THE NEXTDOOR, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2017 AND 2016

THE NEXTDOOR, INC.

Table of Contents

THE NEXTDOOR, INC.

Board of Directors

Mark Smith, *Board Chair*

Jason Rogers, *Vice-Chair*

Anna Thornton, *Treasurer*

Elizabeth Hawkins, *Secretary*

Kelley Beaman

Theodore Bryson

Heather Crane

Clokie Dixon

Renee Drake

Karen Goodall

Linda Leathers, Ex-officio

Frank Lewis, Ex-officio

Laura Minchew

Jane Anne Pilkinton

Ashleigh Roberts

Sam Sells

Steve Shelton

Dorothy Sifford

Dr. Chris Smeltzer

Susan Smith

Terrell Smith

Cathy Taylor

Sylvia Tomlinson

Rob Waggener

Johnna Watson

Victoria Weaver

Eleanor Wells

Judy Wilcox

Management Officials

Linda Leathers, Chief Executive Officer

Cindy Sneed, NCC, LPC-MHSP, Chief Clinical Officer

Ginger Gaines, Chief Operating Officer

Sallie Hussey, Chief Development Officer

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of The Nextdoor, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Astoria • 3803 Bedford Avenue, Suite 103 • Nashville, Tennessee 37215 • phone: 615-320-5500 • fax: 615-329-9465 • www.crosslinpc.com
An Independent Member of The BDO Alliance USA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2018, on our consideration of The Nextdoor, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Nextdoor, Inc.'s internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
May 3, 2018

THE NEXTDOOR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ -	$ 78,500
Government grants receivable	150,127	137,177
Contributions receivable	164,784	238,784
Accounts receivables, net	539,656	389,231
Prepaid expenses	2,625	2,625
Land, buildings and equipment, net	9,605,217	10,108,529
Land and building held for sale	-	591,010
Total assets	$10,462,409	$11,545,856

LIABILITIES AND NET ASSETS

	2017	2016
Accounts payable and accrued expenses	$ 160,516	$ 184,028
Notes payable	5,167,876	5,026,876
Lines-of-credit	775,000	118,000
Total liabilities	6,103,392	5,328,904
Unrestricted	4,175,394	5,978,168
Temporarily restricted	183,623	238,784
Total net assets	4,359,017	6,216,952
Total liabilities and net assets	$10,462,409	$11,545,856

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	$ 2,729,486	$ 76,652	$ 2,806,138
Government grants and contracts	1,636,168	-	1,636,168
Total support	4,365,654	76,652	4,442,306
Revenue:			
Program fees, net and rental income	3,379,295	-	3,379,295
Interest income	176	-	176
Other income	4,575	-	4,575
Total revenue	3,384,046	-	3,384,046
Net assets released from restriction	131,813	(131,813)	-
Total support and revenue	7,881,513	(55,161)	7,826,352
EXPENSES:			
Program services:			
Counseling	1,068,691	-	1,068,691
Housing and ministry	6,544,537	-	6,544,537
Total program services	7,613,228	-	7,613,228
Supporting services:			
Administrative	1,447,476	-	1,447,476
Fundraising	557,573	-	557,573
Total supporting services	2,005,049	-	2,005,049
Loss on sale of land and building	66,010	-	66,010
Total expenses	9,684,287	-	9,684,287
Net (decrease) increase in net assets	(1,802,774)	(55,161)	(1,857,935)
Net assets at beginning of year	5,978,168	238,784	6,216,952
Net assets at end of year	$ 4,175,394	$ 183,623	$ 4,359,017

Year Ended December 31, 2016		
Unrestricted	Temporarily Restricted	Total
$3,377,454	$ 185,544	$ 3,562,998
1,329,852	-	1,329,852
4,707,306	185,544	4,892,850
3,139,809	-	3,139,809
511	-	511
21,609	-	21,609
3,161,929	-	3,161,929
396,188	(396,188)	-
8,265,423	(210,644)	8,054,779
845,343	-	845,343
5,545,677	-	5,545,677
6,391,020	-	6,391,020
1,229,441	-	1,229,441
441,847	-	441,847
1,671,288	-	1,671,288
-	-	-
8,062,308	-	8,062,308
203,115	(210,644)	(7,529)
5,775,053	449,428	6,224,481
$5,978,168	$ 238,784	$ 6,216,952

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	
	Counseling	Housing and Ministry
Total salaries, wages and benefits	$1,062,067	$3,748,473
Other expenses:		
Contract labor	-	365,722
Client assistance (housing, living expenses)	-	1,338
Office and apartment rent	-	83,459
Other program expenses	-	580,292
Utilities	-	166,309
Maintenance	-	449,247
Provision for depreciation	-	508,450
Telephone	-	42,519
Resident outfitting	-	711
Resident meals	-	279,433
Automobile expenses	-	13,990
Insurance	-	49,086
Travel and entertainment	-	10,991
Supplies	-	67,220
Professional fees	-	34,455
Devotional book distribution	-	82,560
Licenses	-	23,081
Dues and subscriptions	-	7,577
Postage and delivery	-	6,244
Marketing	-	-
Training and support services	6,624	23,380
Total other expenses	6,624	2,796,064
Total expenses	$1,068,691	$6,544,537

Supporting Services		
Administrative	Fundraising	Total
$1,124,542	$312,373	$6,247,455
7,730	-	373,452
-	-	1,338
3,477	-	86,936
123,312	21,761	725,365
18,479	-	184,788
49,916	-	499,163
56,494	-	564,944
3,307	1,417	47,243
-	-	711
-	-	279,433
-	-	13,990
6,383	-	55,469
855	366	12,212
7,960	13,267	88,447
36,369	24,884	95,708
-	-	82,560
-	-	23,081
505	337	8,419
1,135	3,974	11,353
-	177,246	177,246
7,012	1,948	38,964
322,934	245,200	3,370,822
$1,447,476	$557,573	$9,618,277

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	
	Counseling	Housing and Ministry
Total salaries, wages and benefits	$838,175	$2,958,263
Other expenses:		
Contract labor	-	245,527
Office rent	-	62,208
Other program expenses	-	483,869
Utilities	-	168,786
Maintenance	-	394,421
Provision for depreciation	-	513,464
Telephone	-	53,938
Resident outfitting	-	967
Resident meals	-	241,425
Automobile expenses	-	17,235
Insurance	-	44,193
Travel and entertainment	-	57,288
Supplies	-	99,856
Professional fees	-	72,397
Devotional book distribution	-	78,637
Licenses	-	15,707
Dues and subscriptions	-	6,265
Postage and delivery	-	5,931
Marketing	-	-
Training and support services	7,168	25,300
Total other expenses	7,168	2,587,414
Total program expenses	$845,343	$5,545,677

Supporting Services		
Administrative	Fundraising	Total
$ 887,479	$246,522	$4,930,439
5,190	-	250,717
2,592	-	64,800
102,822	18,145	604,836
18,754	-	187,540
43,824	-	438,245
57,051	-	570,515
4,195	1,798	59,931
-	-	967
-	-	241,425
-	-	17,235
5,747	-	49,940
4,455	1,910	63,653
11,825	19,708	131,389
76,420	52,287	201,104
-	-	78,637
-	-	15,707
418	278	6,961
1,079	3,774	10,784
-	95,317	95,317
7,590	2,108	42,166
341,962	195,325	3,131,869
$1,229,441	$441,847	$8,062,308

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Decrease in net assets	$(1,857,935)	$(7,529)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	564,944	570,515
Loss on sale of land and building held for sale	66,010	-
(Increase) decrease in government grants receivable	(12,950)	6,680
Decrease in contributions receivable	74,000	210,644
Increase in accounts receivable	(150,425)	(201,178)
Increase (decrease) in accounts payable and accrued expenses	(49,411)	110,290
Net cash (used in) provided by operating activities	(1,365,767)	689,422
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(61,632)	(174,920)
Proceeds from the sale of land and building held for sale	525,000	-
Net cash provided by (used in) investing activities	463,368	(174,920)
Cash flows from financing activities:		
Principal payments on lines-of-credit and notes payable	(1,094,000)	(1,555,622)
Proceeds from net borrowings on lines-of-credit and notes payable	1,892,000	1,031,000
Net cash provided by (used in) financing activities	798,000	(524,622)
Net decrease in cash and cash equivalents	(104,399)	(10,120)
Cash and cash equivalents at beginning of year	78,500	88,620
Cash and cash equivalents (overdraft) at end of year	$(25,899)	$ 78,500

Supplemental cash flow information:

Cash paid for interest totaled $45,095 and $11,128 for the years ended December 31, 2017 and 2016, respectively.

The cash overdraft at December 31, 2017 has been included in accounts payable and accrued expenses in the statements of financial position.

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, 2017 and 2016.

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.

Program Fee Revenue and Accounts Receivable

Program fee revenue, net represents the estimated net realizable amounts from program participants and third party payors, including insurance companies. Certain program fee revenue is recorded at established rates reduced by estimated allowances for contractual adjustments. Contractual adjustments arise due to the terms of certain reimbursement contracts. Such contractual adjustments represent the difference between charges at established rates and estimated reimbursable amounts and are recognized in the period the service is rendered. The estimated reimbursable amounts are based on management's knowledge and historical collections from similar payors. Final determination of certain settlements is subject to review by appropriate authorities. Any differences between estimated contractual adjustments and actual settlements under reimbursement are reported as additional contractual adjustments in the period such adjustments are determined.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, or if contributed, at estimated fair value at date of gift. Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. Leasehold improvements are depreciated over the estimated useful life of the property, or over the expected term of the lease, whichever is shorter. Maintenance and repairs are charged to expense as incurred, and betterments are capitalized.

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets for possible impairment when events or circumstances indicate that the carrying amounts may not be recoverable. Long-lived assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are independent of the cash flows of other groups of assets. If it is determined that the carrying amounts of such long-lived assets are not recoverable, the assets are written down to their fair value. As of December 31, 2017 and 2016, in the opinion of management, there has been no such impairment.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability* assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant areas are the recovery period for the buildings, leasehold improvements and equipment, the functional allocation of expenses and the collectability of receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

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.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, notes payable and lines-of-credit. 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 and lines-of-credit are not materially different from the estimated fair value of these instruments.

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 and contribution receivables totaled $314,911 and $375,961 as of December 31, 2017 and 2016, respectively. Contributions receivable are due through 2023. There was no allowance for uncollectible accounts considered necessary as of December 31, 2017 and 2016.

Accounts receivable related to program fees and other revenues as of December 31, 2017 and 2016, totaled $539,656 and $389,231, respectively. There was no allowance for uncollectible accounts and contractual adjustments considered necessary as of December 31, 2017 and 2016.

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

Land, buildings and equipment at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Land	$ 132,450	$ 132,450
Buildings	10,249,853	10,249,853
Leasehold improvements	11,865	11,865
Furniture and fixtures	672,598	649,532
Equipment and computers	1,047,969	1,013,904
	12,114,735	12,057,604
Less: Accumulated depreciation	(2,509,518)	(1,949,075)
	$ 9,605,217	$ 10,108,529

Depreciation expense for the years ended December 31, 2017 and 2016 totaled $564,944 and $570,515, respectively.

During 2016, the Knoxville facility was taken out of service and the property and building were made available for sale by the Organization. The carrying value of these assets have been classified as land and building held for sale in the statements of financial position. During 2017, the property and building were sold resulting in a loss on the sale of $66,010.

D. NOTES PAYABLE

A summary of notes payable at December 31, 2017 and 2016 follows:

	2017	2016
Short-term notes payable to members of the Board and management. Interest rates range between 0% - 1.50% per annum with interest to be forgiven and not due if the principal sum of the promissory notes are paid in full on or before February 1, 2018.	$ 141,000	$ -
Note payable to a financial institution due in monthly principal installments of $29,573, including certain contributions (See note below), through October 2019, with a final balloon payment in November 2019. Interest is payable monthly and is based on the financial institutions base rate less 4% (0.75% at December 31, 2017). This note is collateralized by the land and building of the Organization.	5,026,876	5,026,876
	$5,167,876	$5,026,876

In February 2015, the Organization entered into a modification of the note payable, whereby all payments received from donors under the capital campaign shall be paid to the financial institution within one month after receipt. These payments are to be applied to, but not limited to, the next monthly principal payment through December 5, 2017. Monthly payments will resume each month beginning January 5, 2018, regardless of payments made from proceeds of the Organization's capital campaign. In March 2015, the Organization made an $850,000 lump sum payment from capital campaign receipts, covering all monthly principal payments required through June 2017. Additional principal payments were also made during the year ended December 31, 2016.

D. NOTES PAYABLE - Continued

Future maturities required under notes payable are as follows as of December 31, 2017:

Years Ending December 31,	
2018	$ 495,875
2019	4,672,001
Total	$5,167,876

E. LINES-OF-CREDIT

During 2015, the Organization entered into an additional line-of-credit with a bank which has a maximum available borrowing of $350,000. Interest is at 5.00% on the outstanding balance and is paid monthly. The outstanding balance on the line-of-credit at December 31, 2016 was $118,000. On September 28, 2017, additional funds were borrowed and the outstanding balance of the line-of-credit was converted to an on-demand promissory note with interest due monthly at the financial institution's base rate plus .125% (6.00% at December 31, 2017), and the principal balance due on demand after August 28, 2018. The total outstanding balance of the promissory note was $775,000 at December 31, 2017.

F. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from donor restrictions for the years ended December 31, 2017 and 2016 were $131,813 and $396,188, 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 $183,623 and $238,784 as of December 31, 2017 and 2016, respectively, and are restricted primarily for capital expenditure and certain program services.

G. LEASES

The Organization leases certain office equipment. Lease expense under the operating leases for each of the years ended December 31, 2017 and 2016 was $29,623 and $16,461, respectively. A summary of future minimum lease payments required under the non-cancellable operating leases is as follows:

Years Ending December 31,	
2018	$28,982
2019	21,593
Total	$50,575

H. ADVERTISING COSTS TOTAL

The Organization expenses the cost of advertising and marketing when incurred, which totaled $177,246 and $95,317 for the years ended December 31, 2017 and 2016, respectively.

I. GIFTS IN KIND

The Organization records donated rent, materials and services at fair value on the date of donation. The Organization recorded donated rent, materials and supplies with fair values of $79,026 and $197,958 for the years ended December 31, 2017 and 2016, respectively.

J. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at financial institutions which management believes are high credit quality institutions at balances which, at times, may be uninsured by exceeding federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to a significant concentration of risk on cash. Credit risk also extends to receivables, all of which are uncollateralized. As of December 31, 2017 and 2016, respectively, four contributions receivable comprised 94% of total contributions receivable and three contributions receivable comprised 92% of contributions receivable.

K. COMMITMENTS AND CONTINGENCIES

The Organization has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations, and any required reimbursements would not be material to the financial statements of the Organization.

L. 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 $64,800 for the years ended December 31, 2017 and 2016.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 3, 2018, the date the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2017 Accrued	Receipts
Federal Awards				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Metropolitan Housing and Development Agency of Nashville and Davidson County				
Supportive Housing Program	14.235	TN0059L4J041408/ TN0059L4J041509	$(15,281)	$ 95,830
Total U.S. Department of Housing and Urban Development			(15,281)	95,830
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) and Continuum of Care (COC)	93.959	48972/53380	(52,101)	474,049
MAT for Opioid Use - Buprenorphine STR	93.788	55850	-	1,640
Addictions Recovery Program State Targeted Response (ARP STR)	93.788	55412	-	1,990
Adult Continuum of Care State Targeted Response Opioid Grant (COC STR)	93.788	55356	-	100,636
Total U.S. Department of Health and Human Services			(52,101)	578,315
TOTAL FEDERAL AWARDS			(67,382)	674,145

Expenditures	Balance December 31, 2017 Accrued
$(85,234)	$(4,685)
(85,234)	(4,685)
(458,604)	(36,656)
(1,640)	-
(2,115)	(125)
(114,131)	(13,495)
(576,490)	(50,276)
(661,724)	(54,961)

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2017 (Accrued) Deferred	Receipts
State Awards				
TN Dept. of Mental Health and Substance Abuse	N/A	49816/54730	$(2,712)	$ 29,331
TN Dept. of Mental Health and Substance Abuse	N/A	48973/53535	(4,375)	44,088
TN Dept. of Mental Health and Substance Abuse	N/A	48990/53381	(2,510)	31,710
TN Dept. of Mental Health and Substance Abuse	N/A	53383	-	62,653
TN Dept. of Mental Health and Substance Abuse	N/A	48976/53536	(3,003)	48,702
TN Dept. of Mental Health and Substance Abuse	N/A	49039/53537	(27)	30,090
TN Dept. of Corrections	N/A	50228/55246	(3,727)	48,262
TN Dept. of Corrections	N/A	49908/56177	(52,890)	628,298
TN Dept. of Correction	N/A	N/A	(551)	26,030
TOTAL STATE AWARDS			(69,795)	949,164
TOTAL FEDERAL AND STATE AWARDS			$(137,177)	$1,623,309

Expenditures	Balance December 31, 2017 (Accrued) Deferred
$(29,133)	$(2,514)
(39,713)	-
(32,465)	(3,265)
(84,871)	(22,218)
(47,629)	(1,930)
(33,576)	(3,513)
(49,055)	(4,520)
(628,396)	(52,988)
(29,697)	(4,218)
(974,535)	(95,166)
$(1,636,259)	$(150,127)

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the federal and state grant activity of the Organization for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of the State of Tennessee. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. The schedule is presented using the accrual basis of accounting.

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

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Nextdoor, Inc. (a nonprofit organization) (the "Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
May 3, 2018

THE NEXTDOOR, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings reported.