

NEIGHBORHOODS RESOURCE CENTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2012 AND 2011

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*Edmondson, Betzler & Montgomery, PLLC*  
(Certified Public Accountants)

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Neighborhoods Resource Center

We have audited the accompanying statements of financial position of the Neighborhoods Resource Center (a Tennessee not-for-profit corporation, the "Center") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhoods Resource Center as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Edmondson, Betzler & Montgomery, PLLC*

February 7, 2013

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011**

<b>ASSETS</b>			
		<b>2012</b>	<b>2011</b>
Current assets:			
Cash and cash equivalents		\$ 19,396	\$ 11,907
Accounts receivable		<u>6,891</u>	<u>3,592</u>
Total current assets		26,287	15,499
Property and equipment, net		<u>432,135</u>	<u>440,296</u>
Total assets		<u><u>\$ 458,422</u></u>	<u><u>\$ 455,795</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable		\$ 2,214	\$ 2,087
Current maturities of long-term debt		8,710	8,129
Accrued expenses		<u>8,120</u>	<u>10,073</u>
Total current liabilities		19,044	20,289
Long-term debt, net of current maturities		<u>119,671</u>	<u>128,224</u>
Total liabilities		<u>138,715</u>	<u>148,513</u>
Net assets:			
Unrestricted		<u>319,707</u>	<u>307,282</u>
Total net assets		<u>319,707</u>	<u>307,282</u>
Total liabilities and net assets		<u><u>\$ 458,422</u></u>	<u><u>\$ 455,795</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
<b>SUPPORT AND REVENUE:</b>		
Grant revenue	\$ 260,497	\$ 253,766
Program fees	24,897	44,419
Contributions	4,414	10,178
Special events	4,764	1,880
Miscellaneous income	2,780	448
Net assets released from restrictions	<u>-</u>	<u>53,768</u>
 Total support and revenue	 <u>297,352</u>	 <u>364,459</u>
<b>EXPENSES:</b>		
Program services:		
Information and technology services	59,835	71,477
Organizing and support services	122,518	146,352
Training and capacity building services	<u>42,740</u>	<u>51,051</u>
 Total program services	 225,093	 268,880
 Management and general	 19,946	 23,825
Fundraising	<u>39,888</u>	<u>47,651</u>
 Total expenses	 <u>284,927</u>	 <u>340,356</u>
 Increase in unrestricted net assets	 <u>12,425</u>	 <u>24,103</u>
 Net assets released from restrictions:		
Firehall restoration	<u>-</u>	<u>(53,768)</u>
 Decrease in temporarily restricted net assets	 <u>-</u>	 <u>(53,768)</u>
 Increase (decrease) in net assets	 12,425	 (29,665)
 Net assets, beginning of year	 <u>307,282</u>	 <u>336,947</u>
 Net assets, end of year	 <u><u>\$ 319,707</u></u>	 <u><u>\$ 307,282</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2012**

	Program Services				Management and General	Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Total			
Salaries	\$ 36,073	\$ 73,864	\$ 25,766	\$ 135,703	\$ 12,024	\$ 24,049	\$ 171,776
Employee benefits	5,724	11,721	4,089	21,534	1,908	3,816	27,258
Payroll taxes	4,954	10,144	3,539	18,637	1,651	3,303	23,591
	<u>46,751</u>	<u>95,729</u>	<u>33,394</u>	<u>175,874</u>	<u>15,583</u>	<u>31,168</u>	<u>222,625</u>
Total payroll and related expense							
Professional fees	2,253	4,614	1,610	8,477	751	1,502	10,730
Depreciation	2,240	4,586	1,600	8,426	747	1,493	10,666
Interest	1,997	4,088	1,426	7,511	666	1,331	9,508
Miscellaneous	1,149	2,353	821	4,323	383	766	5,472
Utilities	1,051	2,151	751	3,953	350	700	5,003
Insurance	875	1,791	625	3,291	292	583	4,166
Repairs and maintenance	728	1,492	520	2,740	243	486	3,469
Printing	656	1,343	469	2,468	219	437	3,124
Technology	649	1,328	463	2,440	216	432	3,088
Telephone	578	1,183	413	2,174	193	385	2,752
Postage	484	992	346	1,822	162	323	2,307
Supplies	153	314	109	576	51	102	729
Occupancy	144	295	103	542	48	96	686
Travel and meetings	127	259	90	476	42	84	602
	<u>\$ 59,835</u>	<u>\$ 122,518</u>	<u>\$ 42,740</u>	<u>\$ 225,093</u>	<u>\$ 19,946</u>	<u>\$ 39,888</u>	<u>\$ 284,927</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2011**

	Program Services			Management and General		Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services				
Salaries	\$ 41,726	\$ 85,440	\$ 29,804	\$ 13,909	\$ 27,817	\$	\$ 198,696
Payroll taxes	3,106	6,360	2,218	1,035	2,071		14,790
Employee benefits	8,794	18,007	6,281	2,931	5,863		41,876
Total payroll and related expense	53,626	109,807	38,303	17,875	35,751		255,362
Professional fees	5,430	11,120	3,879	1,810	3,620		25,859
Depreciation	3,095	6,334	2,210	1,031	2,062		14,732
Interest	2,076	4,250	1,482	692	1,384		9,884
Utilities	1,354	2,772	967	451	903		6,447
Printing	920	1,884	657	307	613		4,381
Travel and meetings	915	1,873	653	305	610		4,356
Insurance	775	1,587	553	258	517		3,690
Technology	744	1,523	532	248	496		3,543
Postage	689	1,412	492	230	460		3,283
Miscellaneous	605	1,236	432	201	403		2,877
Repairs and maintenance	470	961	335	157	313		2,236
Telephone	446	914	319	149	298		2,126
Occupancy	203	416	145	68	136		968
Supplies	129	263	92	43	85		612
	\$ 71,477	\$ 146,352	\$ 51,051	\$ 23,825	\$ 47,651	\$	\$ 340,356

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 12,425	\$ (29,665)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,666	14,732
(Increase) decrease in accounts receivable	(3,299)	1,991
Decrease in prepaid expenses	-	435
Increase (decrease) in accounts payable	127	(3,203)
Decrease in accrued expenses	(1,953)	(2,289)
Decrease in deferred revenue	<u>-</u>	<u>(16,667)</u>
Net cash provided by (used in) operating activities	<u>17,966</u>	<u>(34,666)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(2,506)</u>	<u>(8,803)</u>
Net cash used in investing activities	<u>(2,506)</u>	<u>(8,803)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	<u>(7,971)</u>	<u>(7,458)</u>
Net cash used in financing activities	<u>(7,971)</u>	<u>(7,458)</u>
Net increase (decrease) in cash and cash equivalents	7,489	(50,927)
Cash and cash equivalents, beginning of year	<u>11,907</u>	<u>62,834</u>
Cash and cash equivalents, end of year	<u><u>\$ 19,396</u></u>	<u><u>\$ 11,907</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 9,508	\$ 9,884

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



**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2012 AND 2011**

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

Nature of Organization

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

Basis of Accounting

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

Basis of Presentation

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

Use of Estimates

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

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

Cash and Cash Equivalents

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

Accounts Receivable Valuation

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

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property and equipment is recorded at fair market value. Contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of 3 – 40 years on a straight-line basis.

Deferred Revenue

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

Income Tax Status

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

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

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

Functional Classification of Expenses

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

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

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

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

Contributed Services

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

Events Occurring After Reporting Date

The Center has evaluated events and transactions that occurred between June 30, 2012 and February 7, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 2 - PROPERTY AND EQUIPMENT**

Equipment consists of the following:

	2012	2011
Land	\$ 171,250	\$ 171,250
Building	276,353	276,353
Office furniture and equipment	34,931	34,931
Computer equipment	59,489	56,984
	<u>542,023</u>	<u>539,518</u>
Less accumulated depreciation	(109,888)	(99,222)
	<u><u>\$ 432,135</u></u>	<u><u>\$ 440,296</u></u>

The Center purchased land and a building (Firehall #1 in the Historic Germantown Nashville neighborhood) from the Metropolitan Government of Nashville and Davidson County ("Metro") for \$86,000. Both parties agreed to terms that will ensure this property's continued use for the public's good. Central to this is the term that allows the Center to lease or sell the property to any "non-profit organization" as long as the building is used for a purpose allowed by 26 U.S.C. § 501 (c)(3).

If this property ceases to be used for any of the aforementioned activities the property, at Metro's option, may be purchased back by Metro. Should this occur, the Center, or the property's subsequent owner, would be compensated for its entire investment in the property including the original purchase price plus the original value of all capital improvements made to the property plus an amount equal to, or greater than 60% of all the appreciated value of the property.

**NOTE 3 - LONG-TERM DEBT**

A summary of long-term debt as of June 30, is as follows:

	2012
Note payable due in monthly installments of \$677, including interest at a fixed rate of 7.40%, through November 2022, secured by real estate.	\$ 58,258
Note payable due in monthly installments of \$768, including interest at a fixed rate of 7.53% through February 2023, secured by real estate.	<u>70,123</u>
Total long-term debt	128,381
Less current installments	<u>(8,710)</u>
Long-term debt, net of current installments	<u><u>\$ 119,671</u></u>

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2012 AND 2011**

**NOTE 3 - LONG-TERM DEBT (CONTINUED)**

A summary of future maturities of long-term debt as of June 30, 2012 is as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 8,710
2014	9,332
2015	10,000
2016	10,714
2017	11,481
2018 and thereafter	<u>78,144</u>
Total	<u>\$ 128,381</u>

**NOTE 4 - RETIREMENT PLAN**

The Center has a defined contribution retirement plan available to employees with at least one year of service. Costs for the years ended June 30, 2012 and 2011 were \$1,760 and \$2,620, respectively.

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

The Center receives a substantial amount of its support from government and the United Way. Support from United Way for the years ended June 30, 2012 and 2011 was approximately 83.5% and 75.3%, respectively, of total support and revenue. A significant reduction in the level of this support, if this were to occur, may have an affect on the Center's programs and activities.