

**THE NEXTDOOR, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2022 AND 2021**

THE NEXTDOOR, INC.

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THE NEXTDOOR, INC.

**Board of Directors**

Ann Thornton, *Board Chair*

Rebecca Whitehead, *Vice-Chair*

Laura McFadden, *Treasurer*

Jena Simmons, *Secretary*

Caroline Cook

Kevin Roddey

Dione DeWitte

Liz Sillay

Betty Dickens

Dr. Chris Smeltzer

Dr. Connie Graves

Mark Smith

Katie Neighbors

Cathy Taylor

Patricia Olenick

Rob Waggener

Andrea Overby

Andrea Walter

Katherine Peters



## Independent Auditor's Report

The Board of Directors  
The Nextdoor, Inc.  
Nashville, Tennessee

### ***Opinion***

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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.

### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### ***Supplementary Information***

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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the roster of board of directors but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

*Crosslin, PLLC*

Nashville, Tennessee  
July 3, 2023

THE NEXTDOOR, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 302,023	\$ 325,561
Cash – restricted	11,455	398,739
Investments	2,711,990	-
Government grants receivable	158,046	159,163
Accounts receivables, net	314,935	301,956
Prepaid expenses and other assets	108,814	-
Land, buildings and equipment, net	<u>7,339,648</u>	<u>7,844,217</u>
Total assets	<u>\$10,946,911</u>	<u>\$9,029,636</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 399,186	\$ 408,848
Notes payable	<u>4,385,835</u>	<u>4,856,303</u>
Total liabilities	<u>4,785,021</u>	<u>5,265,151</u>
Net assets without donor restrictions	5,702,488	3,253,787
Net assets with donor restrictions	<u>459,402</u>	<u>510,698</u>
Total net assets	<u>6,161,890</u>	<u>3,764,485</u>
Total liabilities and net assets	<u>\$10,946,911</u>	<u>\$9,029,636</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions of cash and financial assets	\$ 2,200,034	\$ 62,378	\$ 2,262,412
Contributions of nonfinancial assets	64,800	-	64,800
Government grants and contracts	<u>1,976,053</u>	<u>444,840</u>	<u>2,420,893</u>
Total support	<u>4,240,887</u>	<u>507,218</u>	<u>4,748,105</u>
Revenue:			
Program fees, net and rental income	3,599,601	-	3,599,601
Interest income	741	-	741
Loss on investments	( 38,010)	-	( 38,010)
Gain on disposal of fixed assets	2,784,041	-	2,784,041
Other income	<u>3,941</u>	<u>-</u>	<u>3,941</u>
Total revenue	<u>6,350,314</u>	<u>-</u>	<u>6,350,314</u>
Net assets released from restriction	<u>558,514</u>	<u>(558,514)</u>	<u>-</u>
Total support and revenue	<u>11,149,715</u>	<u>( 51,296)</u>	<u>11,098,419</u>
<b>EXPENSES:</b>			
Program services:			
Counseling	806,304	-	806,304
Housing and ministry	<u>5,853,575</u>	<u>-</u>	<u>5,853,575</u>
Total program services	<u>6,659,879</u>	<u>-</u>	<u>6,659,879</u>
Supporting services:			
Administrative	1,447,166	-	1,447,166
Fundraising	<u>593,969</u>	<u>-</u>	<u>593,969</u>
Total supporting services	<u>2,041,135</u>	<u>-</u>	<u>2,041,135</u>
Total expenses	<u>8,701,014</u>	<u>-</u>	<u>8,701,014</u>
Net increase (decrease) in net assets	2,448,701	( 51,296)	2,397,405
Net assets at beginning of year	<u>3,253,787</u>	<u>510,698</u>	<u>3,764,485</u>
Net assets at end of year	<u>\$ 5,702,488</u>	<u>\$ 459,402</u>	<u>\$ 6,161,890</u>



<u>Year Ended December 31, 2021</u>		
<u>Net Assets</u> <u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>Net Assets</u> <u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>Total</u>
\$ 1,979,321	\$ 149,865	\$ 2,129,186
64,800	-	64,800
<u>2,051,925</u>	<u>400,000</u>	<u>2,451,925</u>
<u>4,096,046</u>	<u>549,865</u>	<u>4,645,911</u>
4,379,312	-	4,379,312
387	-	387
-	-	-
-	-	-
<u>51,964</u>	<u>-</u>	<u>51,964</u>
<u>4,431,663</u>	<u>-</u>	<u>4,431,663</u>
<u>155,553</u>	<u>(155,553)</u>	<u>-</u>
<u>8,683,262</u>	<u>394,312</u>	<u>9,077,574</u>
1,064,193	-	1,064,193
<u>6,653,188</u>	<u>-</u>	<u>6,653,188</u>
<u>7,717,381</u>	<u>-</u>	<u>7,717,381</u>
1,520,879	-	1,520,879
<u>546,199</u>	<u>-</u>	<u>546,199</u>
<u>2,067,078</u>	<u>-</u>	<u>2,067,078</u>
<u>9,784,459</u>	<u>-</u>	<u>9,784,459</u>
(1,101,197)	394,312	( 706,885)
<u>4,354,984</u>	<u>116,386</u>	<u>4,471,370</u>
<u>\$ 3,253,787</u>	<u>\$ 510,698</u>	<u>\$ 3,764,485</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$ 800,963</u>	<u>\$2,826,929</u>
Other expenses:		
Contract labor	-	736,624
Client assistance (housing, living expenses)	-	37
Office and apartment rent	-	65,587
Other program expenses	-	213,625
Interest	-	31,244
Utilities	-	170,708
Maintenance	-	540,671
Provision for depreciation	-	363,431
Telephone	-	22,773
Resident meals	-	337,374
Automobile expenses	-	16,001
Insurance	-	45,257
Travel and entertainment	-	16,621
Supplies	-	43,393
Professional fees	-	368,369
Devotional book distribution	-	452
Licenses	-	26,066
Dues and subscriptions	-	8,587
Postage and delivery	-	976
Marketing	-	-
Training and support services	<u>5,341</u>	<u>18,850</u>
Total other expenses	<u>5,341</u>	<u>3,026,646</u>
Total expenses	<u>\$ 806,304</u>	<u>\$5,853,575</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$ 848,079</u>	<u>\$235,577</u>	<u>\$4,711,548</u>
15,570	-	752,194
-	-	37
2,733	-	68,320
45,395	8,011	267,031
6,639	1,172	39,055
18,968	-	189,676
60,075	-	600,746
40,381	-	403,812
1,771	760	25,304
-	-	337,374
-	-	16,001
5,885	-	51,142
1,293	554	18,468
5,139	8,565	57,097
388,834	266,044	1,023,247
-	-	452
-	-	26,066
572	382	9,541
177	621	1,774
-	70,712	70,712
<u>5,655</u>	<u>1,571</u>	<u>31,417</u>
<u>599,087</u>	<u>358,392</u>	<u>3,989,466</u>
<u>\$1,447,166</u>	<u>\$593,969</u>	<u>\$8,701,014</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>\$1,059,022</u>	<u>\$3,737,725</u>
Other expenses:		
Contract labor	-	390,775
Client assistance (housing, living expenses)	-	73
Office and apartment rent	-	71,097
Other program expenses	-	494,021
Utilities	-	188,869
Maintenance	-	649,102
Provision for depreciation	-	384,525
Telephone	-	24,136
Resident meals	-	344,668
Automobile expenses	-	16,038
Insurance	-	55,567
Travel and entertainment	-	15,336
Supplies	-	57,059
Professional fees	-	117,461
Devotional book distribution	-	61,944
Licenses	-	15,406
Dues and subscriptions	-	8,800
Postage and delivery	-	2,338
Marketing	-	-
Training and support services	<u>5,171</u>	<u>18,248</u>
Total other expenses	<u>5,171</u>	<u>2,915,463</u>
 Total expenses	 <u>\$1,064,193</u>	 <u>\$6,653,188</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$1,121,317</u>	<u>\$311,477</u>	<u>\$6,229,541</u>
8,260	-	399,035
-	-	73
2,962	-	74,059
104,980	18,526	617,527
20,985	-	209,854
72,123	-	721,225
42,725	-	427,250
1,877	805	26,818
-	-	344,668
-	-	16,038
7,226	-	62,793
1,193	511	17,040
6,757	11,262	75,078
123,987	84,833	326,281
-	-	61,944
-	-	15,406
587	391	9,778
425	1,488	4,251
-	115,385	115,385
<u>5,475</u>	<u>1,521</u>	<u>30,415</u>
<u>399,562</u>	<u>234,722</u>	<u>3,554,918</u>
<u>\$1,520,879</u>	<u>\$546,199</u>	<u>\$9,784,459</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,397,405	\$(706,885)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	403,812	427,250
Loss on investments	38,010	-
Gain on sale of fixed assets	(2,784,041)	-
Decrease in government grants receivable	1,117	97,697
Decrease in contributions receivable	-	18,000
(Increase) decrease in accounts receivable	( 12,979)	66,245
Increase in prepaid expenses and other assets	( 108,814)	-
(Decrease) increase in accounts payable and accrued expenses	<u>( 9,662)</u>	<u>222,188</u>
Net cash (used in) provided by operating activities	<u>( 75,152)</u>	<u>124,495</u>
Cash flows from investing activities:		
Purchases of investments	(2,750,000)	-
Proceeds from sale of fixed assets	3,385,692	-
Purchases of land, buildings and equipment	<u>( 500,894)</u>	<u>(107,608)</u>
Net cash provided by (used in) investing activities	<u>134,798</u>	<u>(107,608)</u>
Cash flows from financing activities:		
Principal payments on notes payable	( 470,468)	(361,366)
Proceeds from net borrowings on notes payable	<u>-</u>	<u>85,000</u>
Net cash used in financing activities	<u>( 470,468)</u>	<u>(276,366)</u>
Net decrease in cash and cash equivalents	( 410,822)	(259,479)
Cash and cash equivalents at beginning of year	<u>724,300</u>	<u>983,779</u>
Cash and cash equivalents at end of year	<u>\$ 313,478</u>	<u>\$ 724,300</u>
Cash and cash equivalents are as follows:		
Cash and cash equivalents	\$ 302,023	\$ 325,561
Cash - restricted	<u>11,455</u>	<u>398,739</u>
Cash and cash equivalents at end of year	<u>\$ 313,478</u>	<u>\$ 724,300</u>

Supplemental cash flow information:

Cash paid for interest totaled \$39,055 and \$-0- for the years ended December 31, 2022 and 2021, respectively.

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Nextdoor, Inc., (the “Organization”) is a not-for-profit organization incorporated in 2003 to provide evidence-based substance abuse and mental health services for women in an environment of faith and healing to restore hope and a lifetime of recovery. They offer a full continuum of care including Medically-Monitored Detoxification, Residential Treatment, Partial Hospitalization, Intensive Outpatient, Medication-Assisted Treatment (MAT), Outpatient MAT services and Aftercare for alumnae.

Accrual Basis and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

For reporting purposes, the Organization’s financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net Assets With Donor Restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets. The Organization does not have net assets with donor restrictions that are perpetual in nature.

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 statements of activities.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions 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 support with donor restrictions. 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.

Program Fee Revenue and Accounts Receivable

Program participant charges are reported at the amount that reflects consideration to which the Organization expects to be entitled in exchange for providing various services. For all services provided, timing of revenue recognition is based on services transferred over time as performance obligations are met under the contracts. Performance obligations are determined by the nature of the services provided to each participant.

Program fee revenue, net represents the estimated net realizable amounts from program participants and third-party payors, including insurance companies. Program participant charges are billed monthly as services are provided, therefore there are typically no contract assets or liabilities other than accounts receivable. Certain program fee revenue is recorded at established rates reduced by estimated allowances for contractual adjustments. Contractual adjustments arise due to the terms of certain reimbursement contracts. Such contractual adjustments represent the difference between charges at established rates and estimated reimbursable amounts and are recognized in the period the service is rendered.



THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The estimated reimbursable amounts are based on management's knowledge and historical collections from similar payors. Final determination of certain settlements is subject to review by appropriate authorities. Any differences between estimated contractual adjustments and actual settlements under reimbursement are reported as additional contractual adjustments in the period such adjustments are determined. The term between billing and when payment is due is generally not significant. As permitted under U.S. GAAP, the Organization has elected not to assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the program participant or third-party payor and transfer of the promised services to the program participant will be one year or less.

Related accounts receivable is carried at cost less an allowance for doubtful accounts and contractual adjustments. Accounts receivable are periodically evaluated for collectability. Provisions for uncollectible accounts and contractual adjustments are determined on the basis of experience, known and inherent risks, and current economic conditions.

The Organization provides services to participants primarily located in the middle Tennessee area.

The Organization is generally directly responsible for fulfilling its performance obligations in contracts with program participants.

Federal, State and Other Grants

Revenue under federal, state and other grants is recognized to the extent related expenses have been incurred. Grants receivable represent the difference between amounts earned and amounts received. Deferred grant revenue represents grant funds received that have not been earned.

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, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets for possible impairment when events or circumstances indicate that the carrying amounts may not be recoverable. Long-lived assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are independent of the cash flows of other groups of assets. If it is determined that the carrying amounts of such long-lived assets are not recoverable, the assets are written down to their fair value. As of December 31, 2022 and 2021, in the opinion of management, there has been no such impairment.

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.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

For purpose of the statements of cash flows, the Organization considers all cash and all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2022 and 2021, the Organization held cash of \$11,455 and \$398,739, respectively, with donor imposed restrictions requiring the funds to be utilized for certain facility renovations.

Investments

Investments are stated at fair value with gains and losses included in the statements of activities (See Note I).

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 investments (see Note I), 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.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

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

New Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which requires an entity to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. Likewise, the Organization must disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets. See Note H.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 313,478	\$ 724,300
Investments	2,711,990	-
Government grants receivable	158,046	159,163
Accounts receivable, net	<u>314,935</u>	<u>301,956</u>
Total financial assets	<u>3,498,449</u>	<u>1,185,419</u>
Less amounts not available to be used for general expenditures within one year:		
Financial assets not available to be used within one year	<u>459,402</u>	<u>510,698</u>
Financial assets available to meet general expenditures within one year	<u>\$3,039,047</u>	<u>\$ 674,721</u>

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

B. LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

The Organization receives substantial support through restricted and unrestricted contributions and fundraising clients and must maintain sufficient resources to meet responsibilities to its donors. The Organization also receives significant revenues from grants which are ongoing. Grant revenues are generally received monthly through submittal of reimbursement requests for various programs. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

C. RECEIVABLES

Government grants receivable totaled \$158,046 and \$159,163 as of December 31, 2022 and 2021, respectively. There was no allowance for uncollectible accounts considered necessary as of December 31, 2022 and 2021.

Accounts receivable, net of an allowance for uncollectible accounts and contractual adjustments, related to program fees and other revenues as of December 31, 2022 and 2021, totaled \$314,935 and \$301,956, respectively. The allowance for uncollectible accounts and contractual adjustments as of December 31, 2022 and 2021, was \$212,254 and \$316,141, respectively.

D. LAND, BUILDINGS AND EQUIPMENT AND LAND AND BUILDING HELD FOR SALE

Land, buildings and equipment at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 132,450	\$ 132,450
Buildings	9,150,680	10,249,853
Leasehold improvements	282,271	35,065
Furniture and fixtures	624,860	672,798
Equipment and computers	1,389,011	1,240,026
Construction in progress	-	4,552
	<u>11,579,272</u>	<u>12,334,744</u>
Less: Accumulated depreciation	<u>( 4,239,624)</u>	<u>( 4,490,527)</u>
	<u>\$ 7,339,648</u>	<u>\$ 7,844,217</u>

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$403,812 and \$427,250, respectively.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

E. NOTES PAYABLE

A summary of notes payable at December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Short-term note payable to an individual. Interest accrues at 1.5% per annum and was paid in full in 2022.	\$ -	\$ 85,000
Note payable to a financial institution due in monthly principal payments of \$3,866 plus interest at 4% below the financial institution's Base Rate (3.5% at December 31, 2022). All Outstanding interest and principal are due September 30, 2024. The note is collateralized by the land and building of the Organization.	531,429	573,952
Note payable to a financial institution due in monthly principal installments of \$28,594 through October 2024 with a final balloon payment in November 2024. Interest is payable monthly and is based on the financial institution's Base Rate less 4% (3.5% at December 31, 2022). The note is collateralized by the land and building of the Organization.	<u>3,854,406</u>	<u>4,197,351</u>
Total notes payable	<u>\$4,385,835</u>	<u>\$4,856,303</u>

Future maturities required under notes payable are as follows as of December 31, 2022:

<u>Years Ending December 31,</u>	
2023	\$ 389,518
2024	<u>3,996,317</u>
Total	<u>\$4,385,835</u>

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

F. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021 have been restricted by the donors for the following purposes:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subject to purpose restrictions:		
Program supplies, training and 15 passenger van	\$ 302,072	\$ -
Facility renovations	145,305	398,713
Miscellaneous resident needs	<u>12,025</u>	<u>95,000</u>
Total subject to purpose restrictions	459,402	493,713
Subject to time restrictions	<u>-</u>	<u>16,985</u>
Total net assets with donor restrictions	<u>\$459,402</u>	<u>\$510,698</u>

Net assets with donor restrictions of \$558,514 and \$155,553 for the years ended December 31, 2022 and 2021, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

G. ADVERTISING AND MARKETING COSTS

The Organization expenses the cost of advertising and marketing when incurred, which totaled \$70,712 and \$115,385 for the years ended December 31, 2022 and 2021, respectively.

H. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets are recorded as revenue and expenses in the accompanying statements of activities. These contributions consist of donated rent at the estimated fair market value, as determined by the provider, on the date of donation. Revenue recognized from contributions of nonfinancial assets at both December 31, 2022 and 2021, was \$64,800. Utilization in program/activities was allocated to housing and ministry and there were no donor restrictions.

The valuation techniques and inputs used to determine the fair market value of rent were based upon the predetermined rent amounts assigned to the property by the provider at the time of the lease agreement.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

I. FAIR VALUE OF FINANCIAL INSTRUMENTS

Required disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Organization's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at December 31, 2022:

	Assets Measured at Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	\$ 6,736	\$ 6,736	\$ -	\$ -
Corporate bonds	731,045	-	731,045	-
US treasury securities	<u>1,974,209</u>	<u>1,974,209</u>	<u>-</u>	<u>-</u>
	<u>\$2,711,990</u>	<u>\$1,980,945</u>	<u>\$ 731,045</u>	<u>\$ -</u>

The Organization did not have any financial instruments at December 31, 2021.

The following methods and assumptions were used to estimate the fair value of each class of financial investments:

*Investments*

The fair value of cash and equivalents and US Treasury/Agency securities are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of corporate bonds are determined using primarily Level 2 inputs.

J. 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.



THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

K. 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.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 3, 2023, which is 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, 2022

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2022 (Accrued) Deferred</u>	<u>Receipts</u>
<u>Federal Awards</u>				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: Passed through the Metropolitan Housing and Development Agency of Nashville and Davidson County Supportive Housing Program 14.235		TN0059L4J041912	<u>\$ ( 9,934)</u>	<u>\$ 11,572</u>
Total U.S. Department of Housing and Urban Development			<u>( 9,934)</u>	<u>11,572</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES: Passed through the Tennessee Department of Mental Health TN COVID-19 Behavioral Health Care Response	93.665	72670	-	49,890
COVID Relief - Mental Block Grant	93.958	71196	-	12,850
Adult Continuum of Care	93.959	69861	<u>-</u>	<u>168,934</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>231,674</u>
TOTAL FEDERAL AWARDS			<u>( 9,934)</u>	<u>243,246</u>

	Balance
	December 31, 2022
<u>Expenditures</u>	<u>(Accrued) Deferred</u>

<u>\$( 7,387)</u>	<u>\$( 5,749)</u>
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<u>( 7,387)</u>	<u>( 5,749)</u>
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( 49,890)	-
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( 12,850)	-
<u>(168,934)</u>	<u>-</u>

<u>(231,674)</u>	<u>-</u>
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<u>(239,061)</u>	<u>( 5,749)</u>
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THE NEXTDOOR, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE - Continued  
YEAR ENDED DECEMBER 31, 2022

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2022 (Accrued)Deferred</u>	<u>Receipts</u>
<u>State Awards</u>				
TN Dept. of Mental Health and Substance Abuse	N/A	69864/74079	\$ -	\$ 20,161
TN Dept. of Mental Health and Substance Abuse	N/A	62996	( 3,019)	7,685
TN Dept. of Mental Health and Substance Abuse	N/A	69861/74098	( 78,462)	909,008
TN Dept. of Mental Health and Substance Abuse	N/A	69860/74140	( 4,365)	216,905
TN Dept. of Mental Health and Substance Abuse	N/A	65806/74085	( 1,622)	29,347
TN Dept. of Mental Health and Substance Abuse	N/A	69858/74082	( 1,999)	24,746
TN Dept. of Mental Health and Substance Abuse	N/A	N/A	-	142,000
TN Dept. of Mental Health and Substance Abuse	N/A	N/A	-	238,340
TN Dept. of Corrections	N/A	N/A	-	64,500
TN Dept. of Corrections	N/A	N/A	398,739	-
TN Dept. of Corrections	N/A	59324	( 58,633)	631,610
TN Dept. of Children's Services	N/A	68019	( 1,129)	8,275
TOTAL STATE AWARDS			<u>249,510</u>	<u>2,292,577</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 239,576</u>	<u>\$2,535,823</u>

<u>Expenditures</u>	<u>Balance December 31, 2022 (Accrued) Deferred</u>
\$( 23,275)	\$( 3,114)
( 4,666)	-
( 862,585)	( 32,039)
( 42,480)	170,060
( 29,412)	( 1,687)
( 25,048)	( 2,301)
( 6,358)	135,642
-	238,340
-	64,500
( 387,284)	11,455
( 689,349)	(116,372)
<u>( 7,974)</u>	<u>( 828)</u>
<u>(2,078,431)</u>	<u>463,656</u>
<u>\$(2,317,492)</u>	<u>\$ 457,907</u>

#### NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the federal and state grant activity of the Organization for the year ended December 31, 2022. 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 schedule is presented using the accrual basis of accounting.

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, 2022, 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 July 3, 2023.

### **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) as a basis for designing 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 financial statements. 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, PLLC*

Nashville, Tennessee  
July 3, 2023



THE NEXTDOOR, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings reported.