

THE NEXTDOOR, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2018 AND 2017

THE NEXTDOOR, INC.

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Independent Auditor's Report

The Board of Directors
The Nextdoor, Inc.
Nashville, Tennessee

Report on Financial Statements

We have audited the accompanying financial statements of The Nextdoor, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 entity'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 entity'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 The Nextdoor, Inc. as of December 31, 2018 and 2017, 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.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that will continue as a going concern. As discussed in Notes E and F to the financial statements, The Nextdoor, Inc. has outstanding notes payable to a financial institution that mature during 2019. Management expects to be able to renew or extend the maturity dates of the notes payable with the financial institution. In the event that the renewal or extension of these notes do not occur, it raises substantial doubt about the Organization's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Effect of Adopting New Accounting Standard

As discussed in Note A, The Nextdoor, Inc. adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to



the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019, on our consideration of The Nextdoor, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Nextdoor, Inc.'s internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
April 29, 2019

THE NEXTDOOR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 361,706	\$ -
Government grants receivable	108,758	150,127
Contributions receivable	122,500	164,784
Accounts receivables, net	484,736	539,656
Prepaid expenses	-	2,625
Land, buildings and equipment, net	<u>9,067,529</u>	<u>9,605,217</u>
Total assets	<u>\$10,145,229</u>	<u>\$10,462,409</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 200,366	\$ 160,516
Notes payable	5,026,876	5,167,876
Lines-of-credit	<u>757,767</u>	<u>775,000</u>
Total liabilities	<u>5,985,009</u>	<u>6,103,392</u>
Net assets without donor restrictions	3,992,739	4,175,394
Net assets with donor restrictions	<u>167,481</u>	<u>183,623</u>
Total net assets	<u>4,160,220</u>	<u>4,359,017</u>
Total liabilities and net assets	<u>\$10,145,229</u>	<u>\$10,462,409</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 2,793,309	\$ 59,750	\$ 2,853,059
Government grants and contracts	<u>1,818,774</u>	<u>-</u>	<u>1,818,774</u>
Total support	<u>4,612,083</u>	<u>59,750</u>	<u>4,671,833</u>
Revenue:			
Program fees, net and rental income	4,854,937	-	4,854,937
Interest income	273	-	273
Other income	<u>2,467</u>	<u>-</u>	<u>2,467</u>
Total revenue	<u>4,857,677</u>	<u>-</u>	<u>4,857,677</u>
Net assets released from restriction	<u>75,892</u>	<u>(75,892)</u>	<u>-</u>
Total support and revenue	<u>9,545,652</u>	<u>(16,142)</u>	<u>9,529,510</u>
EXPENSES:			
Program services:			
Counseling	1,110,571	-	1,110,571
Housing and ministry	<u>6,631,439</u>	<u>-</u>	<u>6,631,439</u>
Total program services	<u>7,742,010</u>	<u>-</u>	<u>7,742,010</u>
Supporting services:			
Administrative	1,465,118	-	1,465,118
Fundraising	<u>509,093</u>	<u>-</u>	<u>509,093</u>
Total supporting services	<u>1,974,211</u>	<u>-</u>	<u>1,974,211</u>
Loss on sale of land and building	<u>12,086</u>	<u>-</u>	<u>12,086</u>
Total expenses	<u>9,728,307</u>	<u>-</u>	<u>9,728,307</u>
Net decrease in net assets	(182,655)	(16,142)	(198,797)
Net assets at beginning of year	<u>4,175,394</u>	<u>183,623</u>	<u>4,359,017</u>
Net assets at end of year	<u>\$ 3,992,739</u>	<u>\$ 167,481</u>	<u>\$ 4,160,220</u>

<u>Year Ended December 31, 2017</u>		
<u>Net Assets</u> <u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>Total</u>
\$ 2,729,486	\$ 76,652	\$ 2,806,138
<u>1,636,168</u>	<u>-</u>	<u>1,636,168</u>
<u>4,365,654</u>	<u>76,652</u>	<u>4,442,306</u>
3,379,295	-	3,379,295
176	-	176
<u>4,575</u>	<u>-</u>	<u>4,575</u>
<u>3,384,046</u>	<u>-</u>	<u>3,384,046</u>
<u>131,813</u>	<u>(131,813)</u>	<u>-</u>
<u>7,881,513</u>	<u>(55,161)</u>	<u>7,826,352</u>
1,068,691	-	1,068,691
<u>6,544,537</u>	<u>-</u>	<u>6,544,537</u>
<u>7,613,228</u>	<u>-</u>	<u>7,613,228</u>
1,447,476	-	1,447,476
<u>557,573</u>	<u>-</u>	<u>557,573</u>
<u>2,005,049</u>	<u>-</u>	<u>2,005,049</u>
<u>66,010</u>	<u>-</u>	<u>66,010</u>
<u>9,684,287</u>	<u>-</u>	<u>9,684,287</u>
(1,802,774)	(55,161)	(1,857,935)
<u>5,978,168</u>	<u>238,784</u>	<u>6,216,952</u>
<u>\$ 4,175,394</u>	<u>\$ 183,623</u>	<u>\$ 4,359,017</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>1,105,956</u>	<u>3,903,375</u>
Other expenses:		
Contract labor	-	365,676
Client assistance (housing, living expenses)	-	1,631
Office and apartment rent	-	80,904
Other program expenses	-	528,295
Utilities	-	167,004
Maintenance	-	442,325
Provision for depreciation	-	497,957
Telephone	-	18,338
Resident outfitting	-	15
Resident meals	-	329,417
Automobile expenses	-	18,191
Insurance	-	47,976
Travel and entertainment	-	14,530
Supplies	-	59,990
Professional fees	-	24,289
Devotional book distribution	-	79,951
Licenses	-	24,412
Dues and subscriptions	-	6,008
Postage and delivery	-	4,868
Marketing	-	-
Training and support services	<u>4,615</u>	<u>16,287</u>
Total other expenses	<u>4,615</u>	<u>2,728,064</u>
 Total expenses	 <u>\$1,110,571</u>	 <u>\$6,631,439</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$1,171,012</u>	<u>\$325,280</u>	<u>\$6,505,623</u>
7,730	-	373,406
-	-	1,631
3,371	-	84,275
112,263	19,811	660,369
18,556	-	185,560
49,147	-	491,472
55,329	-	553,286
1,426	611	20,375
-	-	15
-	-	329,417
-	-	18,191
6,239	-	54,215
1,130	484	16,144
7,104	11,841	78,935
25,639	17,542	67,470
-	-	79,951
-	-	24,412
401	267	6,676
885	3,098	8,851
-	128,802	128,802
<u>4,886</u>	<u>1,357</u>	<u>27,145</u>
<u>294,106</u>	<u>183,813</u>	<u>3,210,598</u>
<u>\$1,465,118</u>	<u>\$509,093</u>	<u>\$9,716,221</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$1,062,067</u>	<u>\$3,748,473</u>
Other expenses:		
Contract labor	-	365,722
Client assistance (housing, living expenses)	-	1,338
Office and apartment rent	-	83,459
Other program expenses	-	580,292
Utilities	-	166,309
Maintenance	-	449,247
Provision for depreciation	-	508,450
Telephone	-	42,519
Resident outfitting	-	711
Resident meals	-	279,433
Automobile expenses	-	13,990
Insurance	-	49,086
Travel and entertainment	-	10,991
Supplies	-	67,220
Professional fees	-	34,455
Devotional book distribution	-	82,560
Licenses	-	23,081
Dues and subscriptions	-	7,577
Postage and delivery	-	6,244
Marketing	-	-
Training and support services	<u>6,624</u>	<u>23,380</u>
Total other expenses	<u>6,624</u>	<u>2,796,064</u>
 Total expenses	 <u>\$1,068,691</u>	 <u>\$6,544,537</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$1,124,542</u>	<u>\$312,373</u>	<u>\$6,247,455</u>
7,730	-	373,452
-	-	1,338
3,477	-	86,936
123,312	21,761	725,365
18,479	-	184,788
49,916	-	499,163
56,494	-	564,944
3,307	1,417	47,243
-	-	711
-	-	279,433
-	-	13,990
6,383	-	55,469
855	366	12,212
7,960	13,267	88,447
36,369	24,884	95,708
-	-	82,560
-	-	23,081
505	337	8,419
1,135	3,974	11,353
-	177,246	177,246
<u>7,012</u>	<u>1,948</u>	<u>38,964</u>
<u>322,934</u>	<u>245,200</u>	<u>3,370,822</u>
<u>\$1,447,476</u>	<u>\$557,573</u>	<u>\$9,618,277</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Decrease in net assets	\$(198,797)	\$(1,857,935)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	553,285	564,944
Loss on sale of land and building held for sale	12,086	66,010
Decrease (increase) in government grants receivable	41,369	(12,950)
Decrease in contributions receivable	54,920	74,000
Decrease (increase) in accounts receivable	42,284	(150,425)
Decrease in prepaid expenses	2,625	-
Increase (decrease) in accounts payable and accrued expenses	<u>65,749</u>	<u>(49,411)</u>
Net cash provided by (used in) operating activities	<u>573,521</u>	<u>(1,365,767)</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(27,684)	(61,632)
Proceeds from the sale of land and building held for sale	<u>-</u>	<u>525,000</u>
Net cash (used in) provided by investing activities	<u>(27,684)</u>	<u>463,368</u>
Cash flows from financing activities:		
Principal payments on lines-of-credit and notes payable	(303,455)	(1,094,000)
Proceeds from net borrowings on lines-of-credit and notes payable	<u>145,223</u>	<u>1,892,000</u>
Net cash (used in) provided by financing activities	<u>(158,232)</u>	<u>798,000</u>
Net increase (decrease) in cash and cash equivalents	387,605	(104,399)
(Overdraft) cash and cash equivalents at beginning of year	<u>(25,899)</u>	<u>78,500</u>
Cash and cash equivalents (overdraft) at end of year	<u>\$ 361,706</u>	<u>\$(25,899)</u>

Supplemental cash flow information:

Cash paid for interest totaled \$97,983 and \$45,095 for the years ended December 31, 2018 and 2017, respectively.

The cash overdraft at December 31, 2017 is included in accounts payable and accrued expenses in the statements of financial position.

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Nextdoor, Inc., (the “Organization”) is a not-for-profit organization incorporated in 2003 to provide physical, emotional, and spiritual support to women at their point of need. The Organization provides these women with transitional living and supportive services such as skills training and counseling services.

Accrual Basis and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

For reporting purposes, the Organization’s financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets. The Organization does not have net assets with donor restrictions that are perpetual in nature.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statements of activities.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions Receivable

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year and allowances for uncollectible amounts. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor.

Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the pledge is received.

Program Fee Revenue and Accounts Receivable

Program fee revenue, net represents the estimated net realizable amounts from program participants and third party payors, including insurance companies. Certain program fee revenue is recorded at established rates reduced by estimated allowances for contractual adjustments. Contractual adjustments arise due to the terms of certain reimbursement contracts. Such contractual adjustments represent the difference between charges at established rates and estimated reimbursable amounts and are recognized in the period the service is rendered. The estimated reimbursable amounts are based on management's knowledge and historical collections from similar payors. Final determination of certain settlements is subject to review by appropriate authorities. Any differences between estimated contractual adjustments and actual settlements under reimbursement are reported as additional contractual adjustments in the period such adjustments are determined.

Related accounts receivable are carried at cost less an allowance for doubtful accounts and contractual adjustments. Accounts receivable are periodically evaluated for collectability. Provisions for uncollectible accounts and contractual adjustments are determined on the basis of experience, known and inherent risks, and current economic conditions.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Federal, State and Other Grants

Revenue under federal, state and other grants is recognized to the extent related expenses have been incurred. Grants receivable represents the difference between amounts earned and amounts received. Deferred grant revenue represents grant funds received that have not been earned.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, or if contributed, at estimated fair value at date of gift. Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. Leasehold improvements are depreciated over the estimated useful life of the property, or over the expected term of the lease, whichever is shorter. Maintenance and repairs are charged to expense as incurred, and betterments are capitalized.

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets for possible impairment when events or circumstances indicate that the carrying amounts may not be recoverable. Long-lived assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are independent of the cash flows of other groups of assets. If it is determined that the carrying amounts of such long-lived assets are not recoverable, the assets are written down to their fair value. As of December 31, 2018 and 2017, in the opinion of management, there has been no such impairment.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the financial statements.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability* assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant areas are the recovery period for the buildings, leasehold improvements and equipment, the functional allocation of expenses and the collectability of receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purpose of the statements of cash flows, the Organization considers all cash and all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread and yield curves.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's financial instruments consist of receivables, accounts payable and accrued expenses, notes payable and lines-of-credit. The recorded values of receivables, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The carrying value of the notes payable and lines-of-credit are not materially different from the estimated fair value of these instruments.

Functional Expenses

Expenses have been allocated by function into program services or supporting services based on estimates made by management.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 361,706
Government grants receivable	108,758
Contributions receivable	122,500
Accounts receivable, net	<u>484,736</u>
 Total financial assets	 <u>1,077,700</u>
 Less amounts not available to be used for general expenditures within one year:	
Subject to donor purpose and time restrictions	<u>167,481</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 910,219</u>

The Organization receives substantial support through restricted and unrestricted contributions and fundraising clients and must maintain sufficient resources to meet responsibilities to its donors. The Organization also reviews significant revenues from grants which are ongoing. Grant revenues are received monthly through submittal of reimbursement requests for various programs. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

C. RECEIVABLES

Government grants receivable and contribution receivables totaled \$231,258 and \$314,911 as of December 31, 2018 and 2017, respectively. Contributions receivable are due through 2023. There was no allowance for uncollectible accounts considered necessary as of December 31, 2018 and 2017.

Accounts receivable related to program fees and other revenues as of December 31, 2018 and 2017, totaled \$484,736 and \$539,656, respectively. There was no allowance for uncollectible accounts and contractual adjustments considered necessary as of December 31, 2018 and 2017.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

D. LAND, BUILDINGS AND EQUIPMENT AND LAND AND BUILDING HELD FOR SALE

Land, buildings and equipment at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 132,450	\$ 132,450
Buildings	10,249,853	10,249,853
Leasehold improvements	11,865	11,865
Furniture and fixtures	670,449	672,598
Equipment and computers	<u>1,063,802</u>	<u>1,047,969</u>
	12,128,419	12,114,735
Less: Accumulated depreciation	<u>(3,060,890)</u>	<u>(2,509,518)</u>
	<u>\$ 9,067,529</u>	<u>\$ 9,605,217</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$553,285 and \$564,944, respectively.

E. NOTES PAYABLE

A summary of notes payable at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Short-term notes payable to members of the Board and management. Interest rates range between 0% - 1.50% per annum with interest to be forgiven and not due if the principal sum of the promissory notes are paid in full on or before February 1, 2018. The notes payable were paid in full during 2018.	\$ -	\$ 141,000
Note payable to a financial institution due in monthly principal installments of \$29,573, including certain contributions (See note below), through October 2019, with a final balloon payment in November 2019. Interest is payable monthly and is based on the financial institutions base rate less 4% (1.5% at December 31, 2018). This note is collateralized by the land and building of the Organization.	<u>5,026,876</u>	<u>5,026,876</u>
Total notes payable	<u>\$5,026,876</u>	<u>\$5,167,876</u>

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

E. NOTES PAYABLE - Continued

In February 2015, the Organization entered into a modification of the note payable, whereby all payments received from donors under the capital campaign shall be paid to the financial institution within one month after receipt. These payments are to be applied to, but not limited to, the next monthly principal payment through December 5, 2017. In 2015 and 2016, the Organization made lump sum payments from capital campaign receipts, covering all monthly principal payments required through February 2019.

Future maturities required under notes payable as of December 31, 2018 are \$5,026,876 and are due in the year ending December 31, 2019.

F. LINE-OF-CREDIT

During 2015, the Organization entered into a line-of-credit with a bank which has a maximum available borrowing of \$350,000. Interest is at 5.00% on the outstanding balance and was paid monthly. On September 28, 2017, additional funds were borrowed and the outstanding balance of the line-of-credit was converted to an on-demand promissory note with interest due monthly at 6.5%, and the principal balance due on demand after August 28, 2018. The total outstanding balance of the promissory note was \$757,767 and \$775,000 at December 31, 2018 and 2017, respectively.

G. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 have been restricted by the donors for the following purposes:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Subject to purpose restrictions:		
Chaplain services	\$ 18,750	\$ -
Sabbatical	22,250	-
Miscellaneous resident needs	<u>3,981</u>	<u>18,839</u>
Total subject to purpose restrictions	44,981	18,839
Subject to time restrictions	<u>122,500</u>	<u>164,784</u>
Total net assets with donor restrictions	<u>\$167,481</u>	<u>\$183,623</u>

Net assets with donor restrictions of \$75,892 and \$131,813 for the years ended December 31, 2018 and 2017, respectively were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

H. LEASES

The Organization leases certain office equipment. Lease expense under the operating leases for each of the years ended December 31, 2018 and 2017 was \$35,175 and \$29,623, respectively. A summary of future minimum lease payments required under the non-cancellable operating leases is as follows:

Years Ending December 31,

2019	\$ 33,067
2020	31,884
2021	31,884
2022	31,884
2023	<u>10,624</u>
Total	<u>\$139,347</u>

I. ADVERTISING COSTS TOTAL

The Organization expenses the cost of advertising and marketing when incurred, which totaled \$128,802 and \$177,246 for the years ended December 31, 2018 and 2017, respectively.

J. GIFTS IN KIND

The Organization records donated rent, materials and services at fair value on the date of donation. The Organization recorded donated rent, materials and supplies with fair values of \$71,859 and \$79,026 for the years ended December 31, 2018 and 2017, respectively.

K. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at financial institutions which management believes are high credit quality institutions at balances which, at times, may be uninsured by exceeding federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to a significant concentration of risk on cash. Credit risk also extends to receivables, all of which are uncollateralized. As of December 31, 2018 and 2017, respectively, three contributions receivable comprised 90% of total contributions receivable and four contributions receivable comprised 94% of contributions receivable.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

L. COMMITMENTS AND CONTINGENCIES

The Organization has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations, and any required reimbursements would not be material to the financial statements of the Organization.

M. RELATED PARTY TRANSACTIONS

The Organization leases certain office space and living space from related parties. The lease arrangements with the related parties provide The Nextdoor, Inc. with certain contributed rent concessions. These concessions were recorded as contributions and rent expense on the statements of activities at their estimated fair value of \$64,800 for both the years ended December 31, 2018 and 2017.

N. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2019, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2018 Accrued</u>	<u>Receipts</u>
<u>Federal Awards</u>				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: Passed through the Metropolitan Housing and Development Agency of Nashville and Davidson County Supportive Housing Program	14.235	TN0059L4J041609/ TN0059L4J041710	<u>\$(4,685)</u>	<u>\$ 84,204</u>
Total U.S. Department of Housing and Urban Development			<u>(4,685)</u>	<u>84,204</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: Passed through the Tennessee Department of Mental Health Women's Services Program/ Recovery-Oriented System Of Care (WROSC) and Continuum of Care (COC)	93.959	53380	(36,656)	196,380
Addictions Recovery Program State Targeted Response (ARP STR)	93.788	55412/57910	(125)	18,150
Adult Continuum of Care State Targeted Response Opioid Grant (COC STR)	93.788	55356/57909	<u>(13,495)</u>	<u>243,598</u>
Total U.S. Department of Health and Human Services			<u>(50,276)</u>	<u>458,128</u>
TOTAL FEDERAL AWARDS			<u>(54,961)</u>	<u>542,332</u>

	Balance December 31, 2018
<u>Expenditures</u>	<u>Accrued</u>

<u>\$(84,320)</u>	<u>\$(4,801)</u>
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<u>(84,320)</u>	<u>(4,801)</u>
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(159,724)	-
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(18,055)	(30)
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<u>(230,103)</u>	<u>-</u>
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<u>(407,882)</u>	<u>(30)</u>
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<u>(492,202)</u>	<u>(4,831)</u>
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THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2018 Accrued</u>	<u>Receipts</u>
<u>State Awards</u>				
TN Dept. of Mental Health and Substance Abuse	N/A	53535	\$ -	\$ 5,190
TN Dept. of Mental Health and Substance Abuse	N/A	54730/58513	(2,514)	31,122
TN Dept. of Mental Health and Substance Abuse	N/A	58044	-	253,973
TN Dept. of Mental Health and Substance Abuse	N/A	53381/58043	(3,265)	39,575
TN Dept. of Mental Health and Substance Abuse	N/A	53383/58046	(22,218)	168,897
TN Dept. of Mental Health and Substance Abuse	N/A	53536/58040	(1,930)	60,647
TN Dept. of Mental Health and Substance Abuse	N/A	53537/58041	(3,513)	35,524
TN Dept. of Corrections	N/A	55246	(4,520)	29,110
TN Dept. of Corrections	N/A	56177/59324	(52,988)	681,711
TN Dept. of Correction	N/A	N/A	<u>(4,218)</u>	<u>11,913</u>
TOTAL STATE AWARDS			<u>(95,166)</u>	<u>1,317,662</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$(150,127)</u>	<u>\$1,859,994</u>

<u>Expenditures</u>	Balance December 31, 2018 <u>Accrued</u>
\$(5,190)	\$ -
(30,424)	(1,816)
(268,391)	(14,418)
(39,390)	(3,080)
(159,971)	(13,292)
(62,092)	(3,375)
(42,079)	(10,068)
(24,590)	-
(686,601)	(57,878)
<u>(7,695)</u>	<u>-</u>
<u>(1,326,423)</u>	<u>(103,927)</u>
<u>\$(1,818,625)</u>	<u>\$(108,758)</u>

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the federal and state grant activity of the Organization for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of the State of Tennessee. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. The schedule is presented using the accrual basis of accounting.

The note to the Schedule of Expenditures of Federal Awards and State Financial Assistance is an integral part of this schedule.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
The Nextdoor, Inc.
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Nextdoor, Inc. (a nonprofit organization) (the "Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
April 29, 2019

THE NEXTDOOR, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings reported.