EXCHANGE CLUB FAMILY CENTER, INC.
(d/b/a THE FAMILY CENTER)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2016 AND 2015

EXCHANGE CLUB FAMILY CENTER, INC.
(d/b/a THE FAMILY CENTER)
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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.

Report on the Financial Statements
We have audited the accompanying financial statements of Exchange Club Family Center, Inc. (d/b/a The Family Center, a Tennessee not-for-profit corporation, the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, (collectively, 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 of 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 Organization'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 Organization'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 Exchange Club Family Center, Inc. (d/b/a The Family Center) as of June 30, 2016 and 2015, 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
October 14, 2016

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EXCHANGE CLUB FAMILY CENTER, INC.
(d/b/a THE FAMILY CENTER)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash	$ 500,946	$ 301,933
Accounts receivable	78,659	77,717
Pledge receivables	58,752	-
Prepaid expenses	5,752	3,861
Property and equipment, net	478,013	507,341
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	30,974	32,793
TOTAL ASSETS	$ 1,153,096	$ 923,645

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Accounts payable	$ 19,526	$ 10,485
Deferred special event income	2,500	-
Mortgage payable	-	96,234
Accrued expenses	11,810	12,909
Total Liabilities	33,836	119,628
NET ASSETS		
Unrestricted	970,784	724,206
Temporarily restricted	117,502	47,018
Permanently restricted	30,974	32,793
Total Net Assets	1,119,260	804,017
TOTAL LIABILITIES AND NET ASSETS	$ 1,153,096	$ 923,645

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

EXCHANGE CLUB FAMILY CENTER, INC.
(d/b/a THE FAMILY CENTER)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Changes in Unrestricted Net Assets		
Revenues and Support:		
Contracts and government grants	$ 469,226	$ 416,987
Contributions and foundation grants	412,685	246,518
Special events	131,732	92,046
Client fees	29,193	31,962
Distribution from beneficial interest in agency endowment	1,700	1,600
Interest income	1,215	-
Other	20	-
Loss on disposal of fixed assets	-	(1,322)
Total Unrestricted Revenues and Support	1,045,771	787,791
Net assets released from restrictions	47,018	80,227
Total Unrestricted Revenues, Support and Reclassifications	1,092,789	868,018
Functional Expenses:		
Program services	512,718	487,296
Supporting services:		
Management and general	172,441	150,582
Fundraising	115,756	166,219
Special events direct costs	45,296	20,805
Total fundraising	161,052	187,024
Total Functional Expenses	846,211	824,902
Increase in Unrestricted Net Assets	246,578	43,116
Changes in Temporarily Restricted Net Assets		
Contributions and foundation grants	117,502	66,995
Net assets released from restrictions	(47,018)	(80,227)
Increase (Decrease) in Temporarily Restricted Net Assets	70,484	(13,232)
Changes in Permanently Restricted Net Assets		
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(1,819)	(1,317)
Decrease in Permanently Restricted Net Assets	(1,819)	(1,317)
Increase in net assets	315,243	28,567
Net assets, beginning of year	804,017	775,450
Net assets, end of year	$ 1,119,260	$ 804,017

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

EXCHANGE CLUB FAMILY CENTER, INC.
(d/b/a THE FAMILY CENTER)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries	$ 305,732	$ 85,759	$ 64,348	$ 455,839
Contract wages	35,176	35,558	22,441	93,175
Payroll taxes	24,937	6,789	5,117	36,843
Employee benefits	25,880	5,256	4,454	35,590
Total personnel costs	391,725	133,362	96,360	621,447
Depreciation	24,554	3,928	4,256	32,738
Supplies	20,023	374	405	20,802
Insurance	12,760	2,041	2,212	17,013
Travel and entertainment	11,133	2,818	1,022	14,973
Building repairs and maintenance	11,401	852	922	13,175
Communications	8,786	1,403	934	11,123
Professional services	1,601	7,611	1,797	11,009
Conferences and professional development	6,353	3,062	100	9,515
Utilities	7,319	697	755	8,771
Equipment rental and maintenance	6,997	553	599	8,149
Dues and licenses	173	4,199	2,296	6,668
Technology	4,588	439	475	5,502
Miscellaneous	-	1,902	2,927	4,829
Merchant service charges	2,126	2,262	55	4,443
Interest	3,179	508	551	4,238
Bad debts	-	3,100	-	3,100
Printing	-	2,072	90	2,162
Advertising	-	1,258	-	1,258
Total expenses before special events direct costs	512,718	172,441	115,756	800,915
Special events direct costs	-	-	45,296	45,296
Total expenses	$ 512,718	$ 172,441	$ 161,052	$ 846,211

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

EXCHANGE CLUB FAMILY CENTER, INC.
(d/b/a THE FAMILY CENTER)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries	$ 299,988	$ 85,792	$ 129,576	$ 515,356
Contract wages	16,328	8,952	8,227	33,507
Payroll taxes	23,071	6,338	10,361	39,770
Employee benefits	18,599	5,337	2,154	26,090
Total personnel costs	357,986	106,419	150,318	614,723
Depreciation	24,209	3,874	4,196	32,279
Supplies	21,233	4,231	-	25,464
Insurance	12,515	2,003	2,169	16,687
Travel and entertainment	9,314	2,711	1,499	13,524
Building repairs and maintenance	14,633	1,695	1,836	18,164
Communications	11,661	713	773	13,147
Professional services	-	11,851	-	11,851
Conferences and professional development	4,721	3,324	-	8,045
Utilities	7,218	1,155	1,251	9,624
Equipment rental and maintenance	5,743	440	477	6,660
Dues and licenses	206	4,947	859	6,012
Technology	2,200	352	381	2,933
Miscellaneous	-	859	298	1,157
Merchant service charges	3,183	1,218	-	4,401
Interest	4,289	687	743	5,719
Bad debts	-	-	-	-
Printing	-	2,794	-	2,794
Advertising	8,185	1,309	1,419	10,913
Total expenses before special events direct costs	487,296	150,582	166,219	804,097
Special events direct costs	-	-	20,805	20,805
Total expenses	$ 487,296	$ 150,582	$ 187,024	$ 824,902

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

EXCHANGE CLUB FAMILY CENTER, INC.
(d/b/a THE FAMILY CENTER)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	$ 315,243	$ 28,567
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	32,738	32,279
Loss on disposal of property and equipment	-	1,322
Change in value of beneficial interest in agency endowment	1,819	1,317
(Increase) decrease in		
Accounts receivable	(942)	(27,908)
Pledge receivables	(58,752)	-
Prepaid expenses	(1,891)	310
Increase (decrease) in		
Accounts payable	9,041	2,465
Deferred special event income	2,500	-
Accrued expenses	(1,099)	7,900
Net cash provided by operating activities	298,657	46,252
Cash flows from investing activities:		
Additions to property and equipment	(3,410)	(11,617)
Net cash used in investing activities	(3,410)	(11,617)
Cash flows from financing activities:		
Payments on mortgage payable, net	(96,234)	(7,500)
Net cash used by financing activities	(96,234)	(7,500)
Net increase in cash	199,013	27,135
Cash, beginning of year	301,933	274,798
Cash, end of year	$ 500,946	$ 301,933
Additional information:		
Interest paid during the year	$ 4,238	$ 5,719

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Family Center (the "Organization") is a private, not-for-profit agency. The mission of the Organization is to break the cycle of child abuse and neglect by empowering parents to raise happy, healthy children. Founded by Exchange Clubs in 1985, the Organization is a licensed Tennessee child abuse prevention agency with offices in Nashville and Murfreesboro. The Organization served 1,599 parents and impacted 2,689 children through direct services and an additional 2,653 people through community education during the year ending June 30, 2016.

The best way to protect children is to empower parents to create safe, stable and nurturing relationships. The Organization's programming focuses on parent education that enhances parenting practices and behaviors. Classes provide skills and support to high-risk parents including those struggling with addiction, incarceration, the legal system, poverty, divorce and family violence.

The Organization uses a two-prong approach to help break the cycle of abuse and neglect.

1. Programming focused on parent education: Research shows that parent education is one of the most effective ways to prevent child abuse. Parent education programs focus on enhancing parenting practices and behaviors, such as developing and practicing positive discipline techniques, learning age-appropriate child development skills and milestones, promoting positive play and interaction between parents and children, teaching them about their own trauma and locating and accessing community services and supports.

2. Community education and awareness: The Organization plays an active role in the community addressing the topic of the long-term and short-term effects of child abuse and neglect. The Organization is a founding member of a collective impact initiative (ACE Nashville) aimed at reducing Adverse Childhood Experiences, which include abuse, neglect and family dysfunction, on a population level. Beginning in February 2015, the Organization partnered with Davidson County's Metro Public Health Department, Prevent Child Abuse Tennessee, Tennessee Department of Health, Tennessee Commission on Children and Youth, Our Kids, Jackson National and Monroe Harding to initiate a long-term, cross-sector public health approach to preventing child trauma. This year, we increased our ACE presentations by 267% due to community interest in the topic.

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

<u>Basis of Presentation</u>
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.

Contributions and Pledge Receivables

Contributions 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

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, 2016 or 2015.

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.

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 changes in net assets, 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 and changes in net assets 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.

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 2 of the valuation hierarchy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, 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. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

NOTE 3 - PLEDGE RECEIVABLES

Pledge receivables as of June 30, 2016 are summarized as follows:

Pledge receivables	$ 61,852
Less: Allowance for bad debts	(3,100)
	$ 58,752

The total pledge receivables expected to be collected by the year ended June 30, 2017 totals $33,652 with the remainder expected to be collected by the year ended June 30, 2018.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2016	2015
Land	$ 124,887	$ 124,887
Building and improvements	595,716	595,716
Furniture and equipment	73,344	73,601
	793,947	794,204
Accumulated depreciation	(315,934)	(286,863)
	$ 478,013	$ 507,341

Depreciation expense was $32,738 and $32,279 for 2016 and 2015, respectively.

NOTE 5 - AGENCY ENDOWMENT 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.

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

	2016	**2015**
Balance, beginning of year	$ 32,793	$ 34,110
Change in value of beneficial interest:		
Contributions	605	-
Investment (loss) earnings	(493)	539
Grants distributed	(1,700)	(1,600)
Administrative expenses	(231)	(256)
Net change	(1,819)	(1,317)
Balance, end of year	$ 30,974	$ 32,793

NOTE 6 - MORTGAGE PAYABLE / LINE OF CREDIT

The Organization had a mortgage payable secured by the Organization's real property at 139 Thompson Lane. The terms called for monthly principal and interest payments of $733 at an interest rate of 4.25% with a balloon payment due at maturity on May 6, 2020. During 2016, this mortgage was paid off.

The Organization also has 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. No borrowings on the line were outstanding at June 30, 2016 or 2015. The arrangement expires May 5, 2017.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	2016	**2015**
Pledges	$ 58,752	$ -
General operations	37,500	-
Program grants	21,250	39,983
Technology grant	-	7,035
	$ 117,502	$ 47,018

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:

2017	$ 3,144
2018	2,769
2019	1,644
Total	$ 7,557

Rental expense was $3,144 for the years ended June 30, 2016 and 2015.

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:

	2016	2015
Services and supplies for fundraiser	$ 7,175	$ -
Repairs and maintenance	1,858	-
Board of directors event	1,006	-
Program supplies	-	12,490
Technology services	-	3,778
	$ 10,039	$ 16,268

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled $68,624 and $27,608 for 2016 and 2015, 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, 2016 or 2015.

NOTE 11 - CONCENTRATIONS

Of the Organization's total revenues for the year ending June 30, 2016, approximately 27% (40% in 2015) represents funds received from one (two in 2015) government contracts. 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 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 14, 2016, which is the date the financial statements were available to be issued.