THE NEXTDOOR, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2012 AND 2011

THE NEXTDOOR, INC.

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CROSSLIN
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

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, 2012 and 2011, 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 of 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.

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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, 2012 and 2011, 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

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 and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and 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 7, 2013, 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 & Associates, P.C.

Nashville, Tennessee
June 7, 2013

THE NEXTDOOR, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 860,313	$ 224,179
Government grants receivable	173,787	143,169
Contributions receivable	123,463	220,960
Other receivables	19,818	16,559
Prepaid expenses	2,626	1,126
Land, buildings and equipment, net	2,215,997	2,192,717
Total assets	$3,396,004	$2,798,710

LIABILITIES

	2012	2011
Accounts payable and accrued expenses	$ 74,532	$ 78,220
Deferred rent liability	48,600	48,600
Notes payable	545,591	751,098
Total liabilities	668,723	877,918

NET ASSETS

	2012	2011
Unrestricted	2,476,194	1,648,543
Temporarily restricted	251,087	272,249
Total net assets	2,727,281	1,920,792
Total liabilities and net assets	$3,396,004	$2,798,710

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2012		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	$2,077,940	$ 196,087	$2,274,027
Government grants and contracts	1,389,370	-	1,389,370
Total support	3,467,310	196,087	3,663,397
Revenue:			
Program fees and rental income	184,178	-	184,178
Interest income	-	-	-
Other income	20,165	-	20,165
Total revenue	204,343	-	204,343
Net assets released from restriction	217,249	(217,249)	-
Total support and revenue	3,888,902	(21,162)	3,867,740
EXPENSES:			
Program services:			
Counseling	275,065	-	275,065
Housing and ministry	2,154,677	-	2,154,677
Total program services	2,429,742	-	2,429,742
Supporting services:			
Administrative	389,776	-	389,776
Fundraising	241,733	-	241,733
Total supporting services	631,509	-	631,509
Total expenses	3,061,251	-	3,061,251
Net increase (decrease) in net assets	827,651	(21,162)	806,489
Net assets at beginning of year	1,648,543	272,249	1,920,792
Net assets at end of year	$2,476,194	$ 251,087	$2,727,281

Year Ended December 31, 2011		
Unrestricted	Temporarily Restricted	Total
$ 972,539	$ 306,931	$1,279,470
1,418,324	-	1,418,324
2,390,863	306,931	2,697,794
202,590	-	202,590
2,519	-	2,519
49,864	-	49,864
254,973	-	254,973
106,596	(106,596)	-
2,752,432	200,335	2,952,767
369,529	-	369,529
1,563,217	-	1,563,217
1,932,746	-	1,932,746
551,035	-	551,035
153,845	-	153,845
704,880	-	704,880
2,637,626	-	2,637,626
114,806	200,335	315,141
1,533,737	71,914	1,605,651
$1,648,543	$ 272,249	$1,920,792

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services	
	Counseling	Housing and Ministry
Total salaries, wages and benefits	$272,247	$ 960,871
Other expenses:		
Contract labor	-	194,812
Client assistance (housing and living expenses)	-	2,604
Rent	-	43,200
Other program expenses	-	73,943
Utilities	-	123,512
Maintenance	-	153,230
Provision for depreciation	-	123,514
Telephone	-	50,355
Resident outfitting	-	628
Resident meals	-	72,671
Automobile expenses	-	32,742
Insurance	-	28,504
Travel and entertainment	-	25,073
Supplies	-	103,723
Professional fees	-	9,401
Devotional book distribution	-	110,665
Licenses	-	30,949
Dues and subscriptions	-	1,238
Postage and delivery	-	3,096
Marketing	-	-
Training and support services	2,818	9,946
Total other expenses	2,818	1,193,806
Total program expenses	$275,065	$2,154,677

Supporting Services		
Administrative	Fundraising	Total
$288,261	$ 80,072	$1,601,451
4,118	-	198,930
-	-	2,604
1,800	-	45,000
15,713	2,773	92,429
13,724	-	137,236
17,025	-	170,255
13,721	-	137,235
3,917	1,678	55,950
-	-	628
-	-	72,671
-	-	32,742
3,707	-	32,211
1,950	836	27,859
12,283	20,472	136,478
9,924	6,790	26,115
-	-	110,665
-	-	30,949
86	54	1,378
563	1,970	5,629
-	126,259	126,259
2,984	829	16,577
101,515	161,661	1,459,800
$389,776	$241,733	$3,061,251

See accompanying notes to the financial statements.

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

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

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

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash flows from operating activities:		
Increase in net assets	$ 806,489	$ 315,141
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	137,235	119,643
Increase in government grants receivable	(30,618)	(56,469)
Decrease (increase) in contributions receivable	97,497	(155,103)
Increase in other receivables	(3,259)	(16,559)
(Increase) decrease in prepaid expenses	(1,500)	1,500
(Decrease) increase in accounts payable and accrued expenses	(3,688)	44,148
Net cash provided by operating activities	1,002,156	252,301
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(160,515)	(692,470)
Net cash used in investing activities	(160,515)	(692,470)
Cash flows from financing activities:		
Principal payments on notes payable	(205,507)	(236,745)
Proceed from borrowings	-	661,002
Net cash (used in) provided by financing activities	(205,507)	424,257
Net increase (decrease) in cash	636,134	(15,912)
Cash and cash equivalents at beginning of year	224,179	240,091
Cash and cash equivalents at end of year	$ 860,313	$ 224,179

Supplemental cash flow information:

Cash paid for interest totaled $15,745 and $17,779 for the years ended December 31, 2012 and 2011, 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, 2012 and 2011.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions Receivable

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year and allowances for uncollectible amounts. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor.

Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the pledge is received.

Land, Buildings and Equipment

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

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

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

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization’s financial instruments consist of receivables, accounts payable and accrued expenses, and notes payable. The recorded values of receivables, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The carrying value of the notes payable is not materially different from the estimated fair value of these instruments.

Federal, State and Other Grants

Revenue under federal, state and other grants is recognized to the extent related expenses have been incurred. Grants receivable represents the difference between amounts earned and amounts received. Deferred grant revenue represents grant funds received that have not been earned.

Functional Expenses

Expenses have been allocated by function into program services, administrative, or fundraising based on estimates made by management.

B. RECEIVABLES

Government grants receivable, contribution receivables and other receivables total $317,068 and are all due in 2013. No allowance for uncollectible accounts was considered necessary as of December 31, 2012 and 2011.

C. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment at December 31, 2012 and 2011, consisted of the following:

	2012	2011
Land	$ 265,850	$ 265,850
Buildings	1,441,325	1,441,325
Leasehold improvements	641,062	597,901
Furniture and fixtures	130,883	126,577
Equipment and computers	316,906	228,858
Construction in progress	25,000	-
	2,821,026	2,660,511
Less: Accumulated depreciation	(605,029)	(467,794)
	$ 2,215,997	$ 2,192,717

Depreciation expense for the years ended December 31, 2012 and 2011 totaled $137,235 and $119,643, respectively.

D. NOTES PAYABLE

A summary of notes payable at December 31, 2012 and 2011 follows:

	2012	2011
Note payable to a financial institution due in monthly principal and interest installments of $1,866 at 5.75% through February 2023. This note is collateralized by the land and building of the Organization.	$173,289	$185,396

D. NOTES PAYABLE - Continued

	2012	2011
Unsecured line-of-credit, with a limit of $90,000, interest based on the financial institution's base rate plus 0.5%, but not below 5% (5% at December 31, 2011), paid in full during 2012.	-	90,000
Unsecured line-of-credit, with a limit of $125,000, interest based on the financial institution's base rate plus 1%, but not below 5% (5% at December 31, 2011), paid in full during 2012.	-	83,000
Note payable to a financial institution due in monthly principal installments of $1,700 through March 2016 at which time all outstanding principal and interest is due. Interest is payable monthly and is based on the financial institutions base rate less 4% (0% at December 31, 2012). This note is collateralized by land and building of the Organization.	372,302	392,702
	$545,591	$751,098

The future notes payable maturities are as follows:

2013	$ 33,463
2014	34,234
2015	35,050
2016	326,617
2017	16,431
Thereafter	99,796
Total	$545,591

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets released from donor restrictions for the years ended December 31, 2012 and 2011 were $217,249 and $106,596, 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 $251,087 and $272,249 as of December 31, 2012 and 2011, respectively, and are restricted primarily for certain program services.

F. LEASES

The Organization leases certain office equipment and facilities. Rent expense under the operating leases for the years ended December 31, 2012 and 2011, was $18,031 and $27,113, respectively. A summary of future minimum rental payments required under the non-cancellable operating leases is as follows:

Years Ending December 31,	
2013	$ 7,777
2014	64,696
2015	64,696
2016	64,696
2017	58,215
Thereafter	123,324
Total	$383,404

G. ADVERTISING COSTS

The Organization expenses the cost of advertising and marketing when incurred, which totaled $126,259 and $49,795 for the years ended December 31, 2012 and 2011, respectively.

H. GIFTS IN KIND

The Organization records donated materials and services at fair value on the date of donation. The Organization recorded donated materials and supplies with fair values of $85,784 and $31,395 for the years ended December 31, 2012 and 2011, respectively.

I. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in high credit quality financial institutions at balances which, at times, may be uninsured by exceeding federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to a significant concentration of risk on cash. An accounting risk also extends to receivables, all of which are uncollateralized. As of December 31, 2012, one grant receivable and one contribution receivable comprise 16% and 21% of total receivables, respectively.

J. COMMITMENTS AND CONTINGENCIES

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

K. RELATED PARTY TRANSACTIONS

The Organization leases certain office space and living space from related parties. The lease arrangements with the related parties provide The Nextdoor, Inc. with certain contributed rent concessions. These concessions were recorded as contributions and rent expense on the statements of activities at their estimated fair value of $42,000 and $53,272 for each of the years ended December 31, 2012 and 2011.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 7, 2013, the date the financial statements were available for issuance, and has determined that the following subsequent event requires disclosure:

In April of 2013, the Organization purchased property in Davidson County, Tennessee for $500,000. The Organization plans to use this land to relocate and build their future Nashville Community for Women. This construction is projected to begin in August 2013, financed through donor contributions and debt financing. Total cost is estimated to be approximately $10,200,000, with a target completion date of September 2014.

SUPPLEMENTAL INFORMATION

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2012

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2012 (Accrued) Deferred	Receipts
Federal Awards				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Metropolitan Housing Department Agency of Nashville & Davidson County				
Emergency Shelter Grant	14.231	N/A	$ -	$ -
Supportive Housing Program	14.235	TN0059B4J 041103/ TN0059B4J041104	(7,272)	106,916
Total U.S. Department of Housing and Urban Development			(7,272)	106,916
U.S. DEPARTMENT OF JUSTICE:				
Passed through the Tennessee Office of Criminal Justice				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	19483	-	-
Passed through the Tennessee Department of Mental Health				
Integrated Recovery Integrated Services (IRIS)	16.812	GR1134813	(30,807)	214,259
Total U.S. Department of Justice			(30,807)	221,087
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Tennessee Department of Mental Health				
Addictions Recovery Program	*93.959	DP1234959/ DP1338211	-	34,245
Women's Services Program/ Recovery-Oriented System of Care (WROSC) & Continuum of Care (COC)	*93.959	GR1235876/ GR1338738	(65,704)	309,232
Total U.S. Department of Health and Human Services			(65,704)	343,477
TOTAL FEDERAL AWARDS			(103,783)	671,480

***** - Tested as a major program

Expenditures	Balance December 31, 2012 (Accrued) Deferred
$ (1,764)	$(1,764)
(108,278)	(8,634)
(110,042)	(10,398)
(11,132)	(4,304)
(183,452)	-
(194,584)	(4,304)
(37,254)	(3,009)
(270,484)	(26,956)
(307,738)	(29,965)
(612,364)	(44,667)

THE NEXTDOOR, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2012

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Grant Number	Balance January 1, 2012 (Accrued) Deferred	Receipts
State Awards				
TN Dept. of Mental Health and Substance Abuse	N/A	GR1236041/GR1339457	$(1,969)	$ 31,990
TN Dept. of Mental Health and Substance Abuse	N/A	DP133821	-	7,261
TN Dept. of Mental Health and Substance Abuse	N/A	N/A	-	53,158
TN Dept. of Mental Health and Substance Abuse	N/A	GR1339111	-	6,515
TN Dept. of Correction	N/A	GR1235323/GR1338856	(3,937)	44,705
TN Dept. of Correction	N/A	FA-1235523	(33,480)	395,280
TOTAL STATE AWARDS			(39,386)	538,909
TOTAL FEDERAL AND STATE AWARDS			$(143,169)	$1,210,389

Expenditures	Balance December 31, 2012 (Accrued) Deferred
$(34,159)	$(4,138)
(9,641)	(2,380)
(103,835)	(50,677)
(7,735)	(1,220)
(44,513)	(3,745)
(428,760)	(66,960)
(628,643)	(129,120)
$(1,241,007)	$(173,787)

NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Tennessee Audit Manual*, on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT 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, 2012, 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 7, 2013.

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 & Associates, P.C.

Nashville, Tennessee
June 7, 2013

CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance on the Major Federal Program

We have audited The Nextdoor, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on The Nextdoor, Inc.'s major federal program for the year ended December 31, 2012. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items CF-12-1 through CF-12-5. Our opinion on the major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance of its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crosslin & Associates, P.C.

Nashville, Tennessee
June 7, 2013

THE NEXTDOOR, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	____Yes _X_No
• Significant deficiency(ies) identified?	____Yes _X_None Reported
Noncompliance material to financial statements noted?	____Yes _X_No

Federal Awards

Internal control over major program:	
• Material weakness(es) identified?	____Yes _X_No
• Significant deficiency(ies) identified?	____Yes _X_None Reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_X_Yes ___No

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS - Continued

Major Programs:

CFDA Number	Name of Federal Program	Amount Expended
93.959	Block Grants for Prevention and Treatment of Substance Abuse [Women's Services Program/ Recovery-Oriented System of Care (WROSC), Continuum of Care (COC), and Addition Recovery Program (ARP)]	$307,738

Dollar threshold used to distinguish between type A and type B programs — $300,000

Auditee qualified as low-risk auditee — ___ Yes _X_ No

II. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses in Internal Control

None reported.

B. Compliance Findings

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

ITEM #CF 12-1

Block Grants for Prevention and Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

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

Condition and Context

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

Questioned Cost

None.

Cause

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

Effect

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

Recommendation

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

Management's Response

Management agrees with this finding and recommendation. It was not determined to be cost effective to reproduce the original pamphlets to advertise the grant offerings, and the items above were being communicated by "word of mouth" by the Organization's staff who normally work with such individuals who would be eligible for the grant services. Signage disclosing these items was also added in the facilities.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

ITEM #CF 12-2

Block Grants for Prevention Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

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

Condition and Context

The Organization was unable to provide complete documentation of the ASI and ASAM PPC-2 assessments for one out of forty service instances tested.

Questioned Cost

None.

Cause

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

Effect

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

Recommendation

We recommend the Organization assure compliance with its policy for administering and maintaining such assessments in order to fully meet the stipulated compliance requirements of the grant.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Management's Response

Management agrees with this finding and recommendation. The Organization implemented in 2012 procedures whereby the assessments are administered and maintained by Central In-Take staff. These staff are part of an office created that oversees the admissions process for all program participants. Policies and procedures are also established to assure discharge ASI and ASAM assessments will be completed within 3 days and documentation maintained. Compliance will be randomly monitored throughout the year by the Director of Grant Administration. These corrective action plan procedures were implemented in April of 2012, with no instances of non-compliance noted in the auditor's testing occurring subsequent to the corrective action plan implementation.

ITEM #CF 12-3

Block Grants for Prevention and Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

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

Condition and Context

The Organization was unable to provide complete documentation of the TB tests for ten of forty service instances tested. Auditor noted all samples that were non-compliant were prior to the implementation of the corrective action plan for prior year.

Questioned Cost

None.

Cause

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Effect

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

Recommendation

We recommend the Organization assure compliance with its policy for administering and maintaining such tests in order to fully meet the stipulated compliance requirements of the grant.

Management's Response

Management agrees with this finding and recommendation. The Organization hired a nurse with the required training that administers the TB tests and the screening tool during the admissions process. Compliance and documentation is randomly monitored throughout the year by the Director of Grant Administration. These corrective action plan procedures were implemented in April of 2012, with no instances of non-compliance noted in the auditor's testing occurring subsequent to the corrective action plan implementation.

ITEM #CF 12-4

Block Grants for Prevention and Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

Under the provisions of the grant agreement, the Organization is required to create and maintain a service recipient record which includes documentation of discharge plans and relapse prevention plans.

Condition and Context

The Organization was unable to provide complete documentation of the discharge plan and relapse prevention plan for six out of forty service instances tested.

Questioned Cost

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Cause

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

Effect

The Organization was not in compliance with the provisions of the grant agreement in regards to the documentation of the discharge plan and relapse prevention plan for certain instances selected for testing.

Recommendation

We recommend the Organization establish procedures to assure compliance with its policy for administering and maintaining such documentation in order to fully meet the stipulated compliance requirements of the grant.

Management's Response

Management agrees with this finding and recommendation. The organization completed an action plan for correction by year end 2012. As of November 30, 2012, the Organization reorganized allowing the Director of Permanent Housing and Grant Administration to be relieved of the Permanent Housing responsibilities, and to become the Compliance and Grant Administrator, allowing for regular internal audits of all program and grant required documentation to assure compliance for administering and maintaining documentation to fully meet the stipulated compliance requirements of the grant.

ITEM #CF 12-5

Block Grants for Prevention and Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

Under the provisions of the grant agreement, the Organization is required to create and maintain a service recipient record which includes documentation of each treatment contact occurrence towards achieving an individual's program plan goals.

Condition and Context

The Organization was unable to provide complete documentation of the portion of treatment contact occurrences, specifically documentation of drug testing, for one out of forty service instances tested.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - Continued

Questioned Cost

None.

Cause

The above finding resulted from the Organization not adequately maintaining the records for such documentation in certain instances.

Effect

The Organization was not in compliance with the provisions of the grant agreement in regards to the documentation of each treatment contact occurrence towards achieving an individual's program plan goals in one of forty service instances tested.

Recommendation

We recommend the Organization assure compliance with its policy for administering and maintaining such documentation in order to fully meet the stipulated compliance requirements of the grant.

Management's Response

Management agrees with this finding and recommendation. The organization completed an action plan for correction by year end 2012. As of November 30, 2012, the Organization reorganized allowing the Director of Permanent Housing and Grant Administration to be relieved of the Permanent Housing responsibilities, and to become the Compliance and Grant Administrator, allowing for regular internal audits of all program and grant required documentation to assure compliance for administering and maintaining documentation to fully meet the stipulated compliance requirements of the grant.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

ITEM #IC 11-1

CONTRIBUTION RECEIVABLE

Criteria, Condition, Context, Cause and Effect

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

Recommendation and Benefit

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

Status

The Organization has implemented changes in response to the recommendation. This is not a finding for the current year.

ITEM #IC 11-2

NET ASSET CLASSIFICATION

Criteria, Condition, Context, Cause and Effect

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

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

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

Recommendation and Benefit

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

Status

The Organization has implemented changes in response to the recommendation. This is not a finding for the current year.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #CF 11-1

Block Grants for Prevention and Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

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

Condition and Context

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

Questioned Cost

None.

Cause

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

Effect

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

Recommendation

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

Status

This audit finding was not fully resolved during the current year. See current year finding CF 12-1.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #CF 11-2

Block Grants for Prevention and Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

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

Condition and Context

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

Questioned Cost

None.

Cause

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

Effect

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

Recommendation

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

Status

Although there were additional occurrences of this finding during the current year, a corrective action plan was implemented to resolve this finding during 2012. See current year finding CF 12-2.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS - Continued

ITEM #CF 11-3

Block Grants for Prevention and Treatment of Substance Abuse
CFDA No. 93.959
U.S. Department of Health and Human Services

Criteria

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

Condition and Context

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

Questioned Cost

None.

Cause

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

Effect

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

Recommendation

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

Status

Although there were additional occurrences of this finding during the current year, a corrective action plan was implemented to resolve this finding during 2012. See current year finding CF 12-3.