

Organized Neighbors of Edgehill, Inc.

Financial Statements

June 30, 2005

ORGANIZED NEIGHBORS OF EDGEHILL, INC.

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INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Organized Neighbors of Edgehill, Inc.

I have audited the accompanying statement of financial position of Organized Neighbors of Edgehill, Inc. as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Organized Neighbors of Edgehill, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I 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 basic 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Organized Neighbors of Edgehill, Inc., as of June 30, 2005, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated November 21, 2005, on my consideration of Organized Neighbors of Edgehill, Inc.'s internal control structure and a report dated November 21, 2005, on Organized Neighbors of Edgehill, Inc.'s compliance with laws and regulations.



November 21, 2005

ORGANIZED NEIGHBORS OF EDGEHILL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2005

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

ASSETS

Current Assets

Cash and Cash Equivalents

General Checking Account	\$ 46,705
Scholarship Checking Account	2,661
Scholarship Saving Account	46,344
American Home Trust Savings Account	16,264
HUD Checking Account	<u>12,651</u>
Total Cash and Cash Equivalents	124,625

Accounts Receivable

1,137

Total Current Assets

125,762

Mortgage Receivable

8,531

Residential Property

171,116

TOTAL ASSETS

\$ 305,409

LIABILITIES

Current Liabilities

Accounts Payable

\$ 5

Payroll Taxes Payable

1,860

TOTAL LIABILITIES

1,865

NET ASSETS

Unrestricted Net Assets

45,977

Temporarily Restricted Net Assets

249,036

Permanently Restricted Net Assets

8,531

TOTAL NET ASSETS

303,544 ✓

TOTAL LIABILITIES AND NET ASSETS

\$ 305,409

The notes to the financial statements are an integral part of this statement.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

UNRESTRICTED NET ASSETS

SUPPORT	
General Community Donations	\$ 1,639
Fund Raising	1,016
Community Shares Grant	<u>215</u>
TOTAL UNRESTRICTED SUPPORT	2,870
Net Assets Released from Restrictions	<u>111,191</u>
TOTAL UNRESTRICTED SUPPORT	
AND RECLASSIFICATIONS	114,061
 EXPENSES	
Program Services	
Neighborhood Organizing	64,072
Scholarship Payments	44,625
Housing	2,494
Support Services	
Management	2,871
Fund Raising	<u>3,471</u>
TOTAL UNRESTRICTED EXPENSES	117,533 ✓
DECREASE IN UNRESTRICTED NET ASSETS	-3,472
 TEMPORARILY RESTRICTED NET ASSETS	
Scholarship Donations	25,873
MDHA Grant	55,000
United Way	112,494
Interest	84
Net Assets Released from Restrictions	
Restrictions Satisfied by Payments	<u>- 111,191</u>
INCREASE IN TEMPORARILY	
RESTRICTED NET ASSETS	82,260 ✓
INCREASE IN NET ASSETS	78,788
ASSETS AT BEGINNING OF YEAR	224,756
NET ASSETS AT END OF YEAR	<u>\$ 303,544</u> ✓

The notes to the financial statements are an integral part of this statement.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

PROGRAM SERVICES

	Neighborhood			
	<u>Organizing</u>	<u>Housing</u>	<u>Scholarship</u>	<u>Total</u>
Salaries	\$ 46,918			\$ 46,918
Employee Benefits	4,698			4,698
Scholarships			\$ 44,400	44,400
Supplies	708	\$ 14	225	947
Telephone	2,545			2,545
Postage	133			133
Equipment Repair	144			144
Printing	1,235	32		1,267
Meeting Expense	3,788			3,788
Depreciation	48			48
Contract Services	3,385			3,385
Fees, Dues, Miscellaneous	470			470
Mortgage Write off		1,067		1,067
House Project		1,381		1,381
Total Program Expenses	<u>\$ 64,072</u>	<u>\$ 2,494</u>	<u>\$ 44,625</u>	<u>\$ 111,191</u>

SUPPORTING SERVICES

	<u>MANAGEMENT</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Acct/Auditor	\$ 1,665		\$ 1,665
Supplies	71		71
Telephone	283		283
Postage	15		15
Equip. Maintenance	16		16
Printing	141		141
Depreciation	3		3
Contract Services		\$ 3,321	3,321
Insurance	187		187
Fees, Dues, Miscellaneous	490	150	640
Total Program Expenses	<u>\$ 2,871</u>	<u>\$ 3,471</u>	<u>\$ 6,342</u>

The notes to the financial statements are an integral part of this report.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	\$ 78,383
Adjustments to Reconcile Change in Net Assets to Cash	
Depreciation	51
Accounts Receivable	-904
Accounts Payable	1,677
MDHA/HUD Program	<u>-77,886</u>
<u>NET CASH PROVIDED FROM OPERATIONS</u>	1,321
<u>NET CASH AND CASH EQUIVALENTS</u>	1,321
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>123,304</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>\$ 124,625</u>

The accompanying notes are an integral part of this statement.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Organized Neighbors of Edgehill, Inc. (ONE) was established at 1001 Edgehill Avenue, Nashville, Tennessee on June 15, 1991 and was incorporated on July 23, 1993. ONE was incorporated for the purpose of having a central headquarters that would be available to all residents and to provide activities and projects that would benefit the Edgehill Community.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

ONE formed a Neighborhood Network that includes reporting crime, having monthly meetings for residents, starting a community garden, providing leadership training events, awarding scholarships to deserving resident students, promoting educational programs that are provided by other organizations and providing space for the Juvenile Justice Center to offer their services to delinquent youth and others who need counseling.

BASIS OF ACCOUNTING

The financial statements of ONE have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for Profit Organizations. Under SFAS No. 117, 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

Acquisitions of property and equipment are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight line method. As of June 30, 2005, all property and equipment has been fully depreciated.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

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 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.

CONTRIBUTED SERVICES

ONE 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 those services since they do not meet the criteria for recognition under SFAS No. 116, Accounting for Contributions Received and Contributions Made.

TAXATION

ONE qualifies as a tax exempt organization under Section 501 [c] [3] of the Internal Revenue Code and therefore, there is no provision for Federal Income Taxes . ONE has complied with Tennessee Charitable Solicitations Act and has a Metropolitan Government of Davidson County Charitable Solicitation Permit.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all liquid investments with maturity of three months or less when purchased.

NOTE 2 – SCHOLARSHIP PROGRAM

One of the major objectives of ONE is to provide educational assistance to Edgehill residents who have the scholastic ability to attend college or technical school. During the fiscal year ended June 30, 2005, ONE provided \$ 44,400 in scholarships to twenty seven deserving Edgehill residents.

NOTE 3 – HOME TRUST SAVINGS FUND

The Home Trust Savings Account is a revolving account that is used for the purchase and sale of homes through the Community Housing Development Organization (Note 6).

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4- PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2005 consisted of the following:

Total Furniture, Fixtures and Equipment	\$ 11,390
Less:	
Accumulated Depreciation	<u>11,390</u>
Balance	<u><u>\$ -0-</u></u>

NOTE 5 – MORTGAGE RECEIVABLE

The non-interest bearing third mortgage was acquired on July 28, 1997, from the sale of property located at 1310 Grand Avenue, Nashville, Tennessee. The instrument represents an agreed term of fifteen years from the original date, decreasing the principal by 1/15th of the original amount per year, so that by July 28, 2012, this note will have been reduced in its entirety to a zero balance

NOTE 6 – REAL ESTATE OWNED

ONE increased its community involvement by providing affordable homes through the Community Housing Development Organization (CHDO), a program that is sponsored by the Metropolitan Development and Housing Agency, which receives federal funds from the Department of Housing and Urban Development. ONE's involvement in this program made it subject to administrative requirements of OMB Compliance Supplement Circulars A 110 and A 122 and other applicable federal audit requirements

NOTE 7 – OTHER INFORMATION

LEASE AGREEMENT

On October 1st of each year ONE enters into an agreement with MDHA, whereby, MDHA leases to ONE, the property located at 1001 Edgehill Avenue, Unit 17108, Nashville, Tennessee, for a term of one year at no cost to ONE.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services based on estimates by management.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
SUMMARY OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

There were no prior findings and questioned costs.

SUMMARY OF AUDIT RESULTS

The auditor's report expresses an unqualified opinion on the financial statements of Organized Neighbors of Edgehill, Inc. No instances of noncompliance to the financial statements were disclosed during the audit and there were no reportable conditions disclosed during the audit.

Organized Neighbors of Edgehill, Inc. was determined to be a low risk auditee.

A handwritten signature in black ink, appearing to be 'J. D. [unclear]', is written above the date and location.

November 21, 2005

Nashville, Tennessee

ORGANIZED NEIGHBORS OF EDGEHILL, INC.

COMPLIANCE

INTERNAL CONTROL

JUNE 30, 2005

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To Board of Directors
Organized Neighbors of Edgehill, Inc.**

I have audited the financial statements of Organized Neighbors of Edgehill, Inc. as of and for the year ended June 30, 2005, and have issued my report thereon dated November 21, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and the Consolidated Audit Guide for Audits of HUD Programs (the Guide), issued by the U. S. Department of Housing and Urban Development, Office of Inspector General.

COMPLIANCE

As part of obtaining reasonable assurance about whether Organized Neighbors of Edgehill, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and the Guide.

INTERNAL CONTROL OVER FINANCIAL REPORTING


In planning and performing my audit, I considered Organized Neighbors of Edgehill, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants.

ORGANIZED NEIGHBORS OF EDGEHILL, INC.
PLIANCE AND INTERNAL CONTROL (Continued)

INTERNAL CONTROL OVER FINANCIAL REPORTING (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees or volunteers in the normal course of performing their functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding (and pass through) entities.

A handwritten signature in black ink, appearing to be 'J. D. Smith' or similar, written in a cursive style.

November 21, 2005

Nashville, Tennessee