

**EXCHANGE CLUB FAMILY CENTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2009 AND 2008**

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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 of Exchange Club Family Center, Inc. (the "Organization") as of June 30, 2009 and 2008 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, 2009 and 2008, 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*

October 2, 2009

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2009 AND 2008**

	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,827	\$ 24,559
Accounts receivable	11,690	20,439
Property and equipment, net	550,998	566,193
Prepaid expenses	996	2,279
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 570,511</u>	<u>\$ 613,470</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 10,763	\$ 20,191
Line of credit	25,000	-
Accrued expenses	12,217	7,140
Lease payable	5,250	6,562
Mortgage payable	16,931	22,047
	<hr/>	<hr/>
Total Liabilities	<u>70,161</u>	<u>55,940</u>
 <b>NET ASSETS</b>		
Unrestricted	500,350	551,366
Temporarily restricted	-	6,164
	<hr/>	<hr/>
Total Net Assets	<u>500,350</u>	<u>557,530</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 570,511</u>	<u>\$ 613,470</u>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>Changes in Unrestricted Net Assets</b>		
Revenues and Support:		
Contributions	\$ 321,613	\$ 266,148
Contracts and grants	198,868	281,587
Program fees	159,885	124,747
Special events	90,084	112,773
Interest	3	88
Other	54	1,692
	<hr/>	<hr/>
Total Unrestricted Revenues and Support	770,507	787,035
Net assets released from restriction	6,164	11,867
	<hr/>	<hr/>
Total Unrestricted Revenues, Support and Reclassification	776,671	798,902
	<hr/>	<hr/>
Expenses:		
Program services	623,049	611,134
Supporting services:		
Management and general	100,841	123,761
Fundraising	68,893	62,791
Special events direct cost	34,904	38,677
Total fundraising	103,797	101,468
	<hr/>	<hr/>
Total Expenses	827,687	836,363
	<hr/>	<hr/>
Decrease in Unrestricted Net Assets	(51,016)	(37,461)
	<hr/>	<hr/>
<b>Changes in Temporarily Restricted Net Assets</b>		
Technology Grant	-	4,150
Ford Foundation Grant	-	5,502
Net assets released from restriction	(6,164)	(11,867)
	<hr/>	<hr/>
Decrease in Temporarily Restricted Net Assets	(6,164)	(2,215)
	<hr/>	<hr/>
Decrease in net assets	(57,180)	(39,676)
Net assets, beginning of year	557,530	597,206
	<hr/>	<hr/>
Net assets, end of year	\$ 500,350	\$ 557,530
	<hr/>	<hr/>

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2009**

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 369,084	\$ 61,752	\$ 46,717	\$ 477,553
Employee benefits	49,622	10,277	4,681	64,580
Payroll taxes	26,660	4,322	3,270	34,252
Contract wages	69,743	4,055	7,299	81,097
Total personnel costs	515,109	80,406	61,967	657,482
Depreciation	15,348	2,686	1,151	19,185
Insurance	12,077	2,113	906	15,096
Supplies	12,697	1,897	-	14,594
Communications	11,229	1,965	842	14,036
Travel and entertainment	11,444	1,655	689	13,788
Professional services	9,003	3,629	806	13,438
Utilities	10,170	1,780	763	12,713
Building repairs and maintenance	8,248	1,444	619	10,311
Equipment rental and maintenance	4,840	847	363	6,050
Merchant service charges	3,820	424	-	4,244
Printing	2,816	548	548	3,912
Conferences and professional development	3,045	338	-	3,383
Interest	1,679	480	239	2,398
Dues and licenses	1,140	465	-	1,605
Miscellaneous	384	164	-	548
Client assistance	-	-	-	-
Total expenses before special events direct costs	623,049	100,841	68,893	792,783
Donated items - silent auction	-	-	16,204	16,204
Special events direct cost	-	-	18,700	18,700
Total special events direct costs	-	-	34,904	34,904
Total expenses	\$ 623,049	\$ 100,841	\$ 103,797	\$ 827,687

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

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2008**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Salaries	\$ 347,241	\$ 70,447	\$ 40,334	\$ 458,022
Employee benefits	43,544	14,801	-	58,345
Payroll taxes	25,994	4,986	3,324	34,304
Contract wages	77,865	4,440	8,297	90,602
<b>Total personnel costs</b>	<b>494,644</b>	<b>94,674</b>	<b>51,955</b>	<b>641,273</b>
Depreciation	14,061	4,017	2,009	20,087
Insurance	10,577	3,022	1,511	15,110
Supplies	14,428	2,107	-	16,535
Communications	11,652	2,833	1,087	15,572
Travel and entertainment	13,620	1,923	826	16,369
Professional services	14,555	5,887	1,323	21,765
Utilities	8,645	2,470	1,235	12,350
Building repairs and maintenance	9,633	2,752	1,376	13,761
Equipment rental and maintenance	4,104	1,173	586	5,863
Merchant service charges	2,313	256	-	2,569
Printing	3,332	634	634	4,600
Conferences and professional development	5,592	621	-	6,213
Interest	1,741	497	249	2,487
Dues and licenses	2,116	853	-	2,969
Miscellaneous	99	42	-	141
Client assistance	22	-	-	22
<b>Total expenses before special events direct costs</b>	<b>611,134</b>	<b>123,761</b>	<b>62,791</b>	<b>797,686</b>
Donated items - silent auction	-	-	12,146	12,146
Special events direct cost	-	-	26,531	26,531
<b>Total special events direct costs</b>	<b>-</b>	<b>-</b>	<b>38,677</b>	<b>38,677</b>
<b>Total expenses</b>	<b>\$ 611,134</b>	<b>\$ 123,761</b>	<b>\$ 101,468</b>	<b>\$ 836,363</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, 2009 AND 2008**

	2009	2008
Cash flows from operating activities:		
Decrease in net assets	\$ (57,180)	\$ (39,676)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation	19,185	20,087
Donation of equipment	-	(1,600)
(Increase) decrease in:		
Accounts receivable	8,749	10,732
Prepaid expenses	1,283	1,918
Increase (decrease) in:		
Accounts payable	(9,428)	12,416
Accrued expenses	5,077	1,661
	<u>(32,314)</u>	<u>5,538</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities:		
Building improvements	(3,989)	-
Purchase of equipment and furniture	<u>-</u>	<u>(2,395)</u>
Net cash used in investing activities:	<u>(3,989)</u>	<u>(2,395)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,313)	(1,313)
Proceeds from line of credit, net	25,000	-
Repayments on mortgage	<u>(5,116)</u>	<u>(17,094)</u>
Net cash provided by (used in) financing activities	<u>18,571</u>	<u>(18,407)</u>
Net decrease in cash	(17,732)	(15,264)
Cash and cash equivalents, beginning of year	<u>24,559</u>	<u>39,823</u>
Cash and cash equivalents, end of year	<u>\$ 6,827</u>	<u>\$ 24,559</u>
Additional information:		
Interest paid during the year	<u>\$ 2,398</u>	<u>\$ 2,487</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, 2009 AND 2008**

**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

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.

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, 2009 or 2008.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008**

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Donated Services and Materials

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These contributed services are reflected in the financial statements only when the services require specialized skills. Materials, prizes and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of the receipt.

Property and Equipment and Depreciation

It is the Organization's policy to capitalize all property and equipment over \$1,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statement of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is computed using the straight-line method over 20 to 40 years for buildings and improvements and 5 to 10 years for furniture, equipment and software.

Income Taxes

The Organization is a not-for-profit corporation exempt from 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.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 3 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consisted of the following for the year ended June 30:

	<b>2009</b>	<b>2008</b>
Technology grant	\$ -	\$ 662
Ford Foundation grant	<u>-</u>	<u>5,502</u>
	<u>\$ -</u>	<u>\$ 6,164</u>

There were no permanently restricted net assets as of June 30, 2009 and 2008.

**NOTE 4 - 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:

	<b>2009</b>	<b>2008</b>
Included in contributions:		
Technical services	\$ 2,200	\$ 1,710
Staff salaries	24,000	5,300
Professional services	1,595	3,707
Equipment and furniture	-	1,600
Included in Special events expenses:		
Silent auction items	<u>16,204</u>	<u>12,147</u>
	<u>\$ 43,999</u>	<u>\$ 24,464</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

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

	<b>2009</b>	<b>2008</b>
Land	\$ 124,887	\$ 124,887
Building and improvements	617,850	613,861
Furniture and equipment	60,786	60,786
Software	<u>7,909</u>	<u>7,909</u>
	811,432	807,443
Accumulated depreciation	<u>( 260,434)</u>	<u>(241,250)</u>
	<u>\$ 550,998</u>	<u>\$ 566,193</u>

Depreciation expense was \$19,185 and \$20,087 for 2009 and 2008, respectively.

**EXCHANGE CLUB FAMILY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 6 - LINE OF CREDIT**

The Organization has an unsecured line of credit agreement with a Bank. The borrowing limit as of June 30, 2009 was \$80,000. The line bears interest at the bank's base rate plus 1% (4% at June 30, 2009). The line matures August 10, 2010.

**NOTE 7 - MORTGAGE PAYABLE**

The Organization has a mortgage on the Thompson Lane property. The terms on the mortgage originally called for principal and interest payments of \$751 per month with an interest rate of 7% and a maturity date of January 25, 2020. On August 29, 2008 the mortgage was refinanced at an interest rate of 6.75% with terms calling for monthly principal and interest payments of \$132 with a balloon payment due at maturity on August 29, 2013.

Scheduled repayments on the mortgage are as follows:

Year ending June 30,	
2010	\$ 455
2011	448
2012	477
2013	<u>15,551</u>
Total	<u>\$ 16,931</u>

**NOTE 8 - LEASES**

The Organization has a capital lease for certain building improvements and 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, 2009 follows:

Year Ending June 30:	Capital Lease	Operating Lease
2010	\$ 1,879	\$ 1,740
2011	1,879	1,740
2012	1,879	-
2013	<u>1,879</u>	<u>-</u>
Total minimum lease payments	7,516	<u>\$ 3,480</u>
Less: interest imputed at 7%	( <u>2,266</u> )	
Net minimum lease payments	<u>\$ 5,250</u>	

**EXCHANGE CLUB FAMILY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 9 - RETIREMENT PLAN**

Beginning July 1, 2007, the Organization provides a defined contribution 401(k) retirement plan. Employees meeting certain eligibility requirements can participate in the plan to the extent allowed under ERISA. The plan also provides for discretionary matching contributions and profit sharing by the Organization. Participants are immediately vested in their voluntary contributions plus related earnings; whereas, participants are fully vested in the Organization's contributions plus related earnings after five years of service. The Organization made no matching or profit sharing contributions in years ending June 30, 2009 or 2008.

**NOTE 10 - 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, 2009. Including realized and unrealized investment earnings, the market value of the Fund was \$21,965 and \$27,568 as of June 30, 2009 and 2008, respectively.