

**NEIGHBORHOODS RESOURCE CENTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2008 AND 2007**

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*Edmondson, Betzler & Montgomery, PLLC*

*(Certified Public Accountants)*



## 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, 2008, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The financial statements of Neighborhoods Resource Center as of June 30, 2007 were audited by other auditors whose report dated October 18, 2007, expressed an unqualified opinion on those statements.

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 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, 2008, 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.

*Edmondson, Betzler & Montgomery, PLLC*

January 31, 2009

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2008 AND 2007**

<b>ASSETS</b>			
		<b>2008</b>	<b>2007</b>
Current assets:			
Cash and cash equivalents		\$ 215,294	\$ 41,795
Accounts receivable		24,142	49,289
Pledges receivable		100,000	-
Prepaid expenses		<u>1,565</u>	<u>573</u>
Total current assets		341,001	91,657
Property and equipment, net		250,107	98,144
Deposits		<u>200</u>	<u>1,165</u>
Total assets		<u><u>\$ 591,308</u></u>	<u><u>\$ 190,966</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable		\$ -	\$ 16,442
Current maturities of long-term debt		6,547	-
Accrued expenses		13,360	15,450
Deferred revenue		<u>10,834</u>	<u>13,605</u>
Total current liabilities		<u>30,741</u>	<u>45,497</u>
Long-term debt, net of current maturities		<u>150,694</u>	<u>-</u>
Total liabilities		<u>181,435</u>	<u>45,497</u>
Net assets:			
Unrestricted		122,939	139,311
Temporarily restricted		<u>286,934</u>	<u>6,158</u>
Total net assets		<u>409,873</u>	<u>145,469</u>
Total liabilities and net assets		<u><u>\$ 591,308</u></u>	<u><u>\$ 190,966</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>SUPPORT AND REVENUE:</b>		
Grant revenue	\$ 178,274	\$ 269,652
Contributions	153,487	50,172
Program fees	34,822	57,099
Investment income	1,230	693
Miscellaneous income	1,332	594
Net assets released from restrictions	<u>4,162</u>	<u>5,770</u>
 Total support and revenue	 <u>373,307</u>	 <u>383,980</u>
<b>EXPENSES:</b>		
Program services:		
Information and Technology Services	87,630	77,682
Organizing and Support Services	134,673	155,366
Training and Capacity Building Services	<u>72,803</u>	<u>84,436</u>
 Total program services	 295,106	 317,484
Management and general	33,482	20,433
Fundraising	<u>61,091</u>	<u>2,668</u>
 Total expenses	 <u>389,679</u>	 <u>340,585</u>
 Increase (decrease) in unrestricted net assets	 <u>(16,372)</u>	 <u>43,395</u>
Temporarily restricted net assets:		
Contributions	284,938	-
Net assets released from restrictions:		
Depreciation of contributed equipment	<u>(4,162)</u>	<u>(5,770)</u>
 Increase (decrease) in temporarily restricted net assets	 <u>280,776</u>	 <u>(5,770)</u>
 Increase in net assets	 264,404	 37,625
Net assets, beginning of year	<u>145,469</u>	<u>107,844</u>
Net assets, end of year	<u><u>\$ 409,873</u></u>	<u><u>\$ 145,469</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2008**

	Program Services				Management and General	Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Total			
Salaries	\$ 50,786	\$ 90,082	\$ 48,696	\$ 189,564	\$ 19,654	\$ 38,950	248,168
Payroll taxes	6,409	11,369	6,146	23,924	2,480	4,916	31,320
Employee benefits	4,062	7,205	3,895	15,162	1,572	3,114	19,848
Total payroll and related expense	61,257	108,656	58,737	228,650	23,706	46,980	299,336
Bad Debt	11,703	-	-	11,703	-	-	11,703
Travel and meetings	2,222	3,941	2,130	8,293	860	1,703	10,856
Utilities	2,178	3,863	2,088	8,129	843	1,669	10,641
Depreciation	1,654	2,933	1,586	6,173	640	1,268	8,081
Postage	1,271	2,254	1,219	4,744	492	974	6,210
Insurance	1,240	2,199	1,189	4,628	480	951	6,059
Miscellaneous	1,153	2,045	1,106	4,304	446	885	5,635
Moving	1,045	1,853	1,002	3,900	404	802	5,106
Interest	993	1,761	952	3,706	384	761	4,851
Printing	947	1,679	908	3,534	366	726	4,626
Technology	882	1,564	846	3,292	341	677	4,310
Professional fees	-	-	-	-	4,100	-	4,100
Telephone	792	1,404	759	2,955	306	607	3,868
Capital campaign	-	-	-	-	-	2,864	2,864
Repairs and maintenance	169	301	162	632	66	130	828
Supplies	124	220	119	463	48	94	605
	\$ 87,630	\$ 134,673	\$ 72,803	\$ 295,106	\$ 33,482	\$ 61,091	\$ 389,679

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 General	Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Total			
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
Miscellaneous	8,036	16,073	8,735	32,844	2,096	-	34,940
Occupancy	5,021	10,043	5,458	20,522	1,310	-	21,832
Technology	1,968	3,937	2,139	8,044	514	-	8,558
Postage	1,826	3,652	1,985	7,463	488	180	8,131
Depreciation	1,839	3,678	1,999	7,516	480	-	7,996
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
Professional fees	1,548	3,097	1,683	6,328	406	35	6,769
Printing	1,033	2,065	1,122	4,220	269	-	4,489
Telephone	701	1,402	761	2,864	183	-	3,047
Supplies	390	780	424	1,594	125	367	2,086
Repairs and maintenance	7	14	8	29	1	-	30
	\$ 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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2007 AND 2006**

	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$ 264,404	\$ 37,625
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,081	7,996
Gifts for firehall restoration	(184,938)	-
In-kind property contribution	(62,500)	-
Increase (decrease) in accounts receivable	25,147	(30,055)
Increase in pledges receivable	(100,000)	-
Increase in prepaid expenses	(992)	(81)
Increase (decrease) in accounts payable	(16,442)	8,188
Increase (decrease) in accrued expenses	(2,090)	6,262
Decrease in deferred revenue	(2,771)	(390)
(Increase) decrease in utility deposits	<u>965</u>	<u>(1,115)</u>
Net cash provided by (used in) operating activities	<u>(71,136)</u>	<u>28,430</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(97,544)</u>	<u>(86,980)</u>
Net cash used in investing activities	<u>(97,544)</u>	<u>(86,980)</u>
Cash flows from financing activities:		
Gifts for firehall restoration	184,938	-
Proceeds on long-term debt	160,500	-
Principal payments on long-term debt	<u>(3,259)</u>	<u>-</u>
Net cash provided by financing activities	<u>342,179</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	173,499	(58,550)
Cash and cash equivalents, beginning of year	<u>41,795</u>	<u>100,345</u>
Cash and cash equivalents, end of year	<u><u>\$ 215,294</u></u>	<u><u>\$ 41,795</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 4,851	\$ -
Supplemental Disclosure of Non-Cash Investing Activities:		
Donated property	\$ 62,500	\$ -

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



**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007**

**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, 2008 AND 2007**

**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.

Pledges Receivable

All pledges receivable are collectible within one year. The Center uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary as of June 30, 2008.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property and 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.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 2 - PROPERTY AND EQUIPMENT**

Equipment consists of the following:

	2008	2007
Land	\$ 171,250	\$ 21,250
Building	65,091	65,091
Office furniture and equipment	30,020	26,753
Computer equipment	<u>192,944</u>	<u>186,167</u>
	459,305	299,261
Less accumulated depreciation	<u>(209,198)</u>	<u>(201,117)</u>
	<u>\$ 250,107</u>	<u>\$ 98,144</u>

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 - LONG-TERM DEBT**

A summary of long-term debt as of June 30, is as follows:

	2008
7.4% note payable due in monthly installments of \$677, including interest, through November 2022, secured by real estate.	\$ 71,139
6.53% note payable due in monthly installments of \$768, including interest through February 2023; secured by real estate.	<u>86,102</u>
Total long-term debt	157,241
Less current installments	<u>(6,547)</u>
Long-term debt, net of current installments	<u>\$ 150,694</u>

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 3 - LONG-TERM DEBT (CONTINUED)**

A summary of future maturities of long-term debt as of June 30, 2008 is as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 6,547
2010	7,019
2011	7,524
2012	8,066
2013	8,647
2014 and thereafter	<u>119,438</u>
Total	<u>\$ 157,241</u>

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<b>2008</b>	<b>2007</b>
Purpose restrictions for firehall restoration	\$ 284,938	\$ -
Time restrictions on computer equipment	<u>1,996</u>	<u>6,158</u>
	<u>\$ 286,934</u>	<u>\$ 6,158</u>

**NOTE 5 - 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, 2008 and 2007 were \$6,886 and \$5,389, respectively.

**NOTE 6 - CONTRIBUTED FACILITIES**

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

**NOTE 7 - 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, 2008 and 2007 was approximately 21.4% and 39.7%, 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.