

**EXCHANGE CLUB FAMILY CENTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2006 AND 2005**

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# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Exchange Club Family Center, Inc.

We have audited the accompanying statements of financial position (modified cash basis) of Exchange Club Family Center, Inc. (the "Organization") as of June 30, 2006 and 2005 and the related statements of activities (modified cash basis), functional expenses (modified cash basis) and cash flows (modified cash basis) 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.

As described in Note 2, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 2.

*Blankenship CPA Group, PLLC*

September 29, 2006

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**(MODIFIED CASH BASIS)**  
**JUNE 30, 2006 AND 2005**

**ASSETS**

	2006	2005
Cash	\$ 66,475	\$ 72,701
Property and equipment, net	<u>577,734</u>	<u>596,887</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 644,209</u></u>	<u><u>\$ 669,588</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Mortgage payable	<u>\$ 54,648</u>	<u>\$ 82,996</u>
<b>Total Liabilities</b>	<u>54,648</u>	<u>82,996</u>
<b>NET ASSETS:</b>		
Unrestricted	583,411	556,592
Temporarily restricted	<u>6,150</u>	<u>30,000</u>
<b>Total Net Assets</b>	<u>589,561</u>	<u>586,592</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 644,209</u></u>	<u><u>\$ 669,588</u></u>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**(MODIFIED CASH BASIS)**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
<b>Changes in Unrestricted Net Assets</b>		
Revenue and Support:		
Contributions	\$ 166,151	\$ 200,732
Special events	122,969	98,014
Contracts and grants	294,260	285,715
Program fees	123,257	90,073
Interest	361	478
	<u>706,998</u>	<u>675,012</u>
Total Unrestricted Revenues and Support	706,998	675,012
Net assets released from restriction	<u>30,000</u>	<u>-</u>
Total Unrestricted Revenues, Support and Reclassification	<u>736,998</u>	<u>675,012</u>
Expenses:		
Program services	<u>554,153</u>	<u>525,333</u>
Supporting services:		
Management and general	<u>87,318</u>	<u>85,441</u>
Special events direct cost	<u>24,923</u>	<u>29,427</u>
Fundraising	<u>43,785</u>	<u>40,248</u>
	<u>68,708</u>	<u>69,675</u>
Total Expenses	<u>710,179</u>	<u>680,449</u>
Increase (Decrease) in Unrestricted Net Assets	<u>26,819</u>	<u>(5,437)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions for Safe Exchange program	-	30,000
Technology grant	6,150	-
Net assets released from restriction	<u>(30,000)</u>	<u>-</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(23,850)</u>	<u>30,000</u>
Increase in net assets	2,969	24,563
Net assets, beginning of year	<u>586,592</u>	<u>562,029</u>
Net assets, end of year	<u>\$ 589,561</u>	<u>\$ 586,592</u>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**(MODIFIED CASH BASIS)**  
**YEAR ENDED JUNE 30, 2006**

	2006			Total
	Program Services	Supporting Services Management and General	Fund Raising	
Salaries	\$ 343,091	\$ 53,178	\$ 32,594	\$ 428,863
Employee benefits	33,306	5,162	3,164	41,632
Payroll taxes	25,960	4,024	2,466	32,450
Contract wages	36,658	-	-	36,658
<b>Total personnel costs</b>	<b>439,015</b>	<b>62,364</b>	<b>38,224</b>	<b>539,603</b>
Special events direct cost	-	-	24,923	24,923
Travel and entertainment	15,444	3,282	579	19,305
Office supplies	11,490	2,442	430	14,362
Communications	11,009	2,339	413	13,761
Insurance	9,007	1,914	337	11,258
Professional services	6,194	3,300	1,549	11,043
Utilities	8,125	1,727	304	10,156
Building repairs and maintenance	7,340	1,560	275	9,175
Interest	4,593	976	172	5,741
Conferences and professional development	4,376	930	164	5,470
Security expense	5,376	-	-	5,376
Advertising	4,263	906	160	5,329
Equipment rental and maintenance	4,137	879	155	5,171
Miscellaneous	3,579	760	136	4,475
Dues and licenses	2,276	484	86	2,846
Merchant service charges	1,863	-	-	1,863
Printing	935	199	35	1,169
Employee recruitment	-	-	-	-
<b>Total expenses before depreciation</b>	<b>539,022</b>	<b>84,062</b>	<b>67,942</b>	<b>691,026</b>
<b>Depreciation</b>	<b>15,131</b>	<b>3,256</b>	<b>766</b>	<b>19,153</b>
<b>Total expenses</b>	<b>\$ 554,153</b>	<b>\$ 87,318</b>	<b>\$ 68,708</b>	<b>\$ 710,179</b>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**(MODIFIED CASH BASIS)**  
**YEAR ENDED JUNE 30, 2005**

	2005			Total
	Program Services	Supporting Services Management and General	Fund Raising	
Salaries	\$ 307,600	\$ 47,678	\$ 29,222	\$ 384,500
Employee benefits	24,354	3,775	2,313	30,442
Payroll taxes	21,894	3,393	2,080	27,367
Contract wages	46,757	-	-	46,757
<b>Total personnel costs</b>	<b>400,605</b>	<b>54,846</b>	<b>33,615</b>	<b>489,066</b>
Special events direct cost	-	-	29,427	29,427
Travel and entertainment	11,267	2,394	423	14,084
Office supplies	14,319	3,043	537	17,899
Communications	13,405	2,849	502	16,756
Insurance	13,401	2,848	502	16,751
Professional services	8,816	6,269	2,204	17,289
Utilities	8,585	1,824	322	10,731
Building repairs and maintenance	14,150	3,007	530	17,687
Interest	5,547	1,179	208	6,934
Conferences and professional development	2,751	585	103	3,439
Security expense	-	-	-	-
Advertising	2,318	493	87	2,898
Equipment rental and maintenance	4,089	869	153	5,111
Miscellaneous	5,910	1,256	222	7,388
Dues and licenses	1,094	233	41	1,368
Merchant service charges	1,590	-	-	1,590
Printing	1,194	254	45	1,493
Employee recruitment	1,698	361	63	2,122
<b>Total expenses before depreciation</b>	<b>510,739</b>	<b>82,310</b>	<b>68,984</b>	<b>662,033</b>
<b>Depreciation</b>	<b>14,594</b>	<b>3,131</b>	<b>691</b>	<b>18,416</b>
<b>Total expenses</b>	<b>\$ 525,333</b>	<b>\$ 85,441</b>	<b>\$ 69,675</b>	<b>\$ 680,449</b>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**(MODIFIED CASH BASIS)**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
Cash flows from operating activities:		
Increase in net assets	\$ 2,969	\$ 24,563
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	<u>19,153</u>	<u>18,416</u>
Net cash provided by operating activities	<u>22,122</u>	<u>42,979</u>
Cash flows from investing activities:		
Purchase of equipment and furniture	<u>-</u>	<u>(10,618)</u>
Net cash used in investing activities:	<u>-</u>	<u>(10,618)</u>
Cash flows from financing activities:		
Net repayments on line of credit	-	(67,068)
Net (repayments) borrowings on mortgage	<u>(28,347)</u>	<u>82,996</u>
Net cash provided by (used in) financing activities	<u>(28,347)</u>	<u>15,928</u>
Net increase (decrease) in cash	(6,225)	48,289
Cash, beginning of year	<u>72,701</u>	<u>24,412</u>
Cash, end of year	<u><u>\$ 66,476</u></u>	<u><u>\$ 72,701</u></u>
Additional information:		
Interest paid during the year	<u><u>\$ 5,741</u></u>	<u><u>\$ 1,669</u></u>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**(MODIFIED CASH BASIS)**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

**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 help prevent child abuse and neglect in Middle Tennessee through family support and by educating parents in how to create nurturing, safe environments where their children can thrive. Each year the agency serves over 15,000 individuals through Parent Education Classes, Lifeskills Training in elementary schools, Community Awareness Presentations, In-Home Family Preservation Services, Safe Exchanges between custodial and non-custodial parents for visits and Supervised Visits between children and a non-custodial parent or relative. Nine local Exchange Clubs associated with the National Exchange Clubs based in Toledo, Ohio support the Organization. This civic organization adopted child abuse prevention as its national service project in 1979 and the Nashville Organization was established in 1985. The Center is also supported by United Ways, State and local government grants, corporate and foundation funding and various fundraising activities of the Board of Directors and the local Exchange Clubs.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The principal differences from accounting principles generally accepted in the United States of America relate to revenues and expenses. Revenue and support is generally recognized when received rather than in the period earned or unconditionally promised. Expenses (other than depreciation) are generally recognized when paid rather than when the obligation is incurred or the expense is applicable. See the following policies for more specific details.

Contributions

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.

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(MODIFIED CASH BASIS)**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

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

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 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 income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

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)**  
**(MODIFIED CASH BASIS)**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

**NOTE 3 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consisted of the following for the year ended June 30, 2006 and 2005:

	2006	2005
Technology grant	\$ 6,150	\$ -
Safe Exchange program	<u>-</u>	<u>30,000</u>
	<u>\$ 6,150</u>	<u>\$ 30,000</u>

There were no permanently restricted net assets as of June 30, 2006 and 2005.

**NOTE 4 - DONATED SERVICES AND MATERIALS**

The following donated services and materials contributed have been included in unrestricted revenues and expenses in the financial statements for the years ended June 30, 2006 and 2005:

	2006	2005
Included in contributions:		
Professional services	\$ 2,370	\$ 7,150
Included in Special events income:		
Silent auction items	<u>7,602</u>	<u>12,110</u>
	<u>\$ 9,972</u>	<u>\$ 19,260</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2006	2005
Land	\$ 124,887	\$ 124,887
Building and improvements	594,087	594,087
Furniture and equipment	55,677	96,897
Software	<u>5,514</u>	<u>7,336</u>
	780,165	823,207
Accumulated depreciation	<u>(202,431)</u>	<u>(226,320)</u>
	<u>\$ 577,734</u>	<u>\$ 596,887</u>

Depreciation expense was \$19,153 and \$18,416 for 2006 and 2005, respectively.

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**(MODIFIED CASH BASIS)**  
**YEARS ENDED JUNE 30, 2006 AND 2005**

**NOTE 6 - MORTGAGE PAYABLE**

The Organization has a mortgage on the Thompson Lane property. The terms on the mortgage call for principal and interest payments of \$751 per month with an interest rate of 7% and a maturity date of January 25, 2020.

Scheduled repayments on the mortgage are as follows:

Years ending June 30,	
2007	\$ 3,607
2008	3,868
2009	4,147
2010	4,447
2011	4,768
Thereafter	<u>33,811</u>
Total	<u>\$54,648</u>

**NOTE 7 - COMMITMENTS**

The Organization leases certain equipment under noncancelable operating leases, which have various expiration dates throughout the year. Future minimum lease payments under noncancelable leases as of June 30, 2006 are as follows:

Years ending June 30,

2007	\$2,115
2008	<u>280</u>
Total	<u>\$2,395</u>

**NOTE 8 - 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, 2006. Including realized and unrealized investment earnings, the market value of the Fund was \$24,608 and \$22,386 as of June 30, 2006 and 2005, respectively.