THE NEXTDOOR, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2016 AND 2015

THE NEXTDOOR, INC.

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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, 2016 and 2015, 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.

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, 2016 and 2015, 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 June 1, 2017, 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 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
June 1, 2017

THE NEXTDOOR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2016	December 31, 2015
Cash and cash equivalents	$ 78,500	$ 88,620
Government grants receivable	137,177	143,857
Contributions receivable	238,784	449,428
Accounts receivables, net	389,231	188,053
Prepaid expenses	2,625	2,625
Land, buildings and equipment, net	10,108,529	11,095,134
Land and building held for sale	591,010	-
Total assets	$11,545,856	$11,967,717

LIABILITIES AND NET ASSETS

	2016	2015
Accounts payable and accrued expenses	$ 184,028	$ 73,738
Notes payable	5,026,876	5,484,498
Lines-of-credit	118,000	185,000
Total liabilities	5,328,904	5,743,236
Unrestricted	5,978,168	5,775,053
Temporarily restricted	238,784	449,428
Total net assets	6,216,952	6,224,481
Total liabilities and net assets	$11,545,856	$11,967,717

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	$ 3,377,454	$ 185,544	$ 3,562,998
Government grants and contracts	1,329,852	-	1,329,852
Total support	4,707,306	185,544	4,892,850
Revenue:			
Program fees, net and rental income	3,139,809	-	3,139,809
Interest income	511	-	511
Other income	21,609	-	21,609
Total revenue	3,161,929	-	3,161,929
Net assets released from restriction	396,188	(396,188)	-
Total support and revenue	8,265,423	(210,644)	8,054,779
EXPENSES:			
Program services:			
Counseling	845,343	-	845,343
Housing and ministry	5,545,677	-	5,545,677
Total program services	6,391,020	-	6,391,020
Supporting services:			
Administrative	1,229,441	-	1,229,441
Fundraising	441,847	-	441,847
Total supporting services	1,671,288	-	1,671,288
Total expenses	8,062,308	-	8,062,308
Net increase (decrease) in net assets	203,115	(210,644)	(7,529)
Net assets at beginning of year	5,775,053	449,428	6,224,481
Net assets at end of year	$ 5,978,168	$ 238,784	$ 6,216,952

Year Ended December 31, 2015		
Unrestricted	Temporarily Restricted	Total
$2,732,745	$ 401,357	$ 3,134,102
1,232,355	-	1,232,355
3,965,100	401,357	4,366,457
1,303,664	-	1,303,664
1,645	-	1,645
2,232	-	2,232
1,307,541	-	1,307,541
2,528,198	(2,528,198)	-
7,800,839	(2,126,841)	5,673,998
673,968	-	673,968
4,491,607	-	4,491,607
5,165,575	-	5,165,575
941,718	-	941,718
394,434	-	394,434
1,336,152	-	1,336,152
6,501,727	-	6,501,727
1,299,112	(2,126,841)	(827,729)
4,475,941	2,576,269	7,052,210
$5,775,053	$ 449,428	$ 6,224,481

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
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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	
	Counseling	Housing and Ministry
Total salaries, wages and benefits	$668,482	$2,359,351
Other expenses:		
Contract labor	-	294,858
Rent	-	62,208
Other program expenses	-	221,070
Utilities	-	175,262
Maintenance	-	296,676
Provision for depreciation	-	507,571
Telephone	-	50,586
Resident meals	-	169,863
Automobile expenses	-	30,062
Insurance	-	43,135
Travel and entertainment	-	29,729
Supplies	-	90,722
Professional fees	-	37,965
Devotional book distribution	-	82,087
Licenses	-	15,981
Dues and subscriptions	-	1,166
Postage and delivery	-	3,952
Marketing	-	-
Training and support services	5,486	19,363
Total other expenses	5,486	2,132,256
Total program expenses	$673,968	$4,491,607

Supporting Services		
Administrative	Fundraising	Total
$707,805	$196,613	$3,932,251
6,233	-	301,091
2,592	-	64,800
46,977	8,290	276,337
19,474	-	194,736
32,964	-	329,640
56,397	-	563,968
3,935	1,686	56,207
-	-	169,863
-	-	30,062
5,609	-	48,744
2,312	991	33,032
10,743	17,906	119,371
40,074	27,418	105,457
-	-	82,087
-	-	15,981
77	52	1,295
718	2,515	7,185
-	137,349	137,349
5,808	1,614	32,271
233,913	197,821	2,569,476
$941,718	$394,434	$6,501,727

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Decrease in net assets	$(7,529)	$(827,729)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	570,515	563,968
Decrease in government grants receivable	6,680	8,606
Decrease in contributions receivable	210,644	1,104,474
Increase in accounts receivable	(201,178)	(181,986)
Increase (decrease) in accounts payable and accrued expenses	110,290	(14,859)
Net cash provided by operating activities	689,422	652,474
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(174,920)	(203,503)
Net cash used in investing activities	(174,920)	(203,503)
Cash flows from financing activities:		
Principal payments on lines-of-credit and notes payable	(1,555,622)	(1,820,263)
Proceeds from net borrowings on lines-of-credit and notes payable	1,031,000	185,000
Net cash used in financing activities	(524,622)	(1,635,263)
Net decrease in cash and cash equivalents	(10,120)	(1,186,292)
Cash and cash equivalents at beginning of year	88,620	1,274,912
Cash and cash equivalents at end of year	$ 78,500	$ 88,620

Supplemental cash flow information:

Cash paid for interest totaled $11,128 and $14,183 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015.

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, 2016 and 2015, 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 $375,961 and $593,285 as of December 31, 2016 and 2015, respectively. Contributions receivable are due through 2019. There was no allowance for uncollectible accounts considered necessary as of December 31, 2016 and 2015.

Accounts receivable related to program fees and other revenues as of December 31, 2016 and 2015, totaled $389,231 and $188,053, respectively, net of an allowance for uncollectible accounts and contractual adjustments of $100,648 as of December 31, 2015. There was no allowance for uncollectible accounts and contractual adjustments considered necessary as of December 31, 2016.

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

Land, buildings and equipment at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Land	$ 132,450	$ 765,850
Buildings	10,249,853	10,224,455
Leasehold improvements	11,865	11,865
Furniture and fixtures	649,532	628,844
Equipment and computers	1,013,904	927,587
	12,057,604	12,558,601
Less: Accumulated depreciation	(1,949,075)	(1,463,467)
	$ 10,108,529	$ 11,095,134

Depreciation expense for the years ended December 31, 2016 and 2015 totaled $570,515 and $563,968, 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 statement of financial position.

D. NOTES PAYABLE

A summary of notes payable at December 31, 2016 and 2015 follows:

	2016	2015
Note payable to a financial institution due in monthly principal and interest installments of $1,866 at 5.75% through February 2023. This note was collateralized by the land and building of the Organization. The outstanding balance of the note was repaid in full on May 7, 2016.	$ -	$ 133,668
Note payable to a financial institution due in monthly principal installments of $1,700 through May 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, 2015). This note was collateralized by land and building of the Organization. The outstanding balance of the note was repaid in full on May 6, 2016.	-	87,254
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% at December 31, 2016). This note is collateralized by the land and building of the Organization.	5,026,876	5,263,576
	$5,026,876	$5,484,498

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 years ended December 31, 2016 and 2015.

D. NOTES PAYABLE - Continued

Future maturities required under notes payable are as follows as of December 31, 2016:

Years Ending December 31,	
2017	$ 155,479
2018	354,875
2019	4,516,522
Total	$5,026,876

E. LINES-OF-CREDIT

The Organization had a line-of-credit with a bank which had a maximum available borrowing of $125,000 with interest due monthly on the outstanding balance at 5.00%. The line-of-credit matured June 3, 2016. There were no amounts due under the line at December 31, 2016 or 2015.

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 and 2015 was $118,000 and $185,000, respectively. The line-of-credit expired in May 2017 and is in the process of being renewed by the Organization.

F. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from donor restrictions for the years ended December 31, 2016 and 2015 were $396,188 and $2,528,198, 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 $238,784 and $449,428 as of December 31, 2016 and 2015, respectively, and are restricted primarily for capital expenditure and certain program services.

G. LEASES

The Organization leases certain office equipment. Rent expense under the operating leases for each of the years ended December 31, 2016 and 2015 was $16,461 and $7,777, respectively. A summary of future minimum rental payments required under the non-cancellable operating leases is as follows:

Years Ending December 31,	
2017	$28,509
2018	27,213
2019	20,410
Total	$76,132

H. ADVERTISING COSTS TOTAL

The Organization expenses the cost of advertising and marketing when incurred, which totaled $95,317 and $137,349 for the years ended December 31, 2016 and 2015, 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 $197,958 and $153,561 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, respectively, three contributions receivable comprised 92% of total contributions receivable and two contributions receivable comprised 47% 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, 2016 and 2015.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 1, 2017, 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, 2016

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2016 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	TN0059L4J041407/ TN0059L4J041508	$(5,830)	$ 66,493
Total U.S. Department of Housing and Urban Development			(5,830)	66,493
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Tennessee Department of Mental Health				
Addictions Recovery Program	93.959	45369/48990	(2,500)	29,965
Women's Services Program/ Recovery-Oriented System of Care (WROSC) and Continuum of Care (COC)	93.959	45367/48972	(24,767)	348,200
Total U.S. Department of Health and Human Services			(27,267)	378,165
TOTAL FEDERAL AWARDS			(33,097)	444,658

Expenditures	Balance December 31, 2016 Accrued
$(75,944)	$(15,281)
(75,944)	(15,281)
(29,975)	(2,510)
(375,534)	(52,101)
(405,509)	(54,611)
(481,453)	(69,892)

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2016 (Accrued) Deferred	Receipts
State Awards				
TN Dept. of Mental Health and Substance Abuse	N/A	46857/49816	$(2,551)	$ 30,486
TN Dept. of Mental Health and Substance Abuse	N/A	45420/48973	-	31,054
TN Dept. of Mental Health and Substance Abuse	N/A	41157	27	-
TN Dept. of Corrections	N/A	32913	20	46,903
TN Dept. of Corrections	N/A	37703/49908	(102,560)	679,950
TN Dept. of Corrections	N/A	N/A	(1,349)	33,725
TOTAL STATE AWARDS			(106,413)	822,118
TOTAL FEDERAL AND STATE AWARDS			$(139,510)	$1,266,776

Expenditures	Balance December 31, 2016 (Accrued) Deferred
$(30,647)	$(2,712)
(35,429)	(4,375)
(27)	-
(50,650)	(3,727)
(630,360)	(52,970)
(32,927)	(551)
(780,040)	(64,335)
$(1,261,493)	$(134,227)

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, 2016. 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.

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, 2016, 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 June 1, 2017.

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
June 1, 2017