

**NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2007 AND 2006**

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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Neighborhoods Resource Center

We have audited the accompanying statements of financial position of the Neighborhoods Resource Center (a Tennessee not-for-profit corporation, the "Center") as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 Neighborhoods Resource Center as of June 30, 2007 and 2006, 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 18, 2007

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006**

ASSETS

	2007	2006
Cash and cash equivalents	\$ 41,795	\$ 100,345
Accounts receivable	49,289	19,234
Property and equipment, net	98,144	19,159
Prepaid expenses	573	492
Deposits	<u>1,165</u>	<u>50</u>
Total assets	<u><u>\$ 190,966</u></u>	<u><u>\$ 139,280</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 16,442	\$ 8,253
Accrued expenses	15,450	9,188
Deferred revenue	<u>13,605</u>	<u>13,995</u>
Total liabilities	<u>45,497</u>	<u>31,436</u>
Net assets:		
Unrestricted	139,311	95,916
Temporarily restricted (note 3)	<u>6,158</u>	<u>11,928</u>
Total net assets	<u>145,469</u>	<u>107,844</u>
Total liabilities and net assets	<u><u>\$ 190,966</u></u>	<u><u>\$ 139,280</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
SUPPORT AND REVENUE:		
Grant revenue	\$ 269,652	\$ 203,644
Contributions	50,172	51,913
Program fees	57,099	48,509
Investment income	693	1,199
Miscellaneous income	594	524
Net assets released from restrictions	<u>5,770</u>	<u>28,525</u>
 Total support and revenue	 <u>383,980</u>	 <u>334,314</u>
 EXPENSES:		
Program services:		
Information and Technology Services	77,682	84,273
Organizing and Support Services	155,366	135,015
Training and Capacity Building Services	84,436	49,632
Other	<u>-</u>	<u>444</u>
 Total program services	 317,484	 269,364
Management and general	20,433	23,549
Fundraising	<u>2,668</u>	<u>1,280</u>
 Total expenses	 <u>340,585</u>	 <u>294,193</u>
 Increase in unrestricted net assets	 <u>43,395</u>	 <u>40,121</u>
 Temporarily restricted net assets:		
Net assets released from restrictions:		
Depreciation of contributed equipment	<u>(5,770)</u>	<u>(28,525)</u>
 Decrease in temporarily restricted net assets	 <u>(5,770)</u>	 <u>(28,525)</u>
 Increase in net assets	 37,625	 11,596
Net assets, beginning of year	<u>107,844</u>	<u>96,248</u>
Net assets, end of year	<u><u>\$ 145,469</u></u>	<u><u>\$ 107,844</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007**

	Program Services					Management and		Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Other	Total	General	Fundraising	
Salaries	\$ 42,873	\$ 85,746	\$ 46,601	\$ -	\$ 175,220	\$ 11,184	\$ -	\$ 186,404
Payroll taxes	5,785	11,569	6,288	-	23,642	1,509	-	25,151
Employee benefits	3,865	7,730	4,201	-	15,796	1,008	-	16,804
Total payroll and related expense	52,523	105,045	57,090	-	214,658	13,701	-	228,359
Professional fees	1,548	3,097	1,683	-	6,328	406	35	6,769
Supplies	390	780	424	-	1,594	125	367	2,086
Telephone	701	1,402	761	-	2,864	183	-	3,047
Postage	1,826	3,652	1,985	-	7,463	488	180	8,131
Occupancy	5,021	10,043	5,458	-	20,522	1,310	-	21,832
Repairs and maintenance	7	14	8	-	29	1	-	30
Printing	1,033	2,065	1,122	-	4,220	269	-	4,489
Travel and meetings	1,232	2,464	1,339	-	5,035	454	2,086	7,575
Utilities	1,558	3,116	1,693	-	6,367	406	-	6,773
Technology	1,968	3,937	2,139	-	8,044	514	-	8,558
Depreciation	1,839	3,678	1,999	-	7,516	480	-	7,996
Miscellaneous	8,036	16,073	8,735	-	32,844	2,096	-	34,940
	\$ 77,682	\$ 155,366	\$ 84,436	\$ -	\$ 317,484	\$ 20,433	\$ 2,668	\$ 340,585

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2006**

	Program Services					Management and General		Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Other	Total				
Salaries	\$ 37,405	\$ 85,751	\$ 32,076	\$ 332	\$ 155,564	\$ 10,460	\$ -	-	166,024
Payroll taxes	5,175	11,863	4,438	46	21,522	1,447	-	-	22,969
Employee benefits	2,404	5,511	2,061	21	9,997	672	-	-	10,669
Total payroll and related expense	44,984	103,125	38,575	399	187,083	12,579	-	-	199,662
Professional fees	-	364	-	-	364	3,850	-	-	4,214
Supplies	519	1,191	445	5	2,160	145	-	-	2,305
Telephone	698	1,559	571	-	2,828	127	-	-	2,955
Postage	505	3,179	511	-	4,195	47	-	1,094	5,336
Occupancy	4,986	11,130	4,077	-	20,193	907	-	-	21,100
Repairs and maintenance	1,153	-	-	-	1,153	491	-	-	1,644
Printing	602	927	412	-	1,941	115	-	186	2,242
Travel and meetings	2,783	6,379	2,386	25	11,573	778	-	-	12,351
Utilities	1,319	2,945	1,079	-	5,343	240	-	-	5,583
Technology	838	1,922	719	7	3,486	234	-	-	3,720
Depreciation	24,885	-	-	-	24,885	3,755	-	-	28,640
Miscellaneous	1,001	2,293	858	8	4,160	281	-	-	4,441
	\$ 84,273	\$ 135,014	\$ 49,633	\$ 444	\$ 269,364	\$ 23,549	\$ 1,280	\$ -	\$ 294,193

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 37,625	\$ 11,596
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	7,996	28,640
Increase in accounts receivable	(30,055)	(15,636)
Increase in prepaid expenses	(81)	(492)
Increase in accounts payable	8,188	7,281
Increase in accrued expenses	6,262	2,352
Decrease in deferred revenue	(390)	(8,973)
Increase in utility deposits	<u>(1,115)</u>	<u>-</u>
Net cash provided by operating activities	<u>28,430</u>	<u>24,768</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(86,980)</u>	<u>(7,113)</u>
Net cash used in investing activities	<u>(86,980)</u>	<u>(7,113)</u>
Net increase (decrease) in cash and cash equivalents	(58,550)	17,655
Cash and cash equivalents, beginning of year	<u>100,345</u>	<u>82,690</u>
Cash and cash equivalents, end of year	<u><u>\$ 41,795</u></u>	<u><u>\$ 100,345</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Neighborhoods Resource Center (the "Center") is a private not-for-profit corporation chartered under the laws of the State of Tennessee to assist residents of various neighborhoods, primarily in low-income areas, in the formation and/or development of neighborhood organizations that identify and take action on issues affecting their neighborhoods. The Center assists residents by providing information, leadership training, consulting and supportive services, and by forming collaborative relationships with, and providing support to, institutions that serve neighborhoods.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Center does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Accounts Receivable Valuation

Accounts receivable are considered by management to be fully collectible, thus no valuation allowance has been recorded.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated equipment is recorded at fair market value. Contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of 3 – 40 years on a straight-line basis.

Deferred Revenue

Deferred revenue includes certain amounts received in advance and are reflected as liabilities. Revenue is recorded when earned pursuant to the terms of the underlying contract.

Income Tax Status

Neighborhoods Resource Center is exempt from federal income tax under Internal Revenue Code section 501 (c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Functional Classification of Expenses

The following program services are included in the accompanying financial statements:

Information and Technology Services provide neighborhood-level community asset and liability information to neighborhood organizations and the government and nonprofit agencies that serve neighborhoods, in both tabular and graphical formats by using the Geographic Information System. These services also include the deployment of computer systems and training to neighborhood and ethnic community groups for use in their community development activities.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Classification of Expenses (Continued)

Organizing and Support Services provide neighborhood residents and groups with hands on organizational development assistance. This support is designed to engage neighborhood residents in the development of a neighborhood organization that identifies its community goals, takes focused action to achieve its goals, and produces a group of neighborhood leaders with the capacity to carry on their community development work. This area also includes the Strategic Partnership Services which provide government and social service agencies with a nonprofit partner that brings a neighborhood perspective to specific community development projects that are city-wide or multi-neighborhood in nature.

Training and Capacity Building Services consist of the Neighborhood Leadership Training Institute and customized capacity building workshops. These programs are designed to provide residents with the knowledge and skills necessary to take the leading role in identifying and addressing the needs of their neighborhood.

Contributed Services

The Center receives a significant amount of donated services from unpaid volunteers. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition set forth by accounting principles generally accepted in the United States of America.

NOTE 2 - PROPERTY AND EQUIPMENT

Equipment consists of the following:

	2007	2006
Land	\$ 21,250	\$ -
Building	65,091	-
Office equipment	26,753	26,613
Computer equipment	<u>186,167</u>	<u>185,667</u>
	299,261	212,280
Less accumulated depreciation	<u>(201,117)</u>	<u>(193,121)</u>
	<u>\$ 98,144</u>	<u>\$ 19,159</u>

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2007 AND 2006**

NOTE 2 - PROPERTY AND EQUIPMENT (CONTINUED)

During the year ended June 30, 2007, the Center purchased land and a building (Firehall #1 in the Historic Germantown Nashville neighborhood) from the Metropolitan Government of Nashville and Davidson County ("Metro") for \$86,000. Both parties agreed to terms that will ensure this property's continued use for the public's good. Central to this is the term that allows the Center to lease or sell the property to any "non-profit organization" as long as the building is used for a purpose allowed by 26 U.S.C. § 501 (c)(3).

If this property ceases to be used for any of the aforementioned activities the property, at Metro's option, may be purchased back by Metro. Should this occur, the Center, or the property's subsequent owner, would be compensated for its entire investment in the property including the original purchase price plus the original value of all capital improvements made to the property plus an amount equal to, or greater than 60% of all the appreciated value of the property.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	2007	2006
Time restrictions on computer equipment	<u>\$ 6,158</u>	<u>\$ 11,928</u>

NOTE 4 - RETIREMENT PLAN

The Center has a defined contribution retirement plan available to employees with at least one year of service. Costs for the years ended June 30, 2007 and 2006 were \$5,389 and \$4,811, respectively.

NOTE 5 - CONTRIBUTED FACILITIES

The Center recognized rental expense of \$20,700 for the years ended June 30, 2007 and 2006, for facilities provided by a governmental agency at no charge to the Center. A like amount of contribution income was recognized.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Center receives a substantial amount of its support from government and the United Way. Support from United Way for the years ended June 30, 2007 and 2006 was approximately 39.7% and 47.0%, respectively, of total support and revenue. A significant reduction in the level of this support, if this were to occur, may have an affect on the Center's programs and activities.