

NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2011 AND 2010



Edmondson, Betzler & Montgomery, PLLC
(Certified Public Accountants)



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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, 2011 and 2010, 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, 2011 and 2010, 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.

Edmondson, Betzler & Montgomery, PLLC

February 3, 2012

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010**

ASSETS			
		2011	2010
Current assets:			
Cash and cash equivalents		\$ 11,907	\$ 62,834
Accounts receivable		3,592	5,583
Prepaid expenses		<u>-</u>	<u>435</u>
Total current assets		15,499	68,852
Property and equipment, net		<u>440,296</u>	<u>446,224</u>
Total assets		<u><u>\$ 455,795</u></u>	<u><u>\$ 515,076</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable		\$ 2,087	\$ 5,289
Current maturities of long-term debt		8,129	7,382
Accrued expenses		10,073	12,362
Deferred revenue		<u>-</u>	<u>16,667</u>
Total current liabilities		20,289	41,700
Long-term debt, net of current maturities		<u>128,224</u>	<u>136,429</u>
Total liabilities		<u><u>148,513</u></u>	<u><u>178,129</u></u>
Net assets:			
Unrestricted		307,282	283,179
Temporarily restricted		<u>-</u>	<u>53,768</u>
Total net assets		<u><u>307,282</u></u>	<u><u>336,947</u></u>
Total liabilities and net assets		<u><u>\$ 455,795</u></u>	<u><u>\$ 515,076</u></u>

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

NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
SUPPORT AND REVENUE:		
Grant revenue	\$ 253,766	\$ 279,792
Program fees	44,419	32,536
Contributions	10,178	14,867
Special Events	1,880	-
Miscellaneous income	448	1,064
Investment income	-	22
Net assets released from restrictions	<u>53,768</u>	<u>162,604</u>
Total support and revenue	<u>364,459</u>	<u>490,885</u>
EXPENSES:		
Program services:		
Information and Technology Services	71,477	80,743
Organizing and Support Services	146,352	165,332
Training and Capacity Building Services	<u>51,051</u>	<u>57,675</u>
Total program services	268,880	303,750
Management and general	23,825	33,260
Fundraising	<u>47,651</u>	<u>47,484</u>
Total expenses	<u>340,356</u>	<u>384,494</u>
Increase in unrestricted net assets	<u>24,103</u>	<u>106,391</u>
Net assets released from restrictions:		
Firehall restoration	<u>(53,768)</u>	<u>(162,604)</u>
Decrease in temporarily restricted net assets	<u>(53,768)</u>	<u>(162,604)</u>
Decrease in net assets	(29,665)	(56,213)
Net assets, beginning of year	<u>336,947</u>	<u>393,160</u>
Net assets, end of year	<u><u>\$ 307,282</u></u>	<u><u>\$ 336,947</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011**

	Program Services				Management and General	Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Total			
Salaries	\$ 41,726	\$ 85,440	\$ 29,804	\$ 156,970	\$ 13,909	\$ 27,817	198,696
Payroll taxes	3,106	6,360	2,218	11,684	1,035	2,071	14,790
Employee benefits	8,794	18,007	6,281	33,082	2,931	5,863	41,876
Total payroll and related expense	53,626	109,807	38,303	201,736	17,875	35,751	255,362
Professional fees	5,430	11,120	3,879	20,429	1,810	3,620	25,859
Depreciation	3,095	6,334	2,210	11,639	1,031	2,062	14,732
Interest	2,076	4,250	1,482	7,808	692	1,384	9,884
Utilities	1,354	2,772	967	5,093	451	903	6,447
Printing	920	1,884	657	3,461	307	613	4,381
Travel and meetings	915	1,873	653	3,441	305	610	4,356
Insurance	775	1,587	553	2,915	258	517	3,690
Technology	744	1,523	532	2,799	248	496	3,543
Postage	689	1,412	492	2,593	230	460	3,283
Miscellaneous	605	1,236	432	2,273	201	403	2,877
Repairs and maintenance	470	961	335	1,766	157	313	2,236
Telephone	446	914	319	1,679	149	298	2,126
Occupancy	203	416	145	764	68	136	968
Supplies	129	263	92	484	43	85	612
	\$ 71,477	\$ 146,352	\$ 51,051	\$ 268,880	\$ 23,825	\$ 47,651	\$ 340,356

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010**

	Program Services			Management and General	Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services			
Salaries	\$ 50,806	\$ 104,031	\$ 36,291	\$ 16,935	\$ 33,870	\$ 241,933
Payroll taxes	4,679	9,582	3,343	1,560	3,120	22,284
Employee benefits	6,222	12,740	4,444	2,074	4,148	29,628
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Total payroll and related expense	61,707	126,353	44,078	20,569	41,138	293,845
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Professional fees	5,811	11,899	4,151	3,874	1,937	27,672
Depreciation	2,663	5,454	1,903	1,776	889	12,685
Interest	2,131	4,364	1,522	1,421	710	10,148
Utilities	1,136	2,326	812	757	379	5,410
Printing	1,105	2,262	789	736	368	5,260
Miscellaneous	1,056	2,163	754	704	352	5,029
Travel and meetings	955	1,956	682	637	318	4,548
Insurance	748	1,531	534	499	249	3,561
Technology	655	1,341	468	437	218	3,119
Supplies	652	1,334	465	434	217	3,102
Occupancy	606	1,240	433	404	202	2,885
Repairs and maintenance	572	1,170	408	381	191	2,722
Telephone	497	1,019	355	332	166	2,369
Postage	449	920	321	299	150	2,139
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	\$ 80,743	\$ 165,332	\$ 57,675	\$ 33,260	\$ 47,484	\$ 384,494
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The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
Cash flows from operating activities:		
Decrease in net assets	\$ (29,665)	\$ (56,213)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	14,732	12,685
Decrease in accounts receivable	1,991	12,789
Decrease in prepaid expenses	435	4
Decrease in accounts payable	(3,203)	(11,571)
Decrease in accrued expenses	(2,289)	(5,078)
Decrease in deferred revenue	(16,667)	(21,466)
Decrease in utility deposits	<u>-</u>	<u>200</u>
Net cash used in operating activities	<u>(34,666)</u>	<u>(68,650)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(8,803)</u>	<u>(141,975)</u>
Net cash used in investing activities	<u>(8,803)</u>	<u>(141,975)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	<u>(7,458)</u>	<u>(6,956)</u>
Net cash used in financing activities	<u>(7,458)</u>	<u>(6,956)</u>
Net decrease in cash and cash equivalents	(50,927)	(217,581)
Cash and cash equivalents, beginning of year	<u>62,834</u>	<u>280,415</u>
Cash and cash equivalents, end of year	<u><u>\$ 11,907</u></u>	<u><u>\$ 62,834</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 9,884	\$ 10,148
Supplemental Disclosure of Non-Cash Investing Activities:		
Donated property	\$ -	\$ 2,100

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

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010**

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, 2011 AND 2010**

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 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 is reflected as a liability. 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, 2011 AND 2010**

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.

Events Occurring After Reporting Date

The Center has evaluated events and transactions that occurred between June 30, 2011 and February 3, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 2 - PROPERTY AND EQUIPMENT

Equipment consists of the following:

	2011	2010
Land	\$ 171,250	\$ 171,250
Building	276,353	275,093
Office furniture and equipment	34,931	28,662
Computer equipment	56,984	55,710
	<u>539,518</u>	<u>530,715</u>
Less accumulated depreciation	(99,222)	(84,491)
	<u><u>\$ 440,296</u></u>	<u><u>\$ 446,224</u></u>

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:

	2011
Note payable due in monthly installments of \$677, including interest at a fixed rate of 7.40%, through November 2022, secured by real estate.	\$ 61,838
Note payable due in monthly installments of \$768, including interest at a fixed rate of 7.53% through February 2023, secured by real estate.	<u>74,515</u>
Total long-term debt	136,353
Less current installments	<u>(8,129)</u>
Long-term debt, net of current installments	<u><u>\$ 128,224</u></u>

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 3 - LONG-TERM DEBT (CONTINUED)

A summary of future maturities of long-term debt as of June 30, 2011 is as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 8,129
2013	8,710
2014	9,332
2015	9,999
2016	10,714
2017 and thereafter	<u>89,469</u>
Total	<u>\$ 136,353</u>

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Purpose restrictions for firehall restoration	<u>\$ -</u>	<u>\$ 53,768</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, 2011 and 2010 were \$2,620 and \$3,675, respectively.

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, 2011 and 2010 was approximately 75.3% and 71.0%, 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.