fair Value Measurements

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That 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 active markets for identical assets or liabilities (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 – Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date (e.g. prices derived from NYSE, NAADAQ or Chicago Board of Trade).

Level 2 Inputs – Fair values are based on inputs other than quoted price included within level 1 that are observable for valuing the asset or liability, either directly or indirectly (e.g. interest rate and yield curves observable at commonly quoted intervals, default rates, etc.). Observable inputs include quoted prices for similar assets or liabilities in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs.

Level 3 Inputs – Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances. An example could be real estate valuations, which require significant judgment.

The beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee ("CFMT") represents the Organization's interest in pooled investments with other participants in the funds. CFMT prepares a valuation of the fund based on the fair value of the underlying investments and allocates income or loss to each participant based on market results. Due to the nature of the underlying investments and method of allocation of the fund, the beneficial interest in the agency endowment fund is classified within Level 3 of the valuation hierarchy.

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.

NOTE 3 - PLEDGE AND CONTRIBUTIONS RECEIVABLES

Pledge and contributions receivables are summarized as follows as of June 30:

	2018	2017
Pledge and contributions receivables	$ 276,306	$ 113,910
Less: Allowance for bad debts	(5,100)	(5,100)
	$ 271,206	$ 108,810

Scheduled expected collections of contributions receivable are as follows for the year ending June 30:

2019	$ 244,206
2020	15,000
2021	12,000
	$ 271,206

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2018	2017
Land	$ 124,887	$ 124,887
Building and improvements	595,716	595,716
Furniture and equipment	84,228	84,228
	804,831	804,831
Accumulated depreciation	(377,391)	(347,163)
	$ 427,440	$ 457,668

Depreciation expense was $30,228 and $31,229 for 2018 and 2017, respectively.

NOTE 5 - AGENCY FUND / PERMANENTLY RESTRICTED NET ASSETS

The Organization has a beneficial interest in the Exchange Child Abuse Prevention Center Endowment Fund held by the Community Foundation of Middle Tennessee ("CFMT") that is classified as a permanently restricted net asset. The Organization has granted variance power to the CFMT, and the CFMT has the ultimate authority and control over the Fund and the income derived there from. The fund is charged a .4% administrative fee annually. Upon request by the Organization, income from the fund representing a 5% annual return may be distributed to the Organization or to another suggested beneficiary.

NOTE 5 - AGENCY ENDOWMENT FUND / PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

A schedule of changes in the Organization's beneficial interest in this fund follows for the years ended June 30:

	2018	2017
Balance, beginning of year	$ 32,503	$ 30,974
Change in value of beneficial interest:		
Contributions	-	-
Investment earnings	2,450	3,371
Grants distributed	(1,500)	(1,600)
Administrative expenses	(217)	(242)
Net change	733	1,529
Balance, end of year	$ 33,236	$ 32,503

NOTE 6 - LINE OF CREDIT

The Organization had a maximum $100,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings is payable monthly at the Wall Street Journal prime rate plus .50 percent per annum. The arrangement expired May 5, 2017 and was not renewed.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted nets assets consisted of the following as of June 30:

	2018	2017
Pledges/contributions receivable	$ 225,364	$ 108,810
Time restricted - general operations	40,000	33,750
Program grants	12,325	6,250
Technology grant	-	674
	$ 277,689	$ 149,484

NOTE 8 - LEASES

The Organization has entered into various operating leases for office copiers. A schedule of future minimum lease payments under these operating leases are as follows for the years ending June 30:

2019	$ 3,204
2020	1,560
2021	1,560
2022	520
Total	$ 6,844

Rental expense was $3,159 and $3,144 for the years ended June 30, 2018 and 2017.

NOTE 8 - LEASES (CONTINUED)

Various not-for-profit organizations provide the Organization with classroom space for programming. Accordingly, the value of this facility usage has been included as in-kind contributions described in Note 9.

NOTE 9 - 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:

	2018	2017
Facility usage	$ 19,200	$ 17,280
Professional services	2,805	-
Video production	-	21,532
Services and supplies for fundraiser	1,000	7,135
Program supplies	-	3,950
Office supplies	-	480
	$ 23,005	$ 50,377

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled $35,465 and $37,343 for 2018 and 2017, respectively. These assets were subsequently sold during fundraising events with the proceeds recorded in special events income.

NOTE 10 - 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 the Employee Retirement Income Security Act (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, 2018 or 2017.

NOTE 11 - CONCENTRATIONS

Of the Organization's total revenues for the year ending June 30, 2018, approximately 10% (27% for 2017) represents funds received from one government contract. No other revenue source represents 10% or more of total revenues.

NOTE 12 - RELATED PARTY TRANSACTION

A member of the board of directors is employed by the company that administers the Organization's property and casualty insurance.

NOTE 13 - QUESTIONED COSTS

Questioned costs are those amounts charged to a funded program that may not be in compliance with requirements set forth in contracts, statutes, and regulations governing allowability or eligibility. A questioned cost may not be reimbursed by the grantor agency or the grantor agency may require that the funds already expended be refunded to the agency. The determination as to whether such costs will be allowed or disallowed under the grants will be made by the individual grantor agency at a later date. No liability was required at June 30, 2018 and 2017 for the repayment of questioned costs as no grantor agency has made a determination of the appropriateness of any questioned costs. Management deems the possibility of a refund request to be remote, as they believe that the Organization has accommodated their objective to the provisions of their grants.

NOTE 14 - RECENT ACCOUNTING PRONOUNCEMENTS

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows. More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one "without donor-imposed restrictions" and one "with donor-imposed restrictions," which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flow statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization's liquidity. The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

In August 2018, the FASB issued ASU 2018-*08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will result in treatment of most government grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Organization does not expect the timing of grant or gift revenue recognition to change significantly as a result of this ASU. The Center will implement ASU 2018-08 in fiscal 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. The Organization's adoption of the new standard in fiscal 2020 will require quantitative and qualitative financial statement disclosures regarding the Organization's lease arrangements and balance sheet presentation of right of use assets and lease liabilities representative of the Organization's discounted future lease payments. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 11, 2019, which is the date the financial statements were available to be issued.