

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2013

ORGANIZED NEIGHBORS OF EDGEHILL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Organized Neighbors of Edgehill, Inc.
Nashville, TN

We have audited the accompanying financial statements of *Organized Neighbors of Edgehill, Inc.* (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities, cash flows, and functional expense for the year 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.

Auditors' 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 *Organized Neighbors of Edgehill, Inc.* as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hoskins & Company

Hoskins & Company
January 23, 2014

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

Assets

Current assets

Cash and cash equivalents \$ 264,304

Account receivable 1,333

Prepaid expense 1,349

Total current assets 266,986

Non-current assets

Property and equipment, net (Note 3) 116,291

Total non-current assets 116,291

Total assets \$ 383,277

Liabilities and net assets

Current liabilities

Accounts payable \$ 1,740

Payroll liabilities 1,415

Total current liabilities 3,155

Non-current liabilities

Loan payable-MDHA (Note 4) 100,000

Total liabilities 103,155

Net assets

Unrestricted 280,122

Total net assets 280,122

Total liabilities and net assets \$ 383,277

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

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Revenue and support

United Way	\$ 87,213
Scholarship donations	14,036
Other grants	3,500
Community shares	3,417
Donations	2,470
Rental income	10,008
Interest	<u>261</u>
Total revenue and support	<u>120,905</u>

Expenses

Program services	
Organizing & resources	78,350
Housing	8,959
Scholarship	<u>22,391</u>
Total program services	<u>109,700</u>
Support services	
Management & general	23,582
Fundraising	<u>6,919</u>
Total support services	<u>30,501</u>
Total expenses	<u>140,201</u>
Decrease in net assets	(19,296)
Net assets, beginning of year	<u>299,418</u>
Net assets, end of year	<u><u>\$ 280,122</u></u>

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

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities	
Decrease in net assets	\$ (19,296)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	3,764
Increase in accounts receivable	(1,246)
Increase in prepaid expense	(1,149)
Decrease in accounts payable	(1,648)
Increase in payroll liabilities	105
	<hr/>
Net cash used in operating activities	(19,470)
Cash flows from investing activities	-
Cash flows from financing activities	<hr/> -
Net increase in cash and cash equivalents	(19,470)
Cash and cash equivalents, beginning of year	283,774
Cash and cash equivalents, end of year	<hr/> \$ 264,304 <hr/>

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

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Support Services			
	Organizing & Resources	Housing	Scholarships	Total Program Services	Management & General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 55,475	\$ -	\$ -	\$ 55,475	\$ 10,950	\$ 5,475	\$ 16,425	\$ 71,900
Employee benefits	5,555	-	-	5,555	1,545	800	2,345	7,900
Total salaries and benefits	61,030	-	-	61,030	12,495	6,275	18,770	79,800
Accounting & audit	-	-	-	-	6,940		6,940	6,940
Office expenses	5,926	-	66	5,992	1,807	522	2,329	8,321
Scholarships	-	-	22,325	22,325			-	22,325
Travel	350	-	-	350			-	350
Insurance	-	1,069	-	1,069	2,137		2,137	3,206
Depreciation	502	3,182	-	3,684	53	27	80	3,764
Contract services	6,000	-	-	6,000			-	6,000
Telephone & internet	60	-	-	60			-	60
Miscellaneous expenses	-	85	-	85	150		150	235
House project expense	-	4,623	-	4,623			-	4,623
Meetings	4,482	-	-	4,482		95	95	4,577
Total expenses	\$ 78,350	\$ 8,959	\$ 22,391	\$ 109,700	\$ 23,582	\$ 6,919	\$ 30,501	\$ 140,201

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

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1---NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organized Neighbors of Edgehill, Inc. (the "Organization") was established on June 15, 1993 in Nashville, Tennessee. The Organization was incorporated for the purpose of having a central headquarters available to all residents and to provide activities and projects that benefit the Edgehill Community. The Organization formed a Neighborhood Network that includes reporting crime, having monthly meetings for residents, growing a community garden, providing leadership training events, awarding scholarships to deserving student residents, promoting other educational programs outside the Organization, and providing space for the Juvenile Justice Center to offer services to delinquent youth and others in need of counseling.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, revenue is recognized when earned, support and promises to give are recognized when received, and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification 958 (FASB ASC 958). Under FASB ASC 958, the Organization 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.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designated as support for future periods. There were no temporary restricted net assets as of June 30, 2013.

Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor's stipulation that require the asset be invested in perpetuity. There were no permanently restricted net assets as of June 30, 2013.

Donated Services

The Organization receives a substantial amount of services donated by its members in carrying out the Organization's functions. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under the FASB ASC 958.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Revenue, Support, and Expenses

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 contributions are 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.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is a tax-exempt entity under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is considered necessary.

Fixed Assets

Disbursements for property and equipment, consisting of office equipment and building, are reflected in the statement of financial position at cost. Donated assets with donor stipulations as to specific purpose(s) are reported as restricted contributions until it is placed in the service for which it is restricted. Depreciation, which is reflected as an expense in the statement of activities, is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Machinery and equipment	3—10
Building	10—27

Functional Expenses

Management allocates expenses on a functional basis among its various programs, including support services and fundraising activities. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2---SCHOLARSHIP PROGRAM

One of the major objectives of the Organization is to provide educational assistance to Edgehill residents who have the scholastic ability to attend college or technical school. The Organization provided \$22,325 in scholarships during the fiscal year ended June 30, 2013.

NOTE 3---PROPERTY AND EQUIPMENT

Depreciation expense as of June 30, 2013 was \$3,764. A summary of property and equipment as of June 30, 2013 was as follows:

	<u>June 30, 2013</u>
Equipment	\$ 14,890
Greenhouse	2,325
House	87,498
Land	35,336
Accumulated depreciation	<u>(23,758)</u>
Total property and equipment	<u>\$ 116,291</u>

NOTE 4---RENTAL HOUSE AND LOAN PAYABLE

The Organization increased its community involvement by providing affordable homes acquired through the Community Housing Development Organization, (CHDO), a program that is sponsored by the Metropolitan Development and Housing Agency (MDHA), which receives federal funds from the Department of Housing and Urban Development.

On July 25, 2006, the Organization purchased property located at 922 14th Avenue South, Nashville, Tennessee as part of fixed assets at a cost of \$100,000. The funds to purchase the property were obtained through a loan from MDHA in the amount of \$100,000. As part of its operations, the Organization purchases, rehabs and sells houses. The proceeds from the sales of the houses are deposited in the Organization's Home Fund bank account. As long as the Organization is operational, no amount is owed to MDHA. In the event the Organization goes out of business, any amount remaining in the Organization's Home Fund bank account is owed to MDHA. The cash amount remaining in the Home Fund bank account was \$109,979 as of June 30, 2013. The loan payable as of June 30, 2013 was \$100,000.

NOTE 5---LEASE AGREEMENT

On October 1, 2008, the Organization entered into an agreement with MDHA, whereby MDHA leases the property occupied by the Organization for a term of one year at no cost to the Organization with no requirement that the Organization sign a new lease each year. Each year the lease is "continued" based on a vote taken at the Residents Association meeting. The lease agreement requires the Organization to only use the property for a central meeting place.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6---SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of January 23, 2014, the date management evaluated such events. The financial statements were available to be issued on January 23, 2014.