

**THE NEXTDOOR, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2013 AND 2012**

THE NEXTDOOR, INC.

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## 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, 2013 and 2012, 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, 2013 and 2012, 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 15, 2014, 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.

*Crosalin & Associates, P.C.*

Nashville, Tennessee  
May 15, 2014

THE NEXTDOOR, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 960,325	\$ 860,313
Government grants receivable	96,210	173,787
Contributions receivable	1,129,001	123,463
Other receivables	2,264	19,818
Prepaid expenses	2,626	2,626
Land, buildings and equipment, net	<u>4,355,811</u>	<u>2,215,997</u>
Total assets	<u>\$6,546,237</u>	<u>\$3,396,004</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 127,427	\$ 74,532
Deferred rent liability	48,600	48,600
Notes payable	<u>481,183</u>	<u>545,591</u>
Total liabilities	<u>657,210</u>	<u>668,723</u>

NET ASSETS

Unrestricted	4,677,132	2,476,194
Temporarily restricted	<u>1,211,895</u>	<u>251,087</u>
Total net assets	<u>5,889,027</u>	<u>2,727,281</u>
Total liabilities and net assets	<u>\$6,546,237</u>	<u>\$3,396,004</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$4,086,564	\$ 1,159,871	\$5,246,435
Government grants and contracts	<u>1,139,953</u>	<u>-</u>	<u>1,139,953</u>
Total support	<u>5,226,517</u>	<u>1,159,871</u>	<u>6,386,388</u>
Revenue:			
Program fees and rental income	211,336	-	211,336
Interest income	1,406	-	1,406
Other income	<u>129,037</u>	<u>-</u>	<u>129,037</u>
Total revenue	<u>341,779</u>	<u>-</u>	<u>341,779</u>
Net assets released from restriction	<u>199,063</u>	<u>( 199,063)</u>	<u>-</u>
Total support and revenue	<u>5,767,359</u>	<u>960,808</u>	<u>6,728,167</u>
<b>EXPENSES:</b>			
Program services:			
Counseling	346,921	-	346,921
Housing and ministry	<u>2,498,457</u>	<u>-</u>	<u>2,498,457</u>
Total program services	<u>2,845,378</u>	<u>-</u>	<u>2,845,378</u>
Supporting services:			
Administrative	490,065	-	490,065
Fundraising	<u>230,978</u>	<u>-</u>	<u>230,978</u>
Total supporting services	<u>721,043</u>	<u>-</u>	<u>721,043</u>
Total expenses	<u>3,566,421</u>	<u>-</u>	<u>3,566,421</u>
Net increase (decrease) in net assets	2,200,938	960,808	3,161,746
Net assets at beginning of year	<u>2,476,194</u>	<u>251,087</u>	<u>2,727,281</u>
Net assets at end of year	<u>\$4,677,132</u>	<u>\$ 1,211,895</u>	<u>\$5,889,027</u>

<u>Year Ended December 31, 2012</u>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$2,077,940	\$ 196,087	\$2,274,027
<u>1,389,370</u>	<u>-</u>	<u>1,389,370</u>
<u>3,467,310</u>	<u>196,087</u>	<u>3,663,397</u>
184,178	-	184,178
-	-	-
<u>20,165</u>	<u>-</u>	<u>20,165</u>
<u>204,343</u>	<u>-</u>	<u>204,343</u>
<u>217,249</u>	<u>(217,249)</u>	<u>-</u>
<u>3,888,902</u>	<u>( 21,162)</u>	<u>3,867,740</u>
275,065	-	275,065
<u>2,154,677</u>	<u>-</u>	<u>2,154,677</u>
<u>2,429,742</u>	<u>-</u>	<u>2,429,742</u>
389,776	-	389,776
<u>241,733</u>	<u>-</u>	<u>241,733</u>
<u>631,509</u>	<u>-</u>	<u>631,509</u>
<u>3,061,251</u>	<u>-</u>	<u>3,061,251</u>
827,651	( 21,162)	806,489
<u>1,648,543</u>	<u>272,249</u>	<u>1,920,792</u>
<u>\$2,476,194</u>	<u>\$ 251,087</u>	<u>\$2,727,281</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.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$272,247</u>	<u>\$ 960,871</u>
Other expenses:		
Contract labor	-	194,812
Client assistance (housing and living expenses)	-	2,604
Rent	-	43,200
Other program expenses	-	73,943
Utilities	-	123,512
Maintenance	-	153,230
Provision for depreciation	-	123,514
Telephone	-	50,355
Resident outfitting	-	628
Resident meals	-	72,671
Automobile expenses	-	32,742
Insurance	-	28,504
Travel and entertainment	-	25,073
Supplies	-	103,723
Professional fees	-	9,401
Devotional book distribution	-	110,665
Licenses	-	30,949
Dues and subscriptions	-	1,238
Postage and delivery	-	3,096
Marketing	-	-
Training and support services	<u>2,818</u>	<u>9,946</u>
Total other expenses	<u>2,818</u>	<u>1,193,806</u>
Total program expenses	<u>\$275,065</u>	<u>\$2,154,677</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$288,261</u>	<u>\$ 80,072</u>	<u>\$1,601,451</u>
4,118	-	198,930
-	-	2,604
1,800	-	45,000
15,713	2,773	92,429
13,724	-	137,236
17,025	-	170,255
13,721	-	137,235
3,917	1,678	55,950
-	-	628
-	-	72,671
-	-	32,742
3,707	-	32,211
1,950	836	27,859
12,283	20,472	136,478
9,924	6,790	26,115
-	-	110,665
-	-	30,949
86	54	1,378
563	1,970	5,629
-	126,259	126,259
<u>2,984</u>	<u>829</u>	<u>16,577</u>
<u>101,515</u>	<u>161,661</u>	<u>1,459,800</u>
<u>\$389,776</u>	<u>\$241,733</u>	<u>\$3,061,251</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,161,746	\$ 806,489
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	145,779	137,235
Decrease (increase) in government grants receivable	77,577	( 30,618)
(Increase) decrease in contributions receivable	(1,005,538)	97,497
Decrease (increase) in other receivables	17,554	( 3,259)
Increase in prepaid expenses	-	( 1,500)
Increase (decrease) in accounts payable and accrued expenses	<u>52,895</u>	<u>( 3,688)</u>
Net cash provided by operating activities	<u>2,450,013</u>	<u>1,002,156</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	<u>(2,285,593)</u>	<u>( 160,515)</u>
Net cash used in investing activities	<u>(2,285,593)</u>	<u>( 160,515)</u>
Cash flows from financing activities:		
Principal payments on notes payable	( 164,408)	( 205,507)
Proceed from borrowings	<u>100,000</u>	<u>-</u>
Net cash used in financing activities	<u>( 64,408)</u>	<u>( 205,507)</u>
Net increase in cash and cash equivalents	100,012	636,134
Cash and cash equivalents at beginning of year	<u>860,313</u>	<u>224,179</u>
Cash and cash equivalents at end of year	<u>\$ 960,325</u>	<u>\$ 860,313</u>

Supplemental cash flow information:

Cash paid for interest totaled \$10,933 and \$15,745 for the years ended December 31, 2013 and 2012, respectively.

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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, 2013 and 2012.

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, 2013 AND 2012

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, 2013 AND 2012

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.

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.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

B. RECEIVABLES

Government grants receivable, contribution receivables and other receivables totaled \$1,227,475 and \$317,068, as of December 31, 2013 and 2012, respectively. Contributions receivable are due through 2016. No allowance for uncollectible accounts was considered necessary as of December 31, 2013 and 2012.



THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

C. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment at December 31, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 765,850	\$ 265,850
Buildings	1,441,325	1,441,325
Leasehold improvements	646,814	641,062
Furniture and fixtures	137,292	130,883
Equipment and computers	346,708	316,906
Construction in progress	<u>1,768,630</u>	<u>25,000</u>
	5,106,619	2,821,026
Less: Accumulated depreciation	<u>( 750,808)</u>	<u>( 605,029)</u>
	<u>\$ 4,355,811</u>	<u>\$ 2,215,997</u>

Depreciation expense for the years ended December 31, 2013 and 2012 totaled \$145,779 and \$137,235, respectively. Estimated cost to complete construction in progress totaled approximately \$8,500,000 as of December 31, 2013 and related primarily to the construction of the Nashville Community for Women facility.

D. NOTES PAYABLE

A summary of notes payable at December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</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.	\$160,427	\$173,289

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

D. NOTES PAYABLE - Continued

	<u>2013</u>	<u>2012</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.	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, 2013). This note is collateralized by land and building of the Organization.	<u>228,756</u>	<u>372,302</u>
	<u>\$481,183</u>	<u>\$545,591</u>

The future notes payable maturities are as follows:

Years Ending December 31,

2014	\$126,234
2015	35,050
2016	202,671
2017	16,431
2018	17,401
Thereafter	<u>83,396</u>
Total	<u>\$481,183</u>

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from donor restrictions for the years ended December 31, 2013 and 2012 were \$199,063 and \$217,249, 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 \$1,211,895 and \$251,087 as of December 31, 2013 and 2012, respectively, and are restricted primarily for construction of facilities and certain program services.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

F. LEASES

The Organization leases certain office equipment and facilities. Rent expense under the operating leases for the years ended December 31, 2013 and 2012, was \$7,777 and \$18,031, respectively. A summary of future minimum rental payments required under the non-cancellable operating leases is as follows:

Years Ending December 31,

2014	\$ 64,696
2015	64,696
2016	64,696
2017	58,215
2018	56,919
Thereafter	<u>66,405</u>
Total	<u>\$375,627</u>

G. ADVERTISING COSTS

The Organization expenses the cost of advertising and marketing when incurred, which totaled \$78,982 and \$126,259 for the years ended December 31, 2013 and 2012, 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 \$475,453 and \$85,784 for the years ended December 31, 2013 and 2012, 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, 2013, one contribution receivable comprised 11% of total receivables.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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 \$42,000 for each of the years ended December 31, 2013 and 2012.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2014, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

## **SUPPLEMENTAL INFORMATION**

THE NEXTDOOR, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2013

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2013 (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				
Emergency Shelter Grant	14.231	N/A	\$( 1,764)	\$ 5,132
Supportive Housing Program	14.235	TN0059B4J 041103/ TN0059B4J041104	<u>( 8,634)</u>	<u>109,695</u>
Total U.S. Department of Housing and Urban Development			(10,398)	114,827
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>( 4,304)</u>	<u>57,816</u>
Total U.S. Department of Justice			( 4,304)	57,816
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Tennessee Department of Mental Health				
Addictions Recovery Program	93.959	DP1234959/ DP1338211	( 3,009)	36,024
Women's Services Program/ Recovery-Oriented System of Care (WROSC) & Continuum of Care (COC)	93.959	GR1235876/ GR1338738	<u>(26,956)</u>	<u>199,296</u>
Total U.S. Department of Health and Human Services			<u>(29,965)</u>	<u>235,320</u>
TOTAL FEDERAL AWARDS			<u>(44,667)</u>	<u>407,963</u>

<u>Expenditures</u>	Balance December 31, 2013 <u>(Accrued) Deferred</u>
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\$ ( 3,368)	\$ -
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<u>(106,902)</u>	<u>( 5,841)</u>
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(110,270)	(5,841)
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<u>( 58,169)</u>	<u>( 4,657)</u>
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( 58,169)	( 4,657)
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( 36,025)	( 3,010)
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<u>(172,340)</u>	<u>-</u>
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<u>(208,365)</u>	<u>( 3,010)</u>
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<u>(376,804)</u>	<u>(13,508)</u>
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THE NEXTDOOR, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2013

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2013 (Accrued) Deferred</u>	<u>Receipts</u>
<u>State Awards</u>				
TN Dept. of Mental Health and Substance Abuse	N/A	GR1236041/GR1339457	\$( 4,138)	\$ 24,375
TN Dept. of Mental Health and Substance Abuse	N/A	DP133821	( 2,380)	28,917
TN Dept. of Mental Health and Substance Abuse	N/A	N/A	( 50,677)	50,677
TN Dept. of Mental Health and Substance Abuse	N/A	GR1339111	( 1,220)	164,655
TN Dept. of Correction	N/A	GR1235323/GR1338856	( 3,745)	46,312
TN Dept. of Correction	N/A	FA-1235523	( 66,960)	454,200
TN Dept. of Correction	N/A	N/A	<u>-</u>	<u>1,159</u>
TOTAL STATE AWARDS			<u>(129,120)</u>	<u>770,295</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$(173,787)</u>	<u>\$1,178,258</u>



<u>Expenditures</u>	<u>Balance December 31, 2013 (Accrued) Deferred</u>
\$( 22,757)	\$( 2,520)
( 28,917)	( 2,380)
-	-
( 191,887)	( 28,452)
( 46,655)	( 4,088)
( 430,640)	( 43,400)
<u>( 3,021)</u>	<u>( 1,862)</u>
<u>( 723,877)</u>	<u>( 82,702)</u>
<u><u>\$ (1,100,681)</u></u>	<u><u>\$( 96,210)</u></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, 2013, 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 15, 2014.

**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.

*Crosalin & Associates, P.C.*

Nashville, Tennessee  
May 15, 2014

THE NEXTDOOR, INC.  
SUMMARY STATUS OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2013

<u>Item #</u>	<u>Description of Condition</u>	<u>Status of Corrective Action</u>
12-1	Publicity of the availability of grant services and preferential admission.	This item has been resolved.
12-2	Maintenance of documentation of certain ASI and ASAM PPC-2 assessments.	This item has been resolved.
12-3	Documentation of certain TB tests	This item has been resolved.
12-4	Documentation of certain discharge and relapse prevention plans.	This item has been resolved.
12-5	Documentation of certain treatment contact occurrences.	This item has been resolved.