

**THE NEXTDOOR, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2008 AND 2007**

THE NEXTDOOR, INC.

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## Independent Auditors' Report

Board of Directors  
The Nextdoor, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of The Nextdoor, Inc. (the "Organization") as of December 31, 2008 and 2007, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization'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 audits 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 The Nextdoor, Inc. at December 31, 2008 and 2007, 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.

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
July 17, 2009

THE NEXTDOOR, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 291,323	\$ 345,291
Government grants receivable	89,016	49,474
Land, building and equipment, net	<u>1,626,603</u>	<u>1,634,593</u>
Total assets	<u>\$2,006,942</u>	<u>\$2,029,358</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 19,270	\$ 3,855
Note payable	<u>217,703</u>	<u>225,925</u>
Total liabilities	<u>236,973</u>	<u>229,780</u>

NET ASSETS

Unrestricted	1,646,811	1,776,528
Temporarily restricted	<u>123,158</u>	<u>23,050</u>
Total net assets	<u>1,769,969</u>	<u>1,799,578</u>
Total liabilities and net assets	<u>\$2,006,942</u>	<u>\$2,029,358</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2008		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$ 551,874	\$100,000	\$ 651,874
Grants	<u>584,288</u>	<u>-</u>	<u>584,288</u>
Total support	<u>1,136,162</u>	<u>100,000</u>	<u>1,236,162</u>
Revenue:			
Rental income	207,943	-	207,943
Interest income	4,687	108	4,795
Other income	<u>9,797</u>	<u>-</u>	<u>9,797</u>
Total revenue	<u>222,427</u>	<u>108</u>	<u>222,535</u>
Total support and revenue	<u>1,358,589</u>	<u>100,108</u>	<u>1,458,697</u>
<b>EXPENSES:</b>			
Program services:			
Counseling	274,700	-	274,700
Housing and ministry	<u>864,685</u>	<u>-</u>	<u>864,685</u>
Total program services	<u>1,139,385</u>	<u>-</u>	<u>1,139,385</u>
Supporting services:			
Administrative	273,714	-	273,714
Fund raising	<u>75,207</u>	<u>-</u>	<u>75,207</u>
Total supporting services	<u>348,921</u>	<u>-</u>	<u>348,921</u>
Total expenses	<u>1,488,306</u>	<u>-</u>	<u>1,488,306</u>
Net (decrease) increase in net assets	( 129,717)	100,108	( 29,609)
Net assets at beginning of year	<u>1,776,528</u>	<u>23,050</u>	<u>1,799,578</u>
Net assets at end of year	<u>\$ 1,646,811</u>	<u>\$123,158</u>	<u>\$ 1,769,969</u>

<u>Year Ended December 31, 2007</u>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 865,687	\$ -	\$ 865,687
<u>940,134</u>	<u>-</u>	<u>940,134</u>
<u>1,805,821</u>	<u>-</u>	<u>1,805,821</u>
161,737	-	161,737
9,439	131	9,570
<u>6,620</u>	<u>-</u>	<u>6,620</u>
<u>177,796</u>	<u>131</u>	<u>177,927</u>
<u>1,983,617</u>	<u>131</u>	<u>1,983,748</u>
167,399	-	167,399
<u>680,809</u>	<u>-</u>	<u>680,809</u>
<u>848,208</u>	<u>-</u>	<u>848,208</u>
194,954	-	194,954
<u>43,927</u>	<u>-</u>	<u>43,927</u>
<u>238,881</u>	<u>-</u>	<u>238,881</u>
<u>1,087,089</u>	<u>-</u>	<u>1,087,089</u>
896,528	131	896,659
<u>880,000</u>	<u>22,919</u>	<u>902,919</u>
<u>\$1,776,528</u>	<u>\$23,050</u>	<u>\$1,799,578</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$( 29,609)	\$ 896,659
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	80,608	43,672
Increase in government grants receivable	( 39,542)	( 48,080)
Decrease in prepaid insurance	-	5,404
Increase (decrease) in accounts payable	<u>15,415</u>	<u>( 2,841)</u>
Net cash provided by operating activities	<u>26,872</u>	<u>894,814</u>
Cash flows from investing activities:		
Purchases of land, building and equipment	<u>( 72,618)</u>	<u>(895,756)</u>
Net cash used in investing activities	<u>( 72,618)</u>	<u>(895,756)</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>( 8,222)</u>	<u>-</u>
Net cash used in financing activities	<u>( 8,222)</u>	<u>-</u>
Net decrease in cash	( 53,968)	( 942)
Cash and cash equivalents at beginning of year	<u>345,291</u>	<u>346,233</u>
Cash and cash equivalents at end of year	<u>\$ 291,323</u>	<u>\$ 345,291</u>

Supplemental Cash Flow Information:

Cash paid for interest totaled \$15,090 and \$4,013 for the years ended December 31, 2008 and 2007, respectively.

During the year ended December 31, 2007 the Organization issued a note payable for \$225,925 in connection with the acquisition of land and a building.

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2008

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$274,700</u>	<u>\$325,064</u>
Other expenses:		
Counseling	-	-
Rent	-	50,250
Other program expenses	-	26,749
Utilities	-	78,801
Maintenance	-	58,056
Provision for depreciation	-	76,578
Telephone	-	19,855
Resident outfitting	-	16,093
Resident meals	-	12,028
Automobile expenses	-	3,582
Insurance	-	91,725
Travel and entertainment	-	-
Supplies	-	56,872
Professional fees	-	-
Dues and subscriptions	-	-
Postage and delivery	-	744
Marketing	-	2,825
Training and support services	-	45,463
Total other expenses	<u>-</u>	<u>539,621</u>
Total program expenses	<u>\$274,700</u>	<u>\$864,685</u>



Supporting Services

<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
<u>\$165,146</u>	<u>\$ 8,205</u>	<u>\$ 773,115</u>
204	-	204
1,962	5,916	58,128
10,499	5,071	42,319
4,928	-	83,729
18,624	-	76,680
4,030	-	80,608
17,862	-	37,717
-	-	16,093
-	-	12,028
1,596	-	5,178
11,928	-	103,653
2,049	3,213	5,262
18,475	-	75,347
6,375	10,428	16,803
1,028	2,376	3,404
571	1,544	2,859
7,395	38,331	48,551
<u>1,042</u>	<u>123</u>	<u>46,628</u>
<u>108,568</u>	<u>67,002</u>	<u>715,191</u>
<u>\$273,714</u>	<u>\$75,207</u>	<u>\$1,488,306</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2007

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$167,399</u>	<u>\$198,090</u>
Other expenses:		
Counseling	-	-
Rent	-	53,783
Other program expenses	-	7,200
Utilities	-	54,185
Maintenance	-	74,534
Provision for depreciation	-	41,488
Telephone	-	13,721
Resident outfitting	-	13,581
Resident meals	-	27,151
Automobile expenses	-	5,064
Insurance	-	47,610
Travel and entertainment	-	-
Supplies	-	85,403
Professional fees	-	-
Dues and subscriptions	-	-
Postage and delivery	-	761
Marketing	-	1,500
Training and support services	-	56,738
Total other expenses	<u>-</u>	<u>482,719</u>
Total program expenses	<u>\$167,399</u>	<u>\$680,809</u>

Supporting Services

<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
<u>\$100,638</u>	<u>\$ 5,000</u>	<u>\$ 471,127</u>
300	-	300
2,100	6,332	62,215
2,826	1,365	11,391
3,389	-	57,574
23,911	-	98,445
2,184	-	43,672
12,343	-	26,064
-	-	13,581
-	-	27,151
2,256	-	7,320
6,191	-	53,801
2,729	4,279	7,008
27,742	-	113,145
1,460	2,388	3,848
1,076	2,486	3,562
584	1,580	2,925
3,924	20,344	25,768
<u>1,301</u>	<u>153</u>	<u>58,192</u>
<u>94,316</u>	<u>38,927</u>	<u>615,962</u>
<u>\$194,954</u>	<u>\$43,927</u>	<u>\$1,087,089</u>

See accompanying notes to financial statements.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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.

The Organization classifies its revenue, expenses, gains, and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. The Organization has no permanently restricted net assets as of December 31, 2008 and 2007.

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 statement of activities.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support 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 restricted support. 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.

Land, Building and Equipment

Land, building and equipment are stated at cost, or if contributed, at fair market 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.

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.

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 area is the recovery period for the building, leasehold improvements and equipment. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Recent Accounting Pronouncements

Effective January 1, 2008, the Organization adopted SFAS No. 157, "Fair Value Measurements," which established a framework for measuring fair value in accordance with GAAP, and expands disclosures about the use of fair value measures. The adoption of SFAS No. 157 did not have an impact on the Organization's financial position or operating results. Assets 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 SFAS No. 157, 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, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the 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 government grants receivable, accounts payable and accrued expenses, and the note payable. The recorded values of receivables, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The recorded value of the note payable approximates its fair value, as interest approximates market rates.

B. GOVERNMENT GRANTS RECEIVABLE

Government grants receivable are due within one year of December 31, 2008 and 2007. No allowance for uncollectible accounts was considered necessary as of December 31, 2008 and 2007.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

C. LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2008 and 2007, consisted of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 132,450	\$ 132,450
Building	956,599	907,415
Leasehold improvements	533,776	533,776
Furniture and fixtures	75,158	75,158
Equipment and computers	<u>91,576</u>	<u>68,142</u>
	1,789,559	1,716,941
Less: Accumulated depreciation	<u>( 162,956)</u>	<u>( 82,348)</u>
	<u>\$ 1,626,603</u>	<u>\$ 1,634,593</u>

Depreciation expense for the years ended December 31, 2008 and 2007 totaled \$80,608 and \$43,672, respectively.

D. NOTE PAYABLE

At December 31, 2008 and 2007, the Organization has a note payable totaling \$217,703 and \$225,925, respectively, due in monthly principal and interest installments of \$1,866 at 5.75% through February 2023. The note is collateralized by the land and building of the Organization.

The future note payable maturities are as follows:

2009	\$ 10,384
2010	10,997
2011	11,647
2012	12,334
2013	13,062
Thereafter	<u>159,279</u>
Total	<u>\$217,703</u>

E. TEMPORARILY RESTRICTED NET ASSETS

No temporarily restricted net assets were released from donor restrictions for the years ended December 31, 2008 and December 31, 2007. Temporarily restricted net assets totaled \$123,158 and \$23,050 as of December 31, 2008 and 2007, respectively, and are restricted for the renovation of certain facilities.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

F. LEASES

The Organization leases certain office equipment. Rent expense under the operating lease for the years ended December 31, 2008 and 2007, was \$1,966 and \$1,932, respectively. The remaining lease commitment under the agreement totals \$10,324 and expires in November 2013.

G. ADVERTISING COSTS

The Organization expenses the cost of advertising and marketing when incurred, which totaled \$48,551 and \$25,768 for the years ended December 31, 2008 and 2007, respectively.

H. GIFTS IN KIND

The Organization records donated materials and services at fair value on the date of donation. The Organization recorded donated materials and supplies with fair values of \$26,660 and \$28,318 for the years ended December 31, 2008 and 2007, respectively.

In addition, The Nextdoor, Inc., leases a building from a related party. The lease arrangement with the related party provides The Nextdoor, Inc. with certain contributed rent advantages which were recorded at a fair value of \$42,000 for each of the years ended December 31, 2008 and 2007.

I. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in high credit quality financial institutions at balances which, at times, may be uninsured or may exceed 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. An accounting risk also extends to receivables, all of which are uncollateralized.

J. COMMITMENTS AND CONTINGENCIES

The Organization has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditures disallowance under terms of the grants, management believes any required reimbursements would not be material to the financial statements of the Organization.