

**EXCHANGE CLUB FAMILY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Exchange Club Family Center, Inc. (a Tennessee not-for-profit corporation, the "Organization"), which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

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. as of June 30, 2013 and 2012, 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

February 3, 2014

**EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

	2013	2012
ASSETS		
Cash	\$ 278,003	\$ 87,737
Accounts receivable	14,679	28,983
Prepaid expenses	3,282	2,814
Property and equipment, net	448,009	591,790
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	<u>31,110</u>	<u>28,995</u>
TOTAL ASSETS	<u>\$ 775,083</u>	<u>\$ 740,319</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 18,346	\$ 16,739
Mortgage payable	111,757	118,265
Accrued expenses	15,072	5,548
Capital lease payable	<u>-</u>	<u>1,313</u>
Total Liabilities	<u>145,175</u>	<u>141,865</u>
NET ASSETS		
Unrestricted	596,528	552,060
Temporarily restricted	2,270	17,399
Permanently restricted	<u>31,110</u>	<u>28,995</u>
Total Net Assets	<u>629,908</u>	<u>598,454</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 775,083</u>	<u>\$ 740,319</u>

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

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Changes in Unrestricted Net Assets		
Revenues and Support:		
Contributions	\$ 347,812	\$ 328,267
Contracts and grants	179,930	175,815
Special events	81,740	76,830
Program fees	68,134	81,399
Investment income	1,400	-
Gain on involuntary conversion	-	23,040
Other	1,459	1,519
	<u>680,475</u>	<u>686,870</u>
Total Unrestricted Revenues and Support	680,475	686,870
Net assets released from restrictions	<u>17,399</u>	<u>3,000</u>
Total Unrestricted Revenues, Support and Reclassifications	<u>697,874</u>	<u>689,870</u>
Functional Expenses:		
Program services	<u>435,473</u>	<u>474,346</u>
Supporting services:		
Management and general	<u>110,669</u>	<u>80,777</u>
Fundraising	<u>83,399</u>	<u>76,149</u>
Special events direct costs	<u>23,865</u>	<u>22,524</u>
Total fundraising	<u>107,264</u>	<u>98,673</u>
Total Functional Expenses	<u>653,406</u>	<u>653,796</u>
Increase in Unrestricted Net Assets	<u>44,468</u>	<u>36,074</u>
Changes in Temporarily Restricted Net Assets		
Grants	2,270	12,879
Net assets released from restrictions	<u>(17,399)</u>	<u>(3,000)</u>
(Decrease) increase in Temporarily Restricted Net Assets	<u>(15,129)</u>	<u>9,879</u>
Changes in Permanently Restricted Net Assets		
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	<u>2,115</u>	<u>(745)</u>
Increase (decrease) in Permanently Restricted Net Assets	<u>2,115</u>	<u>(745)</u>
Increase in net assets	31,454	45,208
Net assets, beginning of year	<u>598,454</u>	<u>553,246</u>
Net assets, end of year	<u><u>\$ 629,908</u></u>	<u><u>\$ 598,454</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, 2013

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 226,624	\$ 54,098	\$ 57,350	\$ 338,072
Contract wages	69,305	14,266	-	83,571
Employee benefits	19,400	4,482	2,241	26,123
Payroll taxes	16,500	4,139	4,387	25,026
Total personnel costs	331,829	76,985	63,978	472,792
Depreciation	16,942	1,783	3,567	22,292
Professional services	-	15,193	4,846	20,039
Supplies	15,777	436	-	16,213
Insurance	10,170	1,070	2,141	13,381
Travel and entertainment	6,741	4,420	29	11,190
Utilities	9,083	607	1,213	10,903
Building repairs and maintenance	9,058	402	805	10,265
Communications	6,873	454	907	8,234
Interest	5,999	631	1,263	7,893
Equipment rental and maintenance	5,761	265	531	6,557
Conferences and professional development	4,270	1,810	287	6,367
Technology	4,698	393	786	5,877
Merchant service charges	4,214	887	-	5,101
Advertising	1,761	2,476	46	4,283
Dues and licenses	75	1,926	2,229	4,230
Security	1,994	-	-	1,994
Printing	228	737	-	965
Miscellaneous	-	194	771	965
Total expenses before special events direct costs	435,473	110,669	83,399	629,541
Special events direct costs	-	-	23,865	23,865
Total expenses	\$ 435,473	\$ 110,669	\$ 107,264	\$ 653,406

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
Total personnel costs	353,786	60,391	60,667	474,844
Depreciation	18,896	1,653	3,071	23,620
Professional services	5,089	2,051	456	7,596
Supplies	15,904	2,376	-	18,280
Insurance	9,068	793	1,474	11,335
Travel and entertainment	6,876	764	-	7,640
Utilities	10,869	951	1,766	13,586
Building repairs and maintenance	11,223	980	1,824	14,027
Communications	8,574	750	1,393	10,717
Interest	5,427	2,216	-	7,643
Equipment rental and maintenance	5,106	447	830	6,383
Conferences and professional development	5,650	1,614	807	8,071
Technology	4,420	1,781	396	6,597
Merchant service charges	3,357	653	653	4,663
Advertising	999	402	89	1,490
Dues and licenses	2,550	1,088	300	3,938
Security	3,940	1,588	353	5,881
Printing	2,146	238	-	2,384
Miscellaneous	466	41	2,070	2,577
Total expenses before special events direct costs	474,346	80,777	76,149	631,272
Special events direct costs	-	-	22,524	22,524
Total expenses	\$ 474,346	\$ 80,777	\$ 98,673	\$ 653,796

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

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Increase in net assets	\$ 31,454	\$ 45,208
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	22,292	23,620
Gain on disposal of property and equipment	(602)	-
Change in value of beneficial interest in agency endowment	(2,115)	745
(Increase) decrease in		
Accounts receivable	14,304	(6,014)
Contributions receivable	-	11,000
Prepaid expenses	(468)	(546)
Increase (decrease) in		
Accounts payable	1,607	(3,539)
Accrued expenses	9,524	1,193
	<u>75,996</u>	<u>71,667</u>
Net cash provided by operating activities		
	<u>75,996</u>	<u>71,667</u>
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	133,064	-
Additions to property and equipment	(10,973)	(25,167)
	<u>122,091</u>	<u>(25,167)</u>
Net cash provided by (used in) investing activities		
	<u>122,091</u>	<u>(25,167)</u>
Cash flows from financing activities:		
Payments on capital lease	(1,313)	(1,312)
Payments on line of credit, net	(6,508)	(5,556)
	<u>(7,821)</u>	<u>(6,868)</u>
Net cash used by financing activities		
	<u>(7,821)</u>	<u>(6,868)</u>
Net increase in cash	190,266	39,632
Cash, beginning of year	87,737	48,105
	<u>\$ 278,003</u>	<u>\$ 87,737</u>
Cash, end of year		
	<u>\$ 278,003</u>	<u>\$ 87,737</u>
Additional information:		
Interest paid during the year	\$ 7,893	\$ 7,643
	<u>\$ 7,893</u>	<u>\$ 7,643</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, 2013 AND 2012**

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 break the cycle of child abuse and neglect by empowering parents to raise happy, healthy children. Each year the agency serves over 4,500 parents and 4,600 children through Parent Education Classes, Community Awareness Presentations and In-Home Family Counseling Services. Eight local 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.

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, 2013 or 2012.

Cash

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

**EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012**

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.

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, 2013, 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 2009.

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

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 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.

**EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 3 - PROPERTY AND EQUIPMENT

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

	2013	2012
Land	\$ 124,887	\$ 124,887
Building and improvements	514,799	708,357
Furniture and equipment	41,760	76,447
Software	<u>-</u>	<u>7,909</u>
	681,446	917,600
Accumulated depreciation	<u>(233,437)</u>	<u>(325,810)</u>
	<u>\$ 448,009</u>	<u>\$ 591,790</u>

Depreciation expense was \$22,292 and \$23,620 for 2013 and 2012, respectively

NOTE 4 - MORTGAGE PAYABLE/ LINE OF CREDIT

The Organization has a mortgage payable secured by the Organization's real property at 139 Thompson Lane. The loan had an original balance of \$150,000 and has an outstanding balance at June 30, 2013 of \$111,757. The terms called for monthly principal and interest payments of \$1,200 at an interest rate of 6.75% with a balloon payment due at maturity on May 13, 2015. Subsequent to June 30, 2013, an interest rate reduction was approved that decreased the interest rate to 5.75% and the required monthly payments to \$1,139.

Scheduled repayments on the note are as follows:

Year ending June 30,	
2014	\$ 7,080
2015	<u>104,677</u>
Total	<u>\$ 111,757</u>

The Organization also had a maximum \$50,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings was 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, 2013 or 2012. The arrangement expired January 15, 2013 and was not renewed.

**EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 5 - 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:

2014	\$ 3,240
2015	1,500
2016	1,500
2017	1,500
2018	<u>375</u>
Total	<u>\$ 8,115</u>

Rental expense was \$2,904 and \$1,740 for the years ended June 30, 2013 and 2012, respectively.

The Organization had a capital lease for certain building equipment for which final payment was made during the year ended June 30, 2013.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Technology grant	\$ 2,270	\$ 9,520
Rutherford County	<u>-</u>	<u>7,879</u>
	<u>\$ 2,270</u>	<u>\$17,399</u>

NOTE 7 - 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.

**EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 7 - 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:

	2013	2012
Balance – beginning of year	<u>\$ 28,995</u>	<u>\$ 29,740</u>
Change in value of beneficial interest:		
Contributions	-	-
Investment earnings (loss)	3,745	(518)
Grants distributed	(1,400)	-
Administrative expenses	<u>(230)</u>	<u>(227)</u>
Net change	<u>2,115</u>	<u>(745)</u>
Balance – end of year	<u>\$ 31,110</u>	<u>\$ 28,995</u>

NOTE 8 - 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:

	2013	2012
Included in special events income/expenses \$	608	\$ 5,135
Included in unrestricted contributions/expenses		
Technology	240	-
Supplies	-	3,235
Professional services	<u>-</u>	<u>1,500</u>
	<u>\$ 848</u>	<u>\$ 9,870</u>

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$12,905 and \$11,713 for 2013 and 2012, respectively. These assets were subsequently sold during fundraising events with the proceeds recorded in special events income.

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 9 - NON-RECURRING EXPENSES

During the year ending June 30, 2013, the Organization completed both an organizational assessment and a development plan to ensure the Organization is poised to best implement the program services needed by the community and to increase the funding to meet that goal. Accordingly, the Organization incurred professional fees totaling \$11,750 for outside experts to assist in these tasks. These fees are included on the statements of functional expenses as professional fees and are allocated between management and general (\$7,725) and fundraising (\$4,025). Management is of the opinion that these are non-recurring expenses.

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, 2013 or 2012.

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 February 3, 2014, which is the date the financial statements were available to be issued.