THE NEXTDOOR, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2011 AND 2010

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, 2011 and 2010, 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, 2011 and 2010, 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 June 28, 2012, 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards for the year ended December 31, 2011, 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 the State of Tennessee, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crosslin & Associates, P.C.

Nashville, Tennessee
June 28, 2012

THE NEXTDOOR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2011	December 31, 2010
Cash and cash equivalents	$ 224,179	$ 240,091
Government grants receivable	143,169	86,700
Contributions receivable	220,960	65,857
Other receivables	16,559	-
Prepaid expenses	1,126	2,626
Land, building and equipment, net	2,192,717	1,619,890
Total assets	$2,798,710	$2,015,164

LIABILITIES

	2011	2010
Accounts payable and accrued expenses	$ 78,220	$ 34,072
Deferred rent liability	48,600	48,600
Notes payable	751,098	326,841
Total liabilities	877,918	409,513

NET ASSETS

	2011	2010
Unrestricted	1,648,543	1,533,737
Temporarily restricted	272,249	71,914
Total net assets	1,920,792	1,605,651
Total liabilities and net assets	$2,798,710	$2,015,164

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2011		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	$ 972,539	$ 306,931	$1,279,470
Government grants and contracts	1,418,324	-	1,418,324
Total support	2,390,863	306,931	2,697,794
Revenue:			
Rental income	202,590	-	202,590
Interest income	2,519	-	2,519
Other income	49,864	-	49,864
Total revenue	254,973	-	254,973
Net assets released from restriction	106,596	(106,596)	-
Total support and revenue	2,752,432	200,335	2,952,767
EXPENSES:			
Program services:			
Counseling	369,529	-	369,529
Housing and ministry	1,563,217	-	1,563,217
Total program services	1,932,746	-	1,932,746
Supporting services:			
Administrative	551,035	-	551,035
Fundraising	153,845	-	153,845
Total supporting services	704,880	-	704,880
Total expenses	2,637,626	-	2,637,626
Net increase (decrease) in net assets	114,806	200,335	315,141
Net assets at beginning of year	1,533,737	71,914	1,605,651
Net assets at end of year	$1,648,543	$ 272,249	$1,920,792

Year Ended December 31, 2010		
Unrestricted	Temporarily Restricted	Total
$ 719,633	$ 217,420	$ 937,053
1,181,455	-	1,181,455
1,901,088	217,420	2,118,508
254,660	-	254,660
2,280	-	2,280
7,527	-	7,527
264,467	-	264,467
264,289	(264,289)	-
2,429,844	(46,869)	2,382,975
306,238	-	306,238
1,490,471	-	1,490,471
1,796,709	-	1,796,709
471,136	-	471,136
140,111	-	140,111
611,247	-	611,247
2,407,956	-	2,407,956
21,888	(46,869)	(24,981)
1,511,849	118,783	1,630,632
$1,533,737	$ 71,914	$ 1,605,651

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	Program Services	
	Counseling	Housing and Ministry
Total salaries, wages and benefits	$368,520	$ 644,910
Other expenses:		
Client assistance (housing and living expenses)	-	20,788
Rent	-	60,336
Other program expenses	-	204,907
Utilities	-	127,736
Maintenance	-	140,411
Provision for depreciation	-	107,679
Telephone	-	50,843
Resident outfitting	-	1,540
Resident meals	-	56,599
Automobile expenses	-	35,977
Insurance	-	18,350
Travel and entertainment	-	19,126
Supplies	-	50,695
Professional fees	-	17,062
Dues and subscriptions	-	540
Postage and delivery	-	3,447
Marketing	-	-
Training and support services	1,009	2,271
Total other expenses	1,009	918,307
Total program expenses	$369,529	$1,563,217

Supporting Services		
Administrative	Fundraising	Total
$460,650	$ 61,420	$1,535,500
-	-	20,788
2,514	-	62,850
12,347	15,247	232,501
14,193	-	141,929
15,601	-	156,012
11,964	-	119,643
3,954	1,695	56,492
-	-	1,540
-	-	56,599
-	-	35,977
2,386	-	20,736
1,488	638	21,252
6,003	10,006	66,704
18,010	12,322	47,394
36	24	600
627	2,193	6,267
-	49,795	49,795
1,262	505	5,047
90,385	92,425	1,102,126
$551,035	$153,845	$2,637,626

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.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2011	2010
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 315,141	$(24,981)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	119,643	101,589
Increase in government grants receivable	(56,469)	(20,904)
Increase in contributions receivable	(155,103)	(51,943)
Increase in other receivables	(16,559)	-
Decrease (increase) in prepaid expenses	1,500	(2,626)
Increase in deferred rent liability	-	48,600
Increase in accounts payable and accrued expenses	44,148	13,528
Net cash provided by operating activities	252,301	63,263
Cash flows from investing activities:		
Purchases of land, building and equipment	(692,470)	(178,482)
Net cash used in investing activities	(692,470)	(178,482)
Cash flows from financing activities:		
Principal payments on note payable	(236,745)	(105,793)
Proceed from borrowings	661,002	175,000
Net cash provided by financing activities	424,257	69,207
Net decrease in cash	(15,912)	(46,012)
Cash and cash equivalents at beginning of year	240,091	286,103
Cash and cash equivalents at end of year	$ 224,179	$ 240,091

Supplemental cash flow information:

Cash paid for interest totaled $17,779 and $14,103 for the years ended December 31, 2011 and 2010, 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, 2011 and 2010.

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.

B. RECEIVABLES

Government grants receivable, contribution receivables and other receivables total $380,688 and are due in the amounts of $360,688 in 2012 and $20,000 in 2013. No allowance for uncollectible accounts was considered necessary as of December 31, 2011 and 2010.

C. LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31, 2011 and 2010, consisted of the following:

	2011	2010
Land	$ 265,850	$ 132,450
Building	1,441,325	956,599
Leasehold improvements	597,901	566,997
Furniture and fixtures	126,577	105,991
Equipment and computers	228,858	206,004
	2,660,511	1,968,041
Less: Accumulated depreciation	(467,794)	(348,151)
	$ 2,192,717	$ 1,619,890

Depreciation expense for the years ended December 31, 2011 and 2010 totaled $119,643 and $101,589, respectively.

D. NOTES PAYABLE

A summary of notes payable at December 31, 2011 and 2010 follows:

	2011	2010
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.	$185,396	$196,841
Note payable to THDA paid in full during 2011. This note was a non-interest bearing instrument.	-	45,000
Note payable to an individual due on demand. This note accrued interest at 1.5% and was paid in full during 2011.	-	20,000

D. NOTES PAYABLE - Continued

	2011	2010
Unsecured line-of-credit, with a limit of $90,000, interest based on the financial institution's base rate plus 0.5%, but not below 5% (5% at December 31, 2011), due in June 2012.	90,000	65,000
Unsecured line-of-credit, with a limit of $125,000, interest based on the financial institution's base rate plus 1%, but not below 5% (5% at December 31, 2011), due in March 2013.	83,000	-
Note payable to a financial institution due in monthly principal installments of $1,700 through March 2016 at which time all outstanding principal and interest is due. Interest is payable monthly and is based on the financial institutions base rate less 4% (0% at December 31, 2011). This note is collateralized by land and building of the Organization.	392,702	-
	$751,098	$326,841

The future note payable maturities are as follows:

2012	$122,734
2013	116,463
2014	34,234
2015	35,050
2016	326,617
Thereafter	116,000
Total	$751,098

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from donor restrictions for the years ended December 31, 2011 and 2010 were $106,596 and $264,289 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 $272,249 and $71,914 as of December 31, 2011 and 2010, respectively, and are restricted primarily for certain program services.

F. LEASES

The Organization leases certain office equipment and facilities. Rent expense under the operating leases for the years ended December 31, 2011 and 2010, was $27,113 and $96,807, respectively. A summary of future minimum rental payments required under the non-cancellable operating leases is as follows:

Years Ending December 31,	
2012	$ 7,804
2013	72,589
2014	72,589
2015	72,589
2016	72,589
Thereafter	205,849
Total	$504,009

G. ADVERTISING COSTS

The Organization expenses the cost of advertising and marketing when incurred, which totaled $49,795 and $41,562 for the years ended December 31, 2011 and 2010, 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 $31,395 and $42,292 for the years ended December 31, 2011 and 2010, 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. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations, and any required reimbursements would not be material to the financial statements of the Organization.

K. RELATED PARTY TRANSACTIONS

The Organization leases certain office space and living space from related parties. The lease arrangements with the related parties provide The Nextdoor, Inc. with certain contributed rent concessions. These concessions were recorded as contributions and rent expense on the statements of activities at their estimated fair value of $53,272 and $58,908 for each of the years ended December 31, 2011 and 2010.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2012, 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 AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2011 (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	$(24,898)	$ 90,571
Housing Trust Fund Program	14.239	HTF-08-18	-	200,000
Passed through the Tennessee Department of Human Services				
Emergency Shelter Grant (ESG)	14.231	Z-08-022598	-	15,000
Supportive Housing Program	14.235	TN0059B43041003/ TN0059B4J040802	(5,952)	79,765
Total U.S. Department of Housing and Urban Development			(30,850)	385,336
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	(4,553)	31,016
ARRA - Byrne JAG Program	16.803	3549	(24,543)	144,495
Passed through the Tennessee Department of Mental Health				
Integrated Recovery Integrated Services (IRIS)*****	16.812	GR1134813	-	217,297
Total U.S. Department of Justice			(29,096)	392,808
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Tennessee Department of Mental Health				
Women's Services Program/ Recovery-Oriented System of Care (WROSC)*****	93.959	GR1031198/GR1235876	(16,307)	212,200
Total U.S. Department of Health and Human Services			(16,307)	212,200
TOTAL FEDERAL AWARDS			(76,253)	990,344

***** - Tested as a major program

Expenditures	Balance December 31, 2011 (Accrued) Deferred
$(65,673)	$ -
(200,000)	-
(15,000)	-
(81,085)	(7,272)
(361,758)	(7,272)
(26,463)	-
(119,952)	-
(248,104)	(30,807)
(394,519)	(30,807)
(261,597)	(65,704)
(261,597)	(65,704)
(1,017,874)	(103,783)

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, 2011

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2011 (Accrued) Deferred	Receipts
State Awards				
TN Dept. of Mental Health and Developmental Disabilities	N/A	GR1131926/GR1236041	(1,900)	15,890
TN Dept. of Mental Health and Developmental Disabilities	N/A	DP-10-29803-00	(2,404)	2,404
TN Dept. of Correction	N/A	GR1131127/GR1235323	(6,143)	48,172
TN Dept. of Correction	N/A	FA11343761/FA-1235523	-	226,360
TOTAL STATE AWARDS			(10,447)	292,826
TOTAL FEDERAL AND STATE AWARDS			$(86,700)	$1,283,170

*-Tested as a major program

Expenditures	Balance December 31, 2011 (Accrued) Deferred
$(15,959)	$(1,969)
-	-
(45,966)	(3,937)
(259,840)	(33,480)
(321,765)	(39,386)
$(1,339,639)	$(143,169)

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, 2011, and have issued our report thereon dated June 28, 2012. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in Section II of the accompanying schedule of findings and questioned costs (Items IC-11-1 and IC-11-2) to be material weaknesses.

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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*.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

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
June 28, 2012

CROSSLIN
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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, 2011. 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 its major federal programs for the year ended December 31, 2011. However, the results of our audit procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items CF-11-1 through CF-11-3.

Internal Control Over Compliance

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.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses, and accordingly, we express no opinion on the responses.

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
June 28, 2012

THE NEXTDOOR, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	_X_ Yes ____ 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?	_X_ Yes ___ No

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS - Continued

Major Programs:

CFDA Number	Name of Federal Program	Amount Expended
93.959	Women's Services Program/ Recovery-Oriented System of Care (WROSC)	$261,597
16.812	Integrated Recovery Integrated Services (IRIS)	$248,104

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

ITEM #IC 11-1

CONTRIBUTION RECEIVABLE

Criteria, Condition, Context, Cause and Effect

A significant amount of contributions receivable for the Organization at December 31, 2011 were recorded via audit adjustment. Generally accepted accounting principles require unconditional promises to give to be recorded. The amount recorded should consider future collections under the terms of the "pledge", discounted at a rate commensurate with the risk of collection.

Recommendation and Benefit

In order to produce financial records and statements consistent with generally accepted accounting principles, we recommend that the Organization record transactions to properly reflect contributions receivable when the pledges are received or become known. This will help ensure that all activity is recorded in the general ledger and provide management with accurate interim and year-end financial information and statements.

II. FINANCIAL STATEMENT FINDINGS - Continued

Management's Response

Management agrees with the finding and will implement procedures to identify and record pledges when received by the Organization.

ITEM #IC 11-2

NET ASSET CLASSIFICATION

Criteria, Condition, Context, Cause and Effect

During the year, the Organization did not classify the revenue relating to its contributions in accordance with Accounting Standard Codification (ASC) 958-205 *Not-for-Profit Entities, Presentation of Financial Statements.* ASC 958-205 requires the Organization to report its revenue as unrestricted, temporarily restricted, or permanently restricted based on restrictions imposed by the donor at the time of contribution. ASC 958-205 is required for all not-for-profit entities.

The steps necessary to reclassify temporarily restricted revenues of the Organization to arrive at the GAAP-basis annual financial statements were performed for the year-end date during the course of the audit.

Recommendation and Benefit

In order to produce timely financial statements consistent with generally accepted accounting principles, we recommend that the Organization develop a process to review and record all support and revenue according to donor restriction. This process should include the establishment of temporarily and permanently restricted general ledger accounts. The Organization should record all restricted revenue in these accounts and reclassify the revenue to unrestricted as restrictions are met. The Organization should review restricted revenue and make reclassifications on at periodic basis during the year. Such a policy will ensure the production of financial statements consistent with generally accepted accounting principles and will reduce the effort needed during the year-end financial reporting process.

Management's Response

Management agrees with the finding and will implement procedures to assure that donor contributions are properly classified and recorded as unrestricted, temporarily restricted or permanently restricted based on donor stipulation.

B. Compliance Findings

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

ITEM #CF 11-1

Women's Recovery Oriented System of Care (ROSC)
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

Under the provisions of the grant agreement, the Organization is required to publicize the availability of services to pregnant women, along with their receipt of preference for admission into the program.

Condition and Context

The Organization did not publicize the availability of the grant services and preferential admission in a timely manner.

Questioned Cost

None.

Cause

The above finding resulted from the Organization not updating its pamphlet, nor creating a separate publication in lieu of a new pamphlet, to reflect the services and preferential admission offered by the grant.

Effect

The Organization was not in compliance with the provisions of the grant agreement in regards to the publication of the grant services and preferential admission for pregnant women.

Recommendation

We recommend the Organization publicize grant services in a timely manner in order to ensure all compliance requirements per the grant agreements are adhered to by the Organization.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Management's Response

Management agrees with this finding and recommendation. The information was added to the April 2012 pamphlet for publication. It was not determined to be cost effective to reproduce the 2011 pamphlets to advertise the grant offerings, and the items above were being communicated by "word of mouth" by the Organization's staff who normally work with such individuals who would be eligible for the grant services. As noted above, the non-compliance has been remedied in the April 2012 pamphlet. Signage disclosing these items was also added at the facilities.

ITEM #CF 11-2

Women's Recovery Oriented System of Care (ROSC)
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

Under the provisions of the grant agreement, the Organization is required to create and maintain a service recipient record which includes documentation of Addiction Severity Index (ASI) and American Society of Addiction Medicine Patient Placement Criteria for the Treatment of Substance Related Disorders, Second Edition, Revised (ASAM PPC-2) assessments. Provider agencies are to conduct these assessments at admission and discharge.

Condition and Context

The Organization was unable to provide complete documentation of the ASI and ASAM PPC-2 admission assessments for five out of thirty-seven service instances tested. For two of the twenty-six discharge assessments tested, complete documentation was not provided.

Questioned Cost

None.

Cause

The above finding resulted from the Organization not adequately maintaining the records for such assessments.

Effect

The Organization was not in compliance with the provisions of the grant agreement in regards to the documentation of the ASI and ASAM PPC-2 assessments.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Recommendation

We recommend the Organization establish a policy for administering and maintaining such assessments in order to comply with the stipulated compliance requirements of the grant.

Management's Response

Management agrees with this finding and recommendation. The Organization has implemented new procedures whereby the assessments will be administered and maintained by Central In-Take staff. These staff are part of a newly created office that oversees the admissions process for all program participants. Policies and procedures have also been established to assure discharge ASI and ASAM assessments will be completed within 3 days and documentation maintained. Compliance will be randomly monitored throughout the year by the Director of Grant Administration.

ITEM #CF 11-3

Women's Recovery Oriented System of Care (ROSC)
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

Under the provisions of the grant agreement, the Organization is required to create and maintain a service recipient record which includes documentation of TB screening and testing conducted in accordance with the State's licensure rules.

Condition and Context

The Organization was unable to provide complete documentation of the TB tests for any of forty service instances tested.

Questioned Cost

None.

Cause

The above finding resulted from the Organization not obtaining documentation for, or conducting such screenings/tests.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Effect

The Organization was not in compliance with the provisions of the grant agreement in regards to the documentation of the TB screening and tests.

Recommendation

We recommend the Organization establish a policy for administering and maintaining such tests in order to comply with the stipulated compliance requirements of the grant.

Management's Response

Management agrees with this finding and recommendation. The Organization has hired a nurse with the required training that will administer the TB tests and the screening tool during the admissions process. Compliance and documentation will be randomly monitored throughout the year by the Director of Grant Administration.