

**EXCHANGE CLUB FAMILY CENTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2012 AND 2011**

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**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13

## 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, 2012 and 2011 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, 2012 and 2011, 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*

November 12, 2012

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
Cash	\$ 87,737	\$ 48,105
Accounts receivable	28,983	22,969
Contributions receivable	-	11,000
Prepaid expenses	2,814	2,268
Property and equipment, net	591,790	590,243
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	<u>28,995</u>	<u>29,740</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 740,319</u></u>	<u><u>\$ 704,325</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 16,739	\$ 20,278
Line of credit	118,265	123,821
Accrued expenses	5,548	4,355
Capital lease payable	<u>1,313</u>	<u>2,625</u>
<b>Total Liabilities</b>	<u>141,865</u>	<u>151,079</u>
<b>NET ASSETS</b>		
Unrestricted	552,060	515,986
Temporarily restricted	17,399	7,520
Permanently restricted	<u>28,995</u>	<u>29,740</u>
<b>Total Net Assets</b>	<u>598,454</u>	<u>553,246</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 740,319</u></u>	<u><u>\$ 704,325</u></u>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>Changes in Unrestricted Net Assets</b>		
Revenues and Support:		
Contributions	\$ 292,689	\$ 263,488
Contracts and grants	175,815	186,855
Special events	112,408	84,625
Program fees	81,399	104,546
Gain on involuntary conversion	23,040	-
Other	1,519	164
	<u>686,870</u>	<u>639,678</u>
Total Unrestricted Revenues and Support	686,870	639,678
Net assets released from restrictions	<u>3,000</u>	<u>-</u>
Total Unrestricted Revenues, Support and Reclassifications	<u>689,870</u>	<u>639,678</u>
Expenses:		
Program services	<u>474,346</u>	<u>481,575</u>
Supporting services:		
Management and general	<u>80,777</u>	<u>72,990</u>
Fundraising	<u>73,854</u>	<u>54,199</u>
Special events direct costs	<u>24,819</u>	<u>18,080</u>
Total fundraising	<u>98,673</u>	<u>72,279</u>
Total Expenses	<u>653,796</u>	<u>626,844</u>
Increase in Unrestricted Net Assets	<u>36,074</u>	<u>12,834</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Grants	12,879	7,520
Net assets released from restrictions	<u>(3,000)</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets	<u>9,879</u>	<u>7,520</u>
<b>Changes in Permanently Restricted Net Assets</b>		
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	<u>(745)</u>	<u>5,122</u>
(Decrease) increase in Permanently Restricted Net Assets	<u>(745)</u>	<u>5,122</u>
Increase in net assets	45,208	25,476
Net assets, beginning of year	<u>553,246</u>	<u>527,770</u>
Net assets, end of year	<u><u>\$ 598,454</u></u>	<u><u>\$ 553,246</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, 2012**

		Supporting Services		
	Program	Management	Fund	Total
	Services	and General	Raising	
Salaries	\$ 221,112	\$ 40,299	\$ 50,670	\$ 312,081
Contract wages	86,835	13,528	4,488	104,851
Employee benefits	29,442	3,554	1,777	34,773
Payroll taxes	16,397	3,010	3,732	23,139
<b>Total personnel costs</b>	<b>353,786</b>	<b>60,391</b>	<b>60,667</b>	<b>474,844</b>
Depreciation	18,896	1,653	3,071	23,620
Supplies	15,904	2,376	-	18,280
Building repairs and maintenance	11,223	980	1,824	14,027
Utilities	10,869	951	1,766	13,586
Insurance	9,068	793	1,474	11,335
Communications	8,574	750	1,393	10,717
Conferences and professional development	5,650	1,614	807	8,071
Interest	5,427	2,216	-	7,643
Travel and entertainment	6,876	764	-	7,640
Professional services	5,089	2,051	456	7,596
Technology	4,420	1,781	396	6,597
Equipment rental and maintenance	5,106	447	830	6,383
Security	3,940	1,588	353	5,881
Merchant service charges	3,357	653	653	4,663
Dues and licenses	2,550	1,088	-	3,638
Printing	2,146	238	-	2,384
Advertising	999	402	89	1,490
Miscellaneous	466	41	75	582
<b>Total expenses before special events direct costs</b>	<b>474,346</b>	<b>80,777</b>	<b>73,854</b>	<b>628,977</b>
<b>Special events direct costs</b>	<b>-</b>	<b>-</b>	<b>24,819</b>	<b>24,819</b>
<b>Total expenses</b>	<b>\$ 474,346</b>	<b>\$ 80,777</b>	<b>\$ 98,673</b>	<b>\$ 653,796</b>

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**

		Supporting Services		
	Program	Management	Fund	
	Services	and General	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
<b>Total personnel costs</b>	<b>363,311</b>	<b>48,532</b>	<b>47,086</b>	<b>458,929</b>
Depreciation	17,107	2,994	1,283	21,384
Supplies	16,303	2,436	-	18,739
Building repairs and maintenance	7,556	1,323	567	9,446
Utilities	10,629	1,860	797	13,286
Insurance	9,483	1,659	711	11,853
Communications	10,737	1,879	805	13,421
Conferences and professional development	2,663	762	379	3,804
Interest	6,156	2,511	-	8,667
Travel and entertainment	5,501	795	331	6,627
Professional services	5,816	2,344	521	8,681
Technology	3,083	1,243	275	4,601
Equipment rental and maintenance	5,562	974	418	6,954
Security	5,851	649	-	6,500
Merchant service charges	3,450	671	671	4,792
Dues and licenses	932	398	-	1,330
Printing	3,447	383	-	3,830
Advertising	3,855	1,554	345	5,754
Miscellaneous	133	23	10	166
<b>Total expenses before special events direct costs</b>	<b>481,575</b>	<b>72,990</b>	<b>54,199</b>	<b>608,764</b>
<b>Special events direct costs</b>	<b>-</b>	<b>-</b>	<b>18,080</b>	<b>18,080</b>
<b>Total expenses</b>	<b>\$ 481,575</b>	<b>\$ 72,990</b>	<b>\$ 72,279</b>	<b>\$ 626,844</b>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Cash flows from operating activities:		
Increase in net assets	\$ 45,208	\$ 25,476
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	23,620	21,384
Change in value of beneficial interest in agency endowment	745	(5,122)
In-kind contribution of property and equipment	-	(2,511)
(Increase) decrease in		
Accounts receivable	(6,014)	(7,131)
Contributions receivable	11,000	9,611
Prepaid expenses	(546)	550
Increase (decrease) in		
Accounts payable	(3,539)	1,115
Accrued expenses	<u>1,193</u>	<u>(6,914)</u>
Net cash provided by operating activities	<u>71,667</u>	<u>36,458</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>(25,167)</u>	<u>(2,497)</u>
Net cash used in investing activities	<u>(25,167)</u>	<u>(2,497)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,312)	(1,313)
Payments on line of credit, net	<u>(5,556)</u>	<u>(3,879)</u>
Net cash used by financing activities	<u>(6,868)</u>	<u>(5,192)</u>
Net increase in cash	39,632	28,769
Cash, beginning of year	<u>48,105</u>	<u>19,336</u>
Cash, end of year	<u><u>\$ 87,737</u></u>	<u><u>\$ 48,105</u></u>
Additional information:		
Interest paid during the year	<u><u>\$ 7,643</u></u>	<u><u>\$ 8,667</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, 2012 AND 2011**

**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, 2012 or 2011.

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, 2012 or 2011.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**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.

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.

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 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, 2012, 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.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 at 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.

As described in Note 3, the Organization made an adjustment to beginning balances to properly reflect the beneficial interest on the Organization's financial statements.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 3 - ADJUSTMENT TO BEGINNING BALANCES**

During the year ended June 30, 2012, the Organization determined that it was proper for the endowment fund held at the Community Foundation of Middle Tennessee to be reflected on the Organization's financial statements as a beneficial interest and a permanently restricted net asset. Accordingly, reclassifications were made effective July 1, 2010 that increased assets and permanently restricted net assets by \$29,740 on the statements of financial position over what was previously reported at June 30, 2011. Additionally, the change in value of the beneficial interest between July 1, 2010 and June 30, 2011 has been included on the statements of activities which resulted in a \$5,122 increase in net assets previously reported for the year ended June 30, 2011.

**NOTE 4 - PROPERTY AND EQUIPMENT**

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

	2012	2011
Land	\$ 124,887	\$ 124,887
Building and improvements	708,357	693,843
Furniture and equipment	76,447	65,794
Software	<u>7,909</u>	<u>7,909</u>
	917,600	892,433
Accumulated depreciation	<u>(325,810)</u>	<u>(302,190)</u>
	<u>\$ 591,790</u>	<u>\$ 590,243</u>

Depreciation expense was \$23,620 and \$21,384 for 2012 and 2011, respectively

**NOTE 5 - LINE OF CREDIT/MORTGAGE PAYABLE**

The Organization has a 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, 2012 of \$118,265. The terms called for interest only payments of 6.75% until December 13, 2010 at which time the note called 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,	
2013	\$ 6,619
2014	7,080
2015	<u>104,566</u>
Total	<u>\$ 118,265</u>

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 5 - LINE OF CREDIT/MORTGAGE PAYABLE (CONTINUED)**

The Organization also has a maximum \$50,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings is payable monthly at the bank's base rate plus 1.00 percent per annum, with a minimum rate of 5%. No borrowings on the line were outstanding at June 30, 2012 or 2011. The arrangement expires January 15, 2013.

**NOTE 6 - LEASES**

The Organization has a capital lease for certain building improvements with a capitalized cost of \$7,875. Accumulated depreciation on the statements of financial position for these improvements amounted to \$6,563 and \$5,250 for 2012 and 2011, respectively. Depreciation expense reported on the statements of functional expenses amounted to \$1,313 for 2012 and 2011. The Organization also has an operating lease for certain office equipment. A schedule of future minimum lease payments required under the capital lease and the operating lease as of June 30, 2012 follows:

	<b>Capital Lease</b>	<b>Operating Leases</b>
Year Ending June 30,		
2013	\$ 1,879	\$ 1,740
2014	<u>-</u>	<u>1,740</u>
Total minimum lease payments	1,879	<u>\$ 3,480</u>
Less: interest imputed at 7%	( 566)	
Net minimum lease payments	<u>\$ 1,313</u>	

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<b>2012</b>	<b>2011</b>
Rutherford County	\$ 7,879	\$ -
Technology	<u>9,520</u>	<u>7,520</u>
	<u>\$ 17,399</u>	<u>\$ 7,520</u>

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 8 - 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 (the "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:

	2012	2011
Balance – beginning of year	\$ 29,740	\$ 24,618
Change in value of beneficial interest:		
Contributions	-	15
Investment (loss) earnings	(518)	5,303
Administrative expenses	(227)	(196)
Net change	(745)	5,122
Balance – end of year	\$ 28,995	\$ 29,740

**NOTE 9 - 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:

	2012	2011
Included in special events income		
Silent auction items	\$ 11,713	\$ 7,843
Included in special events income/expenses	5,135	-
Included in unrestricted contributions/expenses		
Supplies	3,235	4,619
Professional services	1,500	4,100
Staff salaries	-	14,100
Included in unrestricted contributions/assets		
Equipment	-	2,511
	\$ 21,583	\$ 33,173

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**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, 2012 or 2011.

**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 November 12, 2012, which is the date the financial statements were available to be issued.