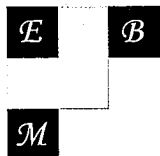


**NEIGHBORHOODS RESOURCE CENTER  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2009 AND 2008**

**NEIGHBORHOODS RESOURCE CENTER  
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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, 2009 and 2008, 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 audit.

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, 2009 and 2008, 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*

January 25, 2010

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008**

<b>ASSETS</b>			
		<b>2009</b>	<b>2008</b>
Current assets:			
Cash and cash equivalents		\$ 280,415	\$ 215,294
Accounts receivable		18,373	24,142
Pledges receivable		-	100,000
Prepaid expenses		439	1,565
		<u>          </u>	<u>          </u>
Total current assets		299,227	341,001
Property and equipment, net		316,933	250,107
Deposits		200	200
		<u>          </u>	<u>          </u>
Total assets		<u>\$ 616,360</u>	<u>\$ 591,308</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable		\$ 16,860	\$ -
Current maturities of long-term debt		7,019	6,547
Accrued expenses		17,440	13,360
Deferred revenue		38,133	10,834
		<u>          </u>	<u>          </u>
Total current liabilities		79,452	30,741
		<u>          </u>	<u>          </u>
Long-term debt, net of current maturities		143,748	150,694
		<u>          </u>	<u>          </u>
Total liabilities		223,200	181,435
		<u>          </u>	<u>          </u>
Net assets:			
Unrestricted		176,788	122,939
Temporarily restricted		216,372	286,934
		<u>          </u>	<u>          </u>
Total net assets		393,160	409,873
		<u>          </u>	<u>          </u>
Total liabilities and net assets		<u>\$ 616,360</u>	<u>\$ 591,308</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>SUPPORT AND REVENUE:</b>		
Grant revenue	\$ 304,758	\$ 178,274
Contributions	32,839	153,487
Program fees	44,264	34,822
Investment income	2,198	1,230
Miscellaneous income	1,771	1,332
Net assets released from restrictions	<u>70,022</u>	<u>4,162</u>
 Total support and revenue	 <u>455,852</u>	 <u>373,307</u>
<b>EXPENSES:</b>		
Program services:		
Information and Technology Services	87,047	87,630
Organizing and Support Services	176,082	134,673
Training and Capacity Building Services	<u>59,650</u>	<u>72,803</u>
 Total program services	 322,779	 295,106
 Management and general	 32,062	 33,482
Fundraising	<u>47,702</u>	<u>61,091</u>
 Total expenses	 <u>402,543</u>	 <u>389,679</u>
 Increase (decrease) in unrestricted net assets	 <u>53,309</u>	 <u>(16,372)</u>
 Temporarily restricted net assets:		
Contributions	-	284,938
 Net assets released from restrictions:		
Firehall restoration	(68,026)	-
Depreciation of contributed equipment	<u>(1,996)</u>	<u>(4,162)</u>
 Increase (decrease) in temporarily restricted net assets	 <u>(70,022)</u>	 <u>280,776</u>
 Increase in net assets	 (16,713)	 264,404
 Net assets, beginning of year	 <u>409,873</u>	 <u>145,469</u>
 Net assets, end of year	 <u>\$ 393,160</u>	 <u>\$ 409,873</u>

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2009**

	Program Services				Management and General		Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services	Total	General			
Salaries	\$ 57,002	\$ 116,719	\$ 40,716	\$ 214,437	\$ 19,001	\$ 38,002	\$ 271,440	
Payroll taxes	7,009	14,352	5,006	26,367	2,336	4,673	33,376	
Employee benefits	4,278	8,759	3,055	16,092	1,426	2,852	20,370	
	<u>68,289</u>	<u>139,830</u>	<u>48,777</u>	<u>256,896</u>	<u>22,763</u>	<u>45,527</u>	<u>325,186</u>	
Total payroll and related expense								
Interest	3,248	6,495	1,948	11,691	909	390	12,990	
Miscellaneous	2,776	5,552	1,665	9,993	777	333	11,103	
Depreciation	2,485	4,969	1,491	8,945	696	298	9,939	
Professional fees	815	1,630	489	2,934	4,453	98	7,485	
Technology	1,498	2,995	898	5,391	419	180	5,990	
Postage	1,604	3,208	963	5,775	449	192	6,416	
Utilities	1,109	2,218	665	3,992	311	133	4,436	
Repairs and maintenance	790	1,581	474	2,845	221	95	3,161	
Insurance	893	1,785	536	3,214	250	107	3,571	
Travel and meetings	752	1,504	451	2,707	210	90	3,007	
Telephone	725	1,451	435	2,611	203	87	2,901	
Printing	609	1,218	365	2,192	170	73	2,435	
Occupancy	514	1,028	308	1,850	144	62	2,056	
Supplies	309	618	185	1,112	87	37	1,236	
Bad Debt	631	-	-	631	-	-	631	
	<u>\$ 87,047</u>	<u>\$ 176,082</u>	<u>\$ 59,650</u>	<u>\$ 322,779</u>	<u>\$ 32,062</u>	<u>\$ 47,702</u>	<u>\$ 402,543</u>	

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2008**

	Program Services			Management and General	Fundraising	Total
	Information and Technology Services	Organizing and Support Services	Training and Capacity Building Services			
Salaries	\$ 50,786	\$ 90,082	\$ 48,696	\$ 19,654	\$ 38,950	248,168
Payroll taxes	6,409	11,369	6,146	2,480	4,916	31,320
Employee benefits	4,062	7,205	3,895	1,572	3,114	19,848
Total payroll and related expense	61,257	108,656	58,737	23,706	46,980	299,336
Bad Debt	11,703	-	-	-	-	11,703
Travel and meetings	2,222	3,941	2,130	860	1,703	10,856
Utilities	2,178	3,863	2,088	843	1,669	10,641
Depreciation	1,654	2,933	1,586	640	1,268	8,081
Postage	1,271	2,254	1,219	492	974	6,210
Insurance	1,240	2,199	1,189	480	951	6,059
Miscellaneous	1,153	2,045	1,106	446	885	5,635
Moving	1,045	1,853	1,002	404	802	5,106
Interest	993	1,761	952	384	761	4,851
Printing	947	1,679	908	366	726	4,626
Technology	882	1,564	846	341	677	4,310
Professional fees	-	-	-	4,100	-	4,100
Telephone	792	1,404	759	306	607	3,868
Capital campaign	-	-	-	-	2,864	2,864
Repairs and maintenance	169	301	162	66	130	828
Supplies	124	220	119	48	94	605
	\$ 87,630	\$ 134,673	\$ 72,803	\$ 33,482	\$ 61,091	\$ 389,679

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

**NEIGHBORHOODS RESOURCE CENTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (16,713)	\$ 264,404
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,939	8,081
Gifts for firehall restoration	-	(184,938)
In-kind property contribution	(2,100)	(62,500)
Decrease in accounts receivable	5,769	25,147
(Increase) decrease in prepaid expenses	1,126	(992)
Increase (decrease) in accounts payable	16,860	(16,442)
Increase (decrease) in accrued expenses	4,080	(2,090)
Increase (decrease) in deferred revenue	27,299	(2,771)
Decrease in utility deposits	<u>-</u>	<u>965</u>
Net cash provided by (used in) operating activities	<u>46,260</u>	<u>28,864</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(74,665)</u>	<u>(97,544)</u>
Net cash used in investing activities	<u>(74,665)</u>	<u>(97,544)</u>
Cash flows from financing activities:		
Gifts received for firehall restoration	100,000	84,938
Proceeds on long-term debt	-	160,500
Principal payments on long-term debt	<u>(6,474)</u>	<u>(3,259)</u>
Net cash provided by (used in) financing activities	<u>93,526</u>	<u>242,179</u>
Net increase in cash and cash equivalents	65,121	173,499
Cash and cash equivalents, beginning of year	<u>215,294</u>	<u>41,795</u>
Cash and cash equivalents, end of year	<u><u>\$ 280,415</u></u>	<u><u>\$ 215,294</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 12,990	\$ 4,851
Supplemental Disclosure of Non-Cash Investing Activities:		
Donated property	\$ 2,100	\$ 62,500

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



**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2009 AND 2008**

**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, 2009 AND 2008**

**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.

Pledges Receivable

All pledges receivable are collectible within one year. The Center uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary as of June 30, 2009.

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 are reflected as liabilities. Revenue is recorded when earned pursuant to the terms of the underlying contract.

Income Tax Status

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

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008**

**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.

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 2 - PROPERTY AND EQUIPMENT**

Equipment consists of the following:

	2009	2008
Land	\$ 171,250	\$ 171,250
Building	65,091	65,091
Office furniture and equipment	30,505	30,020
Computer equipment	201,428	192,944
Construction-in-progress	<u>67,796</u>	<u>-</u>
	536,070	459,305
Less accumulated depreciation	<u>(219,137)</u>	<u>(209,198)</u>
	<u>\$ 316,933</u>	<u>\$ 250,107</u>

During the year ended June 30, 2007, 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:

	2009
7.4% note payable due in monthly installments of \$677, including interest, through November 2022, secured by real estate.	\$ 68,267
6.53% note payable due in monthly installments of \$768, including interest through February 2023; secured by real estate.	<u>82,500</u>
Total long-term debt	150,767
Less current installments	<u>(7,019)</u>
Long-term debt, net of current installments	<u>\$ 143,748</u>

**NEIGHBORHOODS RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008**

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

A summary of future maturities of long-term debt as of June 30, 2009 is as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 7,019
2011	7,524
2012	8,066
2013	8,647
2014	9,280
2015 and thereafter	<u>110,231</u>
Total	<u>\$ 150,767</u>

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<b>2009</b>	<b>2008</b>
Purpose restrictions for firehall restoration	\$ 216,372	\$ 284,938
Time restrictions on computer equipment	-	1,996
	<u>\$ 216,372</u>	<u>\$ 286,934</u>

**NOTE 5 - 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, 2009 and 2008 were \$5,858 and \$6,886, respectively.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

At June 30, 2009, the Center had commitments for construction contracts on the firehall restoration in progress aggregating approximately \$205,500, the remaining balance of the commitments at June 30, 2009, were approximately \$137,700.

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, 2009 and 2008 was approximately 61.0% and 21.4%, 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.