

THE NEXTDOOR, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2014 AND 2013

THE NEXTDOOR, INC.

Table of Contents

	<u>Pages</u>
INDEPENDENT AUDITOR’S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 9
Statements of Cash Flows.....	10
Notes to Financial Statements	11 - 18
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	19 - 22
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 <i>GOVERNMENT AUDITING STANDARDS</i>	23 - 24



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, 2014 and 2013, 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, 2014 and 2013, 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.

Other Matters

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 May 29, 2015, 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 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 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 & Associates, P.C.

Nashville, Tennessee

May 29, 2015

THE NEXTDOOR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,274,912	\$ 960,325
Government grants receivable	152,463	96,210
Contributions receivable	1,553,902	1,129,001
Other receivables	6,066	2,264
Prepaid expenses	2,626	2,626
Land, buildings and equipment, net	<u>11,455,599</u>	<u>4,355,811</u>
Total assets	<u>\$14,445,568</u>	<u>\$6,546,237</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 88,597	\$ 127,427
Deferred rent liability	-	48,600
Notes payable	<u>7,304,761</u>	<u>481,183</u>
Total liabilities	<u>7,393,358</u>	<u>657,210</u>

NET ASSETS

Unrestricted	4,475,941	4,677,132
Temporarily restricted	<u>2,576,269</u>	<u>1,211,895</u>
Total net assets	<u>7,052,210</u>	<u>5,889,027</u>
Total liabilities and net assets	<u>\$14,445,568</u>	<u>\$6,546,237</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 3,053,635	\$ 1,384,999	\$4,438,634
Government grants and contracts	<u>1,517,761</u>	<u>-</u>	<u>1,517,761</u>
Total support	<u>4,571,396</u>	<u>1,384,999</u>	<u>5,956,395</u>
Revenue:			
Program fees and rental income	225,780	-	225,780
Interest income	151	-	151
Other income	<u>66,402</u>	<u>-</u>	<u>66,402</u>
Total revenue	<u>292,333</u>	<u>-</u>	<u>292,333</u>
Net assets released from restriction	<u>20,625</u>	<u>(20,625)</u>	<u>-</u>
Total support and revenue	<u>4,884,354</u>	<u>1,364,374</u>	<u>6,248,728</u>
EXPENSES:			
Program services:			
Counseling	425,427	-	425,427
Housing and ministry	<u>3,615,362</u>	<u>-</u>	<u>3,615,362</u>
Total program services	<u>4,040,789</u>	<u>-</u>	<u>4,040,789</u>
Supporting services:			
Administrative	684,874	-	684,874
Fundraising	<u>359,882</u>	<u>-</u>	<u>359,882</u>
Total supporting services	<u>1,044,756</u>	<u>-</u>	<u>1,044,756</u>
Total expenses	<u>5,085,545</u>	<u>-</u>	<u>5,085,545</u>
Net increase (decrease) in net assets	(201,191)	1,364,374	1,163,183
Net assets at beginning of year	<u>4,677,132</u>	<u>1,211,895</u>	<u>5,889,027</u>
Net assets at end of year	<u>\$ 4,475,941</u>	<u>\$ 2,576,269</u>	<u>\$7,052,210</u>

<u>Year Ended December 31, 2013</u>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$4,086,564	\$ 1,159,871	\$5,246,435
<u>1,139,953</u>	<u>-</u>	<u>1,139,953</u>
<u>5,226,517</u>	<u>1,159,871</u>	<u>6,386,388</u>
211,336	-	211,336
1,406	-	1,406
<u>129,037</u>	<u>-</u>	<u>129,037</u>
<u>341,779</u>	<u>-</u>	<u>341,779</u>
<u>199,063</u>	<u>(199,063)</u>	<u>-</u>
<u>5,767,359</u>	<u>960,808</u>	<u>6,728,167</u>
346,921	-	346,921
<u>2,498,457</u>	<u>-</u>	<u>2,498,457</u>
<u>2,845,378</u>	<u>-</u>	<u>2,845,378</u>
490,065	-	490,065
<u>230,978</u>	<u>-</u>	<u>230,978</u>
<u>721,043</u>	<u>-</u>	<u>721,043</u>
<u>3,566,421</u>	<u>-</u>	<u>3,566,421</u>
2,200,938	960,808	3,161,746
<u>2,476,194</u>	<u>251,087</u>	<u>2,727,281</u>
<u>\$4,677,132</u>	<u>\$ 1,211,895</u>	<u>\$5,889,027</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$422,534</u>	<u>\$1,491,297</u>
Other expenses:		
Contract labor	-	142,675
Rent	-	26,956
Other program expenses	-	252,816
Utilities	-	150,146
Maintenance	-	203,386
Provision for depreciation	-	249,671
Telephone	-	52,451
Resident meals	-	100,902
Automobile expenses	-	33,748
Insurance	-	36,522
Travel and entertainment	-	15,895
Supplies	-	239,982
Professional fees	-	17,196
Devotional book distribution	-	93,556
Licenses	-	24,966
Dues and subscriptions	-	1,112
Postage and delivery	-	5,592
Marketing	-	-
Training and support services	2,893	10,211
Loss on disposal of property and equipment	<u>-</u>	<u>466,282</u>
Total other expenses	<u>2,893</u>	<u>2,124,065</u>
 Total program expenses	 <u>\$425,427</u>	 <u>\$3,615,362</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$447,389</u>	<u>\$124,275</u>	<u>\$2,485,495</u>
3,016	-	145,691
1,123	-	28,079
53,723	9,481	316,020
16,683	-	166,829
22,598	-	225,984
79,550	-	329,221
4,080	1,748	58,279
-	-	100,902
-	-	33,748
4,749	-	41,271
1,236	530	17,661
28,419	47,365	315,766
18,152	12,419	47,767
-	-	93,556
-	-	24,966
75	49	1,236
1,017	3,558	10,167
-	159,606	159,606
3,064	851	17,019
-	-	466,282
<u>237,485</u>	<u>235,607</u>	<u>2,600,050</u>
<u>\$684,874</u>	<u>\$359,882</u>	<u>\$5,085,545</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$344,459</u>	<u>\$1,215,738</u>
Other expenses:		
Contract labor	-	199,668
Client assistance (housing and living expenses)	-	2,750
Rent	-	41,767
Other program expenses	-	107,771
Utilities	-	125,107
Maintenance	-	178,052
Provision for depreciation	-	131,202
Telephone	-	48,184
Resident meals	-	76,644
Automobile expenses	-	39,899
Insurance	-	29,354
Travel and entertainment	-	21,796
Supplies	-	137,343
Professional fees	-	18,027
Devotional book distribution	-	96,010
Licenses	-	13,785
Dues and subscriptions	-	1,329
Postage and delivery	-	5,342
Marketing	-	-
Training and support services	<u>2,462</u>	<u>8,689</u>
Total other expenses	<u>2,462</u>	<u>1,282,719</u>
 Total program expenses	 <u>\$346,921</u>	 <u>\$2,498,457</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$364,721</u>	<u>\$101,312</u>	<u>\$2,026,230</u>
4,220	-	203,888
-	-	2,750
1,740	-	43,507
22,901	4,042	134,714
13,901	-	139,008
19,785	-	197,837
14,577	-	145,779
3,748	1,606	53,538
-	-	76,644
-	-	39,899
3,817	-	33,171
1,695	727	24,218
16,264	27,107	180,714
19,029	13,020	50,076
-	-	96,010
-	-	13,785
89	59	1,477
971	3,400	9,713
-	78,982	78,982
<u>2,607</u>	<u>723</u>	<u>14,481</u>
<u>125,344</u>	<u>129,666</u>	<u>1,540,191</u>
<u>\$490,065</u>	<u>\$230,978</u>	<u>\$3,566,421</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,163,183	\$ 3,161,746
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	329,221	145,779
Loss on disposal of property and equipment	466,282	-
(Increase) decrease in government grants receivable	(56,253)	77,577
Increase in contributions receivable	(424,901)	(1,005,538)
(Increase) decrease in other receivables	(3,802)	17,554
(Decrease) increase in accounts payable and accrued expenses	(38,830)	52,895
(Decrease) increase in deferred rent liability	<u>(48,600)</u>	<u>52,895</u>
Net cash provided by operating activities	<u>1,386,300</u>	<u>2,450,013</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	<u>(7,895,291)</u>	<u>(2,285,593)</u>
Net cash used in investing activities	<u>(7,895,291)</u>	<u>(2,285,593)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(273,922)	(164,408)
Proceeds from borrowings	<u>7,097,500</u>	<u>100,000</u>
Net cash provided by (used in) financing activities	<u>6,823,578</u>	<u>(64,408)</u>
Net increase in cash and cash equivalents	314,587	100,012
Cash and cash equivalents at beginning of year	<u>960,325</u>	<u>860,313</u>
Cash and cash equivalents at end of year	<u>\$ 1,274,912</u>	<u>\$ 960,325</u>

Supplemental cash flow information:

Cash paid for interest totaled \$79,853 and \$10,933 for the years ended December 31, 2014 and 2013, respectively.

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, 2014 and 2013.

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, 2014 AND 2013

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.

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.

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.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, and notes payable. 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 is not materially different from the estimated fair value of these instruments.

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.

Functional Expenses

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

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

B. RECEIVABLES

Government grants receivable, contribution receivables and other receivables totaled \$1,712,431 and \$1,227,475, as of December 31, 2014 and 2013, respectively. Contributions receivable are due through 2019. No allowance for uncollectible accounts was considered necessary as of December 31, 2014 and 2013.

C. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment at December 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 765,850	\$ 765,850
Buildings	10,224,455	1,441,325
Leasehold improvements	11,865	646,814
Furniture and fixtures	626,674	137,292
Equipment and computers	726,254	346,708
Construction in progress	<u>-</u>	<u>1,768,630</u>
	12,355,098	5,106,619
Less: Accumulated depreciation	<u>(899,499)</u>	<u>(750,808)</u>
	<u>\$ 11,455,599</u>	<u>\$ 4,355,811</u>

Depreciation expense for the years ended December 31, 2014 and 2013 totaled \$329,221 and \$145,779, respectively.

D. NOTES PAYABLE

A summary of notes payable at December 31, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Note payable to a financial institution due in monthly principal and interest installments of \$1,866 at 5.75% through February 2023. This note is collateralized by the land and building of the Organization.	\$146,758	\$160,427

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

D. NOTES PAYABLE - Continued

	<u>2014</u>	<u>2013</u>
Note payable to a financial institution due in monthly principal installments of \$1,000 through September 2014, with a final balloon payment in October 2014. The note is interest free and unsecured. The note was paid in full during 2014.	-	92,000
Note payable to a financial institution due in monthly principal installments of \$1,700 through March 2016 at which time all outstanding principal and interest is due. Interest is payable monthly and is based on the financial institutions base rate less 4% (0% at December 31, 2014). This note is collateralized by land and building of the Organization.	120,954	228,756
Note payable to a financial institution due in monthly principal installments at \$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% (0% at December 31, 2014). This note is collateralized by the land and building of the organization.	<u>7,037,049</u>	<u>-</u>
	<u>\$7,304,761</u>	<u>\$481,183</u>

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 will be applied to, but not limited to, the next monthly principal payment through December 5, 2017. Monthly payments will resume each month beginning January 5, 2018, regardless of payments made from proceeds of the Organization's capital campaign. In March 2015, the Organization made an \$850,000 lump sum payment from capital campaign receipts, covering all monthly principal payments required through June 2017.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

D. NOTES PAYABLE - Continued

Future maturities required under notes payable are as follows as of December 31, 2014:

<u>Years Ending December 31,</u>	
2015	\$ 913,318
2016	116,069
2017	171,911
2018	372,276
2019	5,666,856
Thereafter	<u>64,331</u>
Total	<u>\$7,304,761</u>

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from donor restrictions for the years ended December 31, 2014 and 2013 were \$20,625 and \$199,063, respectively, by incurring costs and expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Temporarily restricted net assets totaled \$2,576,269 and \$1,211,895 as of December 31, 2014 and 2013, respectively, and are restricted primarily for construction of facilities and certain program services.

F. LEASES

The Organization leases certain office equipment. Rent expense under the operating leases for each of the years ended December 31, 2014 and 2013, was \$3,579 and \$1,507, respectively. A summary of future minimum rental payments required under the non-cancellable operating leases is as follows:

<u>Years Ending December 31,</u>	
2015	\$ 7,777
2016	7,777
2017	<u>1,296</u>
Total	<u>\$16,850</u>

G. ADVERTISING COSTS

The Organization expenses the cost of advertising and marketing when incurred, which totaled \$159,606 and \$78,982 for the years ended December 31, 2014 and 2013, respectively.

THE NEXTDOOR, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 \$160,667 and \$475,453 for the years ended December 31, 2014 and 2013, respectively.

I. 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, 2014, one contribution receivable comprised 29% of total receivables.

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. 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.

K. 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 \$24,500 and \$42,000 for the years ended December 31, 2014 and 2013, respectfully.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2015, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure, except for the debt modification described Note D.

SUPPLEMENTAL INFORMATION

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2014 (Accrued) Deferred</u>	<u>Receipts</u>
<u>Federal Awards</u>				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Metropolitan Housing Department Agency of Nashville & Davidson County				
Supportive Housing Program	14.235	TN0059L4J 041205/ TN0059L4J041206	<u>\$(5,841)</u>	<u>\$ 95,532</u>
Total U.S. Department of Housing and Urban Development			<u>(5,841)</u>	<u>95,532</u>
U.S. DEPARTMENT OF JUSTICE:				
Passed through the Tennessee Office of Criminal Justice Edward Byrne Memorial Justice Assistance Grant (JAG) Program				
	16.738	19483	<u>(4,657)</u>	<u>51,437</u>
Total U.S. Department of Justice			<u>(4,657)</u>	<u>51,437</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Tennessee Department of Mental Health				
Addictions Recovery Program	93.959	30803/41161	<u>(3,010)</u>	<u>33,535</u>
Women's Services Program/ Recovery-Oriented System of Care (WROSC) & Continuum of Care (COC)	93.959	41076	<u>-</u>	<u>49,991</u>
Total U.S. Department of Health and Human Services			<u>(3,010)</u>	<u>83,526</u>
TOTAL FEDERAL AWARDS			<u>(13,508)</u>	<u>230,495</u>

	Balance December 31, 2014
<u>Expenditures</u>	<u>(Accrued) Deferred</u>

<u>\$ (93,486)</u>	<u>\$ (3,795)</u>
---------------------	--------------------

<u>(93,486)</u>	<u>(3,795)</u>
------------------	-----------------

<u>(51,467)</u>	<u>(4,687)</u>
------------------	-----------------

<u>(51,467)</u>	<u>(4,687)</u>
------------------	-----------------

(33,025)	(2,500)
-----------	----------

<u>(49,991)</u>	<u>-</u>
------------------	----------

<u>(83,016)</u>	<u>(2,500)</u>
------------------	-----------------

<u>(227,969)</u>	<u>(10,982)</u>
------------------	-----------------

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2014 (Accrued) Deferred</u>	<u>Receipts</u>
<u>State Awards</u>				
TN Dept. of Mental Health and Substance Abuse	N/A	38006/42017	\$(2,520)	\$ 29,178
TN Dept. of Mental Health and Substance Abuse	N/A	36189/41164	(2,380)	12,801
TN Dept. of Mental Health and Substance Abuse	N/A	37960/41157	(28,452)	439,089
TN Dept. of Correction	N/A	32913/42516	(4,088)	48,130
TN Dept. of Correction	N/A	3290/37703	(43,400)	565,960
TN Dept. of Correction	N/A	N/A	<u>(1,862)</u>	<u>18,936</u>
TOTAL STATE AWARDS			<u>(82,702)</u>	<u>1,114,094</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$(96,210)</u>	<u>\$1,344,589</u>

<u>Expenditures</u>	<u>Balance December 31, 2014 (Accrued) Deferred</u>
\$(28,814)	\$(2,156)
(12,444)	(2,023)
(492,081)	(81,444)
(48,182)	(4,140)
(573,860)	(51,300)
<u>(17,492)</u>	<u>(418)</u>
<u>(1,172,873)</u>	<u>(141,481)</u>
<u>\$(1,400,841)</u>	<u>\$(152,463)</u>

NOTE - BASIS OF PRESENTATION

The schedule of federal awards and state financial assistance includes the federal and state grant activity of the Organization. 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 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, 2014, 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 May 29, 2015.

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 & Associates, P.C.

Nashville, Tennessee
May 29, 2015