

**NEIGHBORHOODS RESOURCE CENTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2005 AND 2004**

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# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Neighborhoods Resource Center

We have audited the accompanying statements of financial position of the Neighborhoods Resource Center (a Tennessee not-for-profit corporation, the "Center") as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 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 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 Neighborhoods Resource Center as of June 30, 2005 and 2004, 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.

*Blankenship CPA Group, PLLC*

December 19, 2005

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2005 AND 2004**

**ASSETS**

	2005	2004
Cash and cash equivalents	\$ 82,690	\$ 88,593
Accounts receivable	3,598	789
Equipment, net	40,686	85,752
Deposits	<u>50</u>	<u>50</u>
Total assets	<u>\$ 127,024</u>	<u>\$ 175,184</u>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 972	\$ 7,363
Accrued expenses	6,836	5,966
Deferred revenue	<u>22,968</u>	<u>4,792</u>
Total liabilities	<u>30,776</u>	<u>18,121</u>
Net assets:		
Unrestricted	55,795	72,724
Temporarily restricted (note 3)	<u>40,453</u>	<u>84,339</u>
Total net assets	<u>96,248</u>	<u>157,063</u>
Total liabilities and net assets	<u>\$ 127,024</u>	<u>\$ 175,184</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
<b>SUPPORT AND REVENUE:</b>		
Grant revenue	\$ 160,287	\$ 222,556
Contributions	38,769	22,987
Program fees	20,150	10,400
Investment income	872	657
Miscellaneous income	2,041	17,089
Net assets released from restrictions	<u>43,886</u>	<u>57,184</u>
 Total support and revenue	 <u>266,005</u>	 <u>330,873</u>
<b>EXPENSES:</b>		
Program services:		
Information and Technology Services	94,870	154,887
Organizing and Support Services	111,555	156,504
Training and Capacity Building Services	50,821	51,169
Other	<u>40</u>	<u>1,464</u>
 Total program services	 <u>257,286</u>	 <u>364,024</u>
Management and general	23,956	13,936
Fundraising	<u>1,692</u>	<u>608</u>
 Total expenses	 <u>282,934</u>	 <u>378,568</u>
 Decrease in unrestricted net assets	 <u>(16,929)</u>	 <u>(47,695)</u>
 Temporarily restricted net assets:		
Contributions	-	47,914
Net assets released from restrictions:		
Depreciation of contributed equipment	<u>(43,886)</u>	<u>(57,184)</u>
 Decrease in temporarily restricted net assets	 <u>(43,886)</u>	 <u>(9,270)</u>
 Decrease in net assets	 (60,815)	 (56,965)
 Net assets, beginning of year	 <u>157,063</u>	 <u>214,028</u>
 Net assets, end of year	 <u><u>\$ 96,248</u></u>	 <u><u>\$ 157,063</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2005**

	Program Services					Management and General	Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Other	Total			
Salaries	\$ 32,710	\$ 74,805	\$ 35,196	\$ -	\$ 142,711	\$ 13,485	\$ -	\$ 156,196
Payroll taxes	3,935	8,998	4,234	-	17,167	1,621	-	18,788
Employee benefits	2,677	6,122	2,880	-	11,679	1,104	-	12,783
Total payroll and related expense	39,322	89,925	42,310	-	171,557	16,210	-	187,767
Professional fees	-	1,023	-	-	1,023	3,700	-	4,723
Supplies	363	887	366	-	1,616	234	-	1,850
Telephone	705	1,722	711	-	3,138	68	-	3,206
Postage	122	297	123	-	542	111	1,642	2,295
Occupancy	4,378	10,695	4,418	-	19,491	1,309	-	20,800
Repairs and maintenance	-	-	-	-	-	468	-	468
Printing	782	1,911	789	-	3,482	410	50	3,942
Travel and meetings	691	1,688	697	-	3,076	243	-	3,319
Utilities	1,142	2,790	1,152	-	5,084	110	-	5,194
Technology	2,134	-	-	-	2,134	178	-	2,312
Depreciation	44,979	-	-	-	44,979	87	-	45,066
Miscellaneous	252	617	255	40	1,164	828	-	1,992
	<u>\$ 94,870</u>	<u>\$ 111,555</u>	<u>\$ 50,821</u>	<u>\$ 40</u>	<u>\$ 257,286</u>	<u>\$ 23,956</u>	<u>\$ 1,692</u>	<u>\$ 282,934</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2004**

	Program Services					Management and General		Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Other	Total	General			
Salaries	\$ 53,470	\$ 94,153	\$ 32,160	\$ -	\$ 179,783	\$ 3,875	\$ -	\$ 183,658	
Payroll taxes	6,037	10,631	3,631	-	20,299	438	-	20,737	
Employee benefits	3,579	6,302	2,153	-	12,034	259	-	12,293	
Total payroll and related expense	63,086	111,086	37,944	-	212,116	4,572	-	216,688	
Professional fees	-	3,789	-	-	3,789	3,600	-	7,389	
Supplies	626	472	378	412	1,888	274	-	2,162	
Telephone	1,115	1,963	671	-	3,749	81	-	3,830	
Postage	3,317	7,460	2,548	500	13,825	307	419	14,551	
Occupancy	6,027	10,612	3,624	-	20,263	437	-	20,700	
Repairs and maintenance	-	-	-	-	-	53	-	53	
Printing	4,196	10,935	3,688	500	19,319	1,555	189	21,063	
Travel and meetings	577	5,356	454	4	6,391	504	-	6,895	
Utilities	1,599	2,816	962	-	5,377	116	-	5,493	
Program	4,112	1,800	900	-	6,812	-	-	6,812	
Technology	11,003	-	-	-	11,003	920	-	11,923	
Depreciation	58,412	-	-	-	58,412	750	-	59,162	
Miscellaneous	817	215	-	48	1,080	767	-	1,847	
	\$ 154,887	\$ 156,504	\$ 51,169	\$ 1,464	\$ 364,024	\$ 13,936	\$ 608	\$ 378,568	

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
Cash flows from operating activities:		
Decrease in net assets	\$ (60,815)	\$ (56,965)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	45,066	59,162
(Increase) decrease in accounts receivable	(2,809)	28,189
Decrease in other assets	-	479
Decrease in accounts payable	(6,391)	(11,038)
Increase (decrease) in accrued expenses	870	(3,794)
Increase in deferred revenue	<u>18,176</u>	<u>2,053</u>
Net cash provided by (used in) operating activities	<u>(5,903)</u>	<u>18,086</u>
Cash flows from investing activities:		
Additions to equipment	<u>-</u>	<u>(47,914)</u>
Net cash used in investing activities	<u>-</u>	<u>(47,914)</u>
Net decrease in cash	(5,903)	(29,828)
Cash at beginning of year	<u>88,593</u>	<u>118,421</u>
Cash at end of year	<u><u>\$ 82,690</u></u>	<u><u>\$ 88,593</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Neighborhoods Resource Center (the "Center") is a private not-for-profit corporation chartered under the laws of the State of Tennessee to assist residents of various neighborhoods, primarily in low-income areas, in the formation and/or development of neighborhood organizations that identify and take action on issues affecting their neighborhoods. The Center assists residents by providing information, leadership training, consulting and supportive services, and by forming collaborative relationships with, and providing support to, institutions that serve neighborhoods.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Center does not have any permanently restricted net assets.

Use of Estimates

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

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 support is 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 statements of activities as net assets released from restrictions.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Accounts Receivable Valuation

Accounts receivable are considered by management to be fully collectible, thus no valuation allowance has been recorded.

Equipment

Purchased fixed assets are recorded at cost, and donated fixed assets are recorded at fair market value. Contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of 3 – 7 years on a straight-line basis.

Deferred Revenue

Deferred revenue includes certain amounts received in advance and are reflected as liabilities. Revenue is recorded when earned pursuant to the terms of the underlying contract.

Income Tax Status

Neighborhoods Resource Center is exempt from federal income tax under Internal Revenue Code section 501 (c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Functional Classification of Expenses

The following program services are included in the accompanying financial statements:

Information and Technology Services provide neighborhood-level community asset and liability information to neighborhood organizations and the government and nonprofit agencies that serve neighborhoods, in both tabular and graphical formats by using the Geographic Information System. These services also include the deployment of computer systems and training to neighborhood and ethnic community groups for use in their community development activities.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Classification of Expenses (Continued)

Organizing and Support Services provide neighborhood residents and groups with hands on organizational development assistance. This support is designed to engage neighborhood residents in the development of a neighborhood organization that identifies its community goals, takes focused action to achieve its goals, and produces a group of neighborhood leaders with the capacity to carry on their community development work. This area also includes the Strategic Partnership Services which provide government and social service agencies with a nonprofit partner that brings a neighborhood perspective to specific community development projects that are city-wide or multi-neighborhood in nature.

Training and Capacity Building Services consist of the Neighborhood Leadership Training Institute and customized capacity building workshops. These programs are designed to provide residents with the knowledge and skills necessary to take the leading role in identifying and addressing the needs of their neighborhood.

Contributed Services

The Center receives a significant amount of donated services from unpaid volunteers. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition set forth by accounting principles generally accepted in the United States.

**NOTE 2 - EQUIPMENT**

Equipment consists of the following:

	2005	2004
Office equipment	\$ 20,108	\$ 20,108
Computer equipment	<u>185,061</u>	<u>185,061</u>
	205,169	205,169
Less accumulated depreciation	<u>(164,483)</u>	<u>(119,417)</u>
	<u>\$ 40,686</u>	<u>\$ 85,752</u>

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2005 AND 2004**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

	<b>2005</b>	<b>2004</b>
Time restrictions on computer equipment	<u>\$ 40,453</u>	<u>\$ 84,339</u>

**NOTE 4 - RETIREMENT PLAN**

The Center has a defined contribution retirement plan available to employees with at least one year of service. Costs for the years ended June 30, 2005 and 2004 were \$4,541 and \$3,714, respectively.

**NOTE 5 - CONTRIBUTED FACILITIES**

The Center recognized rental expense of \$20,700 for the years ended June 30, 2005 and 2004, for facilities provided by a governmental agency at no charge to the Center. A like amount of contribution income was recognized.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The Center receives a substantial amount of its support from government and the United Way. Support from United Way for the years ended June 30, 2005 and 2004 was approximately 52.8% and 47.2%, respectively, of total support and revenue. A significant reduction in the level of this support, if this were to occur, may have an affect on the Center's programs and activities.