

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 as of June 30, 2004 and 2003, 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 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 Neighborhoods Resource Center as of June 30, 2004 and 2003, 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*

November 30, 2004

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2004 AND 2003**

<b>ASSETS</b>			
		<b>2004</b>	<b>2003</b>
Cash (note 1)		\$ 88,593	\$ 118,421
Accounts receivable		789	28,978
Property and equipment, net (note 2)		85,752	96,999
Deposits		<u>50</u>	<u>530</u>
Total assets		<u><u>\$ 175,184</u></u>	<u><u>\$ 244,928</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable		\$ 7,363	\$ 18,401
Accrued expenses		5,966	9,760
Deferred revenue		<u>4,792</u>	<u>2,739</u>
Total liabilities		<u>18,121</u>	<u>30,900</u>
Net assets:			
Unrestricted net assets		72,724	120,419
Temporarily restricted net assets (note 3)		<u>84,339</u>	<u>93,609</u>
Total net assets		<u>157,063</u>	<u>214,028</u>
Total liabilities and net assets		<u><u>\$ 175,184</u></u>	<u><u>\$ 244,928</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2004 AND 2003**

	2004	2003
<b>SUPPORT AND REVENUE:</b>		
Grant revenue	\$ 222,556	\$ 368,481
Contributions	22,987	21,997
Program fees	10,400	-
Investment income	657	1,459
Miscellaneous income	17,089	4,077
Net assets released from restrictions	57,184	32,159
	<u>330,873</u>	<u>428,173</u>
Total support and revenue	330,873	428,173
	<i>330,873</i>	
	<i>- 9,270 see below</i>	
<b>EXPENSES:</b>		
Program services:		
Information and Technology Services	154,887	193,957
Organizing and Support Services	156,504	130,384
Training and Capacity Building Services	51,169	47,204
Other	1,464	25,841
	<u>364,024</u>	<u>397,386</u>
Total program services	364,024	397,386
Management and general	13,936	21,914
Fundraising	608	-
	<u>378,568</u>	<u>419,300</u>
Total expenses	378,568	419,300
	<u>321,603</u>	
Change in unrestricted net assets	(47,695)	8,873
Temporarily restricted net assets:		
Contributions	47,914	57,576
Net assets released from restriction	(57,184)	(32,159)
Change in temporarily restricted net assets	(9,270)	25,417
Change in net assets	(56,965)	34,290
Net assets, beginning of year	214,028	179,738
Net assets, end of year	<u>\$ 157,063</u>	<u>\$ 214,028</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2004**

	Program Services							
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Other	Total	Management and General	Fundraising	Total
Salaries	\$ 53,470	\$ 94,153	\$ 32,160	\$ -	\$ 179,783	\$ 3,875	\$ -	\$ 183,658
Payroll taxes	6,037	10,631	3,631	-	20,299	438	-	20,737
Employee benefits	3,579	6,302	2,153	-	12,034	259	-	12,293
Total payroll and related expense	63,086	111,086	37,944	-	212,116	4,572	-	216,688
Professional fees	-	3,789	-	-	3,789	3,600	-	7,389
Supplies	626	472	378	412	1,888	274	-	2,162
Telephone	1,115	1,963	671	-	3,749	81	-	3,830
Postage	3,317	7,460	2,548	500	13,825	307	419	14,551
Occupancy	6,027	10,612	3,624	-	20,263	437	-	20,700
Repairs and maintenance	-	-	-	-	-	53	-	53
Printing	4,196	10,935	3,688	500	19,319	1,555	189	21,063
Travel and meetings	577	5,356	454	4	6,391	504	-	6,895
Utilities	1,599	2,816	962	-	5,377	116	-	5,493
Program	4,112	1,800	900	-	6,812	-	-	6,812
Technology	11,003	-	-	-	11,003	920	-	11,923
Depreciation	58,412	-	-	-	58,412	750	-	59,162
Miscellaneous	817	215	-	48	1,080	767	-	1,847
	<u>\$ 154,887</u>	<u>\$ 156,504</u>	<u>\$ 51,169</u>	<u>\$ 1,464</u>	<u>\$ 364,024</u>	<u>\$ 13,936</u>	<u>\$ 608</u>	<u>\$ 378,568</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2003**

	Program Services					Management and General	Total
	Information and Technology Services	Organizing and Support Services*	Training and Capacity Building Services	Other	Total		
Salaries	\$ 69,079	\$ 89,298	\$ 32,012	\$ -	\$ 190,389	\$ 11,794	\$ 202,183
Payroll taxes	7,659	9,901	3,550	-	21,110	1,308	22,418
Employee benefits	1,331	1,721	617	-	3,669	227	3,896
Total payroll and related expense	78,069	100,920	36,179	-	215,168	13,329	228,497
Professional fees	-	-	-	2,554	2,554	3,500	6,054
Contract services	14,550	-	-	6,000	20,550	-	20,550
Supplies	1,276	991	424	573	3,264	83	3,347
Telephone	976	1,261	452	172	2,861	167	3,028
Postage	1,996	2,579	925	2,603	8,103	341	8,444
Occupancy	7,072	9,142	3,277	-	19,491	1,209	20,700
Repairs and maintenance	-	-	-	689	689	402	1,091
Printing	1,418	1,832	657	3,471	7,378	242	7,620
Travel and meetings	863	6,129	2,149	9,779	18,920	435	19,355
Utilities	1,743	2,253	808	-	4,804	298	5,102
Program	12,918	4,667	2,333	-	19,918	-	19,918
Technology	34,536	-	-	-	34,536	169	34,705
Depreciation	36,829	-	-	-	36,829	473	37,302
Miscellaneous	1,711	610	-	-	2,321	1,266	3,587
	<u>\$ 193,957</u>	<u>\$ 130,384</u>	<u>\$ 47,204</u>	<u>\$ 25,841</u>	<u>\$ 397,386</u>	<u>\$ 21,914</u>	<u>\$ 419,300</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2004 AND 2003**

	2004	2003
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (56,965)	\$ 34,290
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	59,162	37,302
(Increase) decrease in accounts receivable	28,189	(12,824)
Decrease in other assets	479	-
Increase (decrease) in accounts payable	(11,038)	12,556
Increase (decrease) in accrued expenses	(3,794)	4,888
Increase (decrease) in deferred revenue	<u>2,053</u>	<u>(20,291)</u>
Net cash provided by operating activities	<u>18,086</u>	<u>55,921</u>
Cash flows from investing activities:		
Additions to property and equipment	<u>(47,914)</u>	<u>(57,576)</u>
Net cash used in investing activities	<u>(47,914)</u>	<u>(57,576)</u>
Net decrease in cash	(29,828)	(1,655)
Cash at beginning of year	<u>118,421</u>	<u>120,076</u>
Cash at end of year	<u><u>\$ 88,593</u></u>	<u><u>\$ 118,421</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Neighborhoods Resource Center (the "Center") is a private nonprofit 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 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 net assets, temporarily restricted net assets, 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 statement of activities as net assets released from restrictions.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED JUNE 30, 2004 AND 2003**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.**

Cash and Cash Equivalents

For the purposes of the statement 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.

Property and Equipment

Purchased fixed assets are recorded at cost, and donated fixed assets are 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 the time. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

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, 2004 AND 2003**

**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 Facilities

The Center recognizes rental expense for facilities provided by a governmental agency at no charge to the Center. A like amount of contribution income was recognized.

Reclassifications

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

**NOTE 2 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2004	2003
Office equipment	\$ 20,108	\$ 1,770
Computer equipment	<u>185,061</u>	<u>155,484</u>
	205,169	157,254
Less accumulated depreciation	<u>119,417</u>	<u>60,255</u>
	<u>\$ 85,752</u>	<u>\$ 96,999</u>

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
YEARS ENDED JUNE 30, 2004 AND 2003**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

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

	2004	2003
Time restrictions on computer equipment	\$ <u>84,339</u>	\$ <u>93,609</u>

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

The Center receives a substantial amount of its support from government and the United Way. 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.

NEIGHBORHOODS RESOURCE CENTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2004 AND 2003

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