THE NEXTDOOR, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2010 AND 2009

THE NEXTDOOR, INC.

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CROSSLIN &ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of The Nextdoor, Inc. (a nonprofit organization) (the "Organization") as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 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 The Nextdoor, Inc. as of December 31, 2010 and 2009, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2011, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal and state awards for the year ended December 31, 2010, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crosslin & Associates, P.C.

Nashville, Tennessee
August 23, 2011

THE NEXTDOOR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2010	December 31, 2009
Cash and cash equivalents	$ 240,091	$ 286,103
Government grants receivable	86,700	65,796
Contributions receivable	65,857	13,914
Prepaid expenses	2,626	-
Land, building and equipment, net	1,619,890	1,542,997
Total assets	$2,015,164	$1,908,810

LIABILITIES

	2010	2009
Accounts payable and accrued expenses	$ 34,072	$ 20,544
Deferred rent liability	48,600	-
Notes payable	326,841	257,634
Total liabilities	409,513	278,178

NET ASSETS

	2010	2009
Unrestricted	1,533,737	1,511,849
Temporarily restricted	71,914	118,783
Total net assets	1,605,651	1,630,632
Total liabilities and net assets	$2,015,164	$1,908,810

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2010		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	$ 719,633	$ 217,420	$ 937,053
Government grants	1,181,455	-	1,181,455
Total support	1,901,088	217,420	2,118,508
Revenue:			
Rental income	254,660	-	254,660
Interest income	2,280	-	2,280
Other income	7,527	-	7,527
Total revenue	264,467	-	264,467
Net assets released from restriction	264,289	(264,289)	-
Total support and revenue	2,429,844	(46,869)	2,382,975
EXPENSES:			
Program services:			
Counseling	306,238	-	306,238
Housing and ministry	1,490,471	-	1,490,471
Total program services	1,796,709	-	1,796,709
Supporting services:			
Administrative	471,136	-	471,136
Fundraising	140,111	-	140,111
Total supporting services	611,247	-	611,247
Total expenses	2,407,956	-	2,407,956
Net (decrease) increase in net assets	21,888	(46,869)	(24,981)
Net assets at beginning of year	1,511,849	118,783	1,630,632
Net assets at end of year	$1,533,737	$ 71,914	$ 1,605,651

Year Ended December 31, 2009		
Unrestricted	Temporarily Restricted	Total
$ 585,486	$ 10,000	$ 595,486
442,068	-	442,068
1,027,554	10,000	1,037,554
213,273	-	213,273
1,289	249	1,538
7,200	-	7,200
221,762	249	222,011
14,624	(14,624)	-
1,263,940	(4,375)	1,259,657
207,994	-	207,994
791,920	-	791,920
999,914	-	999,914
312,654	-	312,654
86,334	-	86,334
398,988	-	398,988
1,398,902	-	1,398,902
(134,962)	(4,375)	(139,337)
1,646,811	123,158	1,769,969
$ 1,511,849	$ 118,783	$ 1,630,632

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Program Services	
	Counseling	Housing and Ministry
Total salaries, wages and benefits	$305,148	$ 534,009
Other expenses:		
Client assistance (housing and living expenses)	-	143,833
Rent	-	177,726
Other program expenses	-	116,156
Utilities	-	121,856
Maintenance	-	101,451
Provision for depreciation	-	91,430
Telephone	-	53,037
Resident outfitting	-	2,490
Resident meals	-	5,011
Automobile expenses	-	15,586
Insurance	-	16,193
Travel and entertainment	-	23,043
Supplies	-	64,559
Professional fees	-	17,051
Dues and subscriptions	-	1,335
Postage and delivery	-	3,253
Marketing	-	-
Training and support services	1,090	2,452
Total other expenses	1,090	956,462
Total program expenses	$306,238	$1,490,471

Supporting Services		
Administrative	Fundraising	Total
$381,435	$50,858	$1,271,450
-	-	143,833
7,405	-	185,131
11,616	17,424	145,196
13,540	-	135,396
11,272	-	112,723
10,159	-	101,589
4,125	1,768	58,930
-	-	2,490
-	-	5,011
-	-	15,586
2,106	-	18,299
1,792	768	25,603
7,645	12,742	84,946
17,998	12,315	47,364
89	59	1,483
591	2,070	5,914
-	41,562	41,562
1,363	545	5,450
89,701	89,253	1,136,506
$471,136	$140,111	$2,407,956

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services	
	Counseling	Housing and Ministry
Total salaries, wages and benefits	$207,652	$363,392
Other expenses:		
Rent	-	41,612
Other program expenses	-	76,714
Utilities	-	71,759
Maintenance	-	49,936
Provision for depreciation	-	75,245
Telephone	-	30,358
Resident outfitting	-	756
Resident meals	-	10,721
Automobile expenses	-	6,674
Insurance	-	11,129
Travel and entertainment	-	4,967
Supplies	-	31,703
Professional fees	-	12,318
Dues and subscriptions	-	2,439
Postage and delivery	-	1,427
Marketing	-	-
Training and support services	342	770
Total other expenses	342	428,528
Total program expenses	$207,994	$791,920

Supporting Services		
Administrative	Fundraising	Total
$259,565	$34,609	$ 865,218
1,734	-	43,346
7,671	11,507	95,892
7,973	-	79,732
5,548	-	55,484
8,361	-	83,606
2,361	1,012	33,731
-	-	756
-	-	10,721
-	-	6,674
1,447	-	12,576
386	166	5,519
3,754	6,257	41,714
13,003	8,897	34,218
163	108	2,710
259	908	2,594
-	22,700	22,700
429	170	1,711
53,089	51,725	533,684
$312,654	$86,334	$1,398,902

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2010	2009
Cash flows from operating activities:		
Decrease in net assets	$(24,981)	$(139,337)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	101,589	83,606
(Increase) decrease in government grants receivable	(20,904)	9,306
Increase in contributions receivable	(51,943)	-
Increase in prepaid expenses	(2,626)	-
Increase in deferred rent liability	48,600	-
Increase in accounts payable and accrued expenses	13,528	1,274
Net cash provided by (used in) operating activities	63,263	(45,151)
Cash flows from investing activities:		
Purchases of land, building and equipment	(178,482)	-
Net cash used in investing activities	(178,482)	-
Cash flows from financing activities:		
Principal payments on note payable	(105,793)	(10,069)
Proceed from borrowings	175,000	50,000
Net cash provided by financing activities	69,207	39,931
Net decrease in cash	(46,012)	(5,220)
Cash and cash equivalents at beginning of year	286,103	291,322
Cash and cash equivalents at end of year	$ 240,091	$ 286,103

Supplemental cash flow information:

Cash paid for interest totaled $14,103 and $12,259 for the years ended December 31, 2010 and 2009, respectively.

See accompanying notes to the financial statements.

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, 2010 and 2009.

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.

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, Building and Equipment

Land, building and equipment are stated at cost, or if contributed, at fair market 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.

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 area is the recovery period for the building, leasehold improvements and equipment. 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.

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.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

B. RECEIVABLES

Government grants and contribution receivables are due within one year of December 31, 2010 and 2009. No allowance for uncollectible accounts was considered necessary as of December 31, 2010 and 2009.

C. LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2010 and 2009, consisted of the following:

	2010	2009
Land	$ 132,450	$ 132,450
Building	956,599	956,599
Leasehold improvements	566,997	533,776
Furniture and fixtures	105,991	75,158
Equipment and computers	206,004	91,576
	1,968,041	1,789,559
Less: Accumulated depreciation	(348,151)	(246,562)
	$ 1,619,890	$ 1,542,997

Depreciation expense for the years ended December 31, 2010 and 2009 totaled $101,589 and $83,606, respectively.

D. NOTES PAYABLE

A summary of notes payable at December 31, 2010 and 2009 follows:

	2010	2009
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.	$196,841	$207,634
Note payable to THDA due in September 2011. This note is a non-interest bearing instrument.	45,000	25,000
Note payable to an individual due on demand. This note bears interest at 1.5%.	20,000	25,000
Unsecured line-of-credit, with a limit of $100,000, interest based on the financial institution's base rate plus 0.5%, but not below 5% (5% at December 31, 2010), due in May 2011	65,000	-
	$326,841	$257,634

D. NOTES PAYABLE - Continued

The future note payable maturities are as follows:

2011	$141,647
2012	12,334
2013	13,062
2014	13,834
2015	14,650
Thereafter	131,314
Total	$326,841

During March 2011, the Organization entered into a secured loan agreement with a financial institution in the amount of $408,000. The proceeds were used for the purchase of a Knoxville facility (See Note F). This note bears interest at a variable rate based on the bank's base rate minus 4.0%, resulting in an initial rate of 0% and is due in 59 regular payments of $1,700 and a balloon payment of $307,700 in March 2016.

During March 2011, the Organization entered into a secured line-of-credit with a financial institution with an available borrowing limit of $125,000; interest is based on the banks base rate plus 1.0%, but not below 5.0%, due in March 2013.

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from donor restrictions for the years ended December 31, 2010 and 2009 were $264,289 and $14,624 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 $71,914 and $118,783 as of December 31, 2010 and 2009, respectively, and are restricted primarily for program services.

F. LEASES

The Organization leases certain office equipment and facilities. Rent expense under the operating leases for the years ended December 31, 2010 and 2009, was $96,807 and $6,220, respectively. A summary of future minimum rental payments required under the non-cancellable operating leases is as follows:

Years Ending December 31,	
2011	$ 74,199
2012	72,956
2013	66,580
2014	64,800
2015	64,800
Thereafter	270,000
Total	$613,334

During March 2011, the Organization purchased the leased facility in Knoxville for $600,000. The purchase was partially funded with a note payable from a financial institution and a grant (See Note D).

G. ADVERTISING COSTS

The Organization expenses the cost of advertising and marketing when incurred, which totaled $41,562 and $22,700 for the years ended December 31, 2010 and 2009, 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 $42,292 and $26,623 for the years ended December 31, 2010 and 2009, respectively.

I. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in high credit quality financial 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. An accounting risk also extends to receivables, all of which are uncollateralized.

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. Although such audits could generate expenditures disallowance under terms of the grants, management believes any required reimbursements would not be material to the financial statements of the Organization.

K. RELATED PARTY TRANSACTIONS

During 2010, the Organization leased 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 $58,908 for each of the years ended December 31, 2010 and 2009.

The Organization has a note payable to an employee totaling $20,000 due on demand (See Note D).

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 23, 2011, the date the financial statements were available for issuance, and has determined that except as set forth in Notes D and F, there are no subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2010 (Accrued) Deferred	Receipts
Federal Awards				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Tennessee Housing Development Agency				
ARRA-Homeless Prevention and Rapid Re-Housing Program (HPRP)*	14.257	HPRP-09-08	$(57)	$ 215,756
Passed through the Tennessee Department of Human Services				
Emergency Shelter Grant (ESG)	14.231	Z-08-022598	-	15,000
Supportive Housing Program	14.235	TN0059B4J040801	(4,873)	77,799
			(4,930)	308,555
U.S. DEPARTMENT OF JUSTICE:				
Passed through the Tennessee Office of Criminal Justice				
JAG Program*:				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	9565	(6,566)	67,190
ARRA - Byrne JAG Program	16.803	3549	(23,247)	422,000
			(29,813)	489,190
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Tennessee Department of Mental Health and Developmental Disabilities				
Tennessee Access to Recovery II	93.959	DP-10-27891-00	(14,000)	131,196
Tennessee Access to Recovery II	93.275	DP-11-30856-00	-	55,969
			(14,000)	187,165
U.S. DEPARTMENT OF HOMELAND SECURITY:				
ARRA - Emergency Food and Shelter Program	97.024	765200-049	-	10,000
TOTAL FEDERAL AWARDS			(48,743)	994,910

* - Tested as a major program

Expenditures	Balance December 31, 2010 (Accrued) Deferred
$(240,597)	$(24,898)
(15,000)	-
(78,878)	(5,952)
(334,475)	(30,850)
(65,177)	(4,553)
(423,296)	(24,543)
(488,473)	(29,096)
(117,196)	-
(55,969)	-
(173,165)	-
(10,000)	-
(1,006,113)	(59,946)

The note to the Schedule of Expenditures of Federal and State Awards is an integral part of this schedule.

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2010 (Accrued) Deferred	Receipts
State Awards				
TN Dept. of Mental Health and Developmental Disabilities	N/A	GR1031198	$ -	$ 67,850
TN Dept. of Mental Health and Developmental Disabilities	N/A	DP-10-29803-00	-	8,786
TN Dept. of Mental Health and Developmental Disabilities	N/A	7654-GR1028736	(5,767)	38,757
TN Dept. of Correction	N/A	GR1131127	(11,286)	50,258
TOTAL STATE AWARDS			(17,053)	165,641
TOTAL FEDERAL AND STATE AWARDS			$(65,796)	$1,160,551

*-Tested as a major program

Expenditures	Balance December 31, 2010 (Accrued) Deferred
$(84,147)	$(16,307)
(11,190)	(2,404)
(34,890)	(1,900)
(45,115)	(6,143)
(175,342)	(26,754)
$(1,181,455)	$(86,700)

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Tennessee Audit Manual*, on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The note to the Schedule of Expenditures of Federal and State Awards is an integral part of this schedule.

CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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 the financial statements of The Nextdoor, Inc. (a nonprofit organization) (the "Organization") as of and for the year ended December 31, 2010, and have issued our report thereon dated August 23, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Directors
The Nextdoor, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin + Associates, P.C.

Nashville, Tennessee
August 23, 2011

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited The Nextdoor, Inc.'s (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2010. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

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An Independent Member of The BDO Seidman Alliance

The Board of Directors
The Nextdoor, Inc.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crosslin + Associates, P.C.

Nashville, Tennessee
August 23, 2011

THE NEXTDOOR, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	____Yes _X_No
• Significant deficiency(ies) identified?	____Yes _X_None Reported
Noncompliance material to financial statements noted?	____Yes _X_No

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	____Yes _X_No
• Significant deficiency(ies) identified?	____Yes _X_None Reported
Type of auditors' report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____Yes _X_No

THE NEXTDOOR, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS - Continued

Major Program:

CFDA Number	Name of Federal Program	Amount Expended
14.257	American Recovery and Reinvestment Act - Homeless Prevention and Rapid Re-Housing Program (HPRP)	$240,597
16.783	JAG Program Cluster: Edward Byrne Memorial Justice Assistance Grant (JAG) Program	$65,177
16.803	American Recovery and Reinvestment Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program	$423,296

Dollar threshold used to distinguish between type A and type B programs — $300,000

Auditee qualified as low-risk auditee ___ Yes _X_ No

II. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses in Internal Control
None reported.

B. Compliance Findings
None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.