

EXCHANGE CLUB FAMILY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2007

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BLANKENSHIP CPA GROUP, PLLC

CHARTERED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Exchange Club Family Center, Inc. (the "Organization") as of June 30, 2007 and the related statement of activities, functional expenses and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

October 10, 2007

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

Cash and cash equivalents	\$ 39,823
Accounts receivable	31,171
Property and equipment, net	582,285
Prepaid expenses	<u>4,197</u>
 TOTAL ASSETS	 <u><u>\$ 657,476</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 7,775
Accrued expenses	5,479
Lease payable	7,875
Mortgage payable	<u>39,141</u>
 Total Liabilities	 <u>60,270</u>
 NET ASSETS	
Unrestricted	588,827
Temporarily restricted	<u>8,379</u>
 Total Net Assets	 <u>597,206</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 657,476</u></u>

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

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Changes in Unrestricted Net Assets

Revenues and Support:	
Contributions	\$ 218,704
Special events	130,310
Contracts and grants	250,360
Program fees	118,255
Interest	366
Other	<u>9,527</u>
Total Unrestricted Revenues and Support	727,522
Net assets released from restriction	<u>3,771</u>
Total Unrestricted Revenues, Support and Reclassification	<u>731,293</u>
Expenses:	
Program services	<u>552,174</u>
Supporting services:	
Management and general	<u>113,133</u>
Fundraising	18,674
Special events direct cost	38,930
Total fundraising	<u>57,604</u>
Total Expenses	<u>722,911</u>
Increase in Unrestricted Net Assets	<u>8,382</u>
Changes in Temporarily Restricted Net Assets	
Board Consulting Grant	6,000
Net assets released from restriction	<u>(3,771)</u>
Increase in Temporarily Restricted Net Assets	<u>2,229</u>
Increase in net assets	10,611
Net assets, beginning of year	<u>586,595</u>
Net assets, end of year	<u><u>\$ 597,206</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, 2007

		Supporting Services		
	Program Services	Management and General	Fund Raising	Total
Salaries	\$ 323,868	\$ 68,822	\$ 12,145	\$ 404,835
Employee benefits	38,195	8,117	1,432	47,744
Payroll taxes	25,189	5,353	945	31,487
Contract wages	40,483	7,319	-	47,802
Total personnel costs	427,735	89,611	14,522	531,868
Depreciation	14,985	3,184	562	18,731
Travel and entertainment	13,291	2,824	498	16,613
Supplies	11,536	2,452	433	14,421
Professional services	11,392	2,421	427	14,240
Communications	10,306	2,190	387	12,883
Insurance	9,850	2,093	369	12,312
Building repairs and maintenance	8,635	1,835	324	10,794
Utilities	8,454	1,797	317	10,568
Security	9,639	-	-	9,639
Printing	6,246	1,327	234	7,807
Equipment rental and maintenance	5,259	1,117	197	6,573
Conferences and professional development	4,940	1,049	185	6,174
Interest	2,805	596	105	3,506
Dues and licenses	1,959	417	74	2,450
Merchant service charges	2,360	-	-	2,360
Client assistance	1,744	-	-	1,744
Advertising	364	77	14	455
Miscellaneous	674	143	26	843
Total expenses before special events direct costs	552,174	113,133	18,674	683,981
Donated items - silent auction	-	-	13,290	13,290
Special events direct cost	-	-	25,640	25,640
Total special events direct costs	-	-	38,930	38,930
Total expenses	\$ 552,174	\$ 113,133	\$ 57,604	\$ 722,911

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

EXCHANGE CLUB FAMILY CENTER, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:	
Increase in net assets	\$ 10,611
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	18,731
Increase in:	
Accounts receivable	(26,344)
Prepaid expenses	(3,285)
(Increase) decrease in:	
Accounts payable	5,722
Accrued expenses	<u>(1,173)</u>
Net cash provided by operating activities	<u>4,262</u>
Cash flows from investing activities:	
Building improvements	(11,899)
Purchase of equipment and furniture	<u>(11,383)</u>
Net cash used in investing activities:	<u>(23,282)</u>
Cash flows from financing activities:	
Proceeds from lease payable	7,875
Repayments on mortgage	<u>(15,507)</u>
Net cash used in financing activities	<u>(7,632)</u>
Net decrease in cash	(26,652)
Cash and cash equivalents, beginning of year	<u>66,475</u>
Cash and cash equivalents, end of year	<u><u>\$ 39,823</u></u>
Additional information:	
Interest paid during the year	<u><u>\$ 3,506</u></u>

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

**EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

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 - CHANGE IN BASIS OF ACCOUNTING

Prior to June 30, 2006, the Organization prepared its financial statements using 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. Beginning July 1, 2006, the Organization has elected to present its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The beginning balances for July 1, 2006 have been restated on the accrual basis of accounting. Consequently, the beginning net assets at July 1, 2006 are \$2,966 lower than the amount previously reported.

NOTE 3 - 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.

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2007.

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.

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007

NOTE 3 - 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.

NOTE 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consisted of the following for the year ended June 30, 2007:

Technology grant	\$ 2,379
Board Consulting grant	<u>6,000</u>
	<u>\$ 8,379</u>

There were no permanently restricted net assets as of June 30, 2007.

NOTE 5 - 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, 2007:

Included in contributions:	
Professional services	\$ 2,225
Included in Special events expenses:	
Silent auction items	<u>13,290</u>
	<u>\$15,515</u>

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2007:

Land	\$ 124,887
Building and improvements	605,986
Furniture and equipment	67,061
Software	<u>5,514</u>
	803,448
 Accumulated depreciation	 <u>(221,163)</u>
	 <u>\$ 582,285</u>

Depreciation expense was \$18,731 for 2007.

NOTE 7 - 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,	
2008	\$ 6,545
2009	7,018
2010	7,525
2011	8,069
2012	8,652
Thereafter	<u>1,332</u>
Total	<u>\$ 39,141</u>

NOTE 8 - LEASES

During June 2007, the Organization entered into a capital lease for certain building improvements. The lease expires in June 2013 and calls for monthly payments of \$156. Capitalized assets under the lease in the amount of \$7,875 are included in property and equipment at June 30, 2007. Amortization of the capital lease assets will begin in the next fiscal year.

EXCHANGE CLUB FAMILY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2007

NOTE 8 - LEASES (CONTINUED)

A schedule of future minimum lease payments required under capital lease as of June 30, 2007 follows:

Year Ending June 30:	Capital Lease
2008	\$ 1,872
2009	1,872
2010	1,872
2011	1,872
2012	1,872
Thereafter	<u>1,872</u>
Total minimum lease payments	11,232
Less: interest imputed at 7%	(<u>3,357</u>)
Net minimum lease payments	<u>\$ 7,875</u>

NOTE 9 - 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, 2007. Including realized and unrealized investment earnings, the market value of the Fund was \$28,668 as of June 30, 2007.