

**PROJECT FOR NEIGHBORHOOD
AFTERCARE, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2008 AND 2007

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Financial Statements
JUNE 30, 2008 AND 2007

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Project for Neighborhood Aftercare, Inc.

We have audited the accompanying statements of financial position of Project for Neighborhood Aftercare, Inc. as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project for Neighborhood Aftercare, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Thomason Financial Resources

October 22, 2008

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 121,116	\$ 51,327
Grants receivable	52,266	61,870
Other receivables		20,986
Prepaid expenses	2,098	6,545
Total current assets	<u>\$ 175,480</u>	<u>\$ 140,728</u>
Property and Equipment		
Office furniture and equipment	7,258	4,604
Computer equipment	35,954	33,018
	<u>43,212</u>	<u>37,622</u>
Less: accumulated depreciation	(21,088)	(28,149)
Total property and equipment	<u>22,124</u>	<u>9,473</u>
Other Assets		
Deposits	<u>1,175</u>	<u>1,175</u>
Total assets	<u><u>\$ 198,779</u></u>	<u><u>\$ 151,376</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 849	\$ 2,424
Accrued liabilities	5,547	6,212
Deferred Revenue	23,210	
Total Current Liabilities	<u>29,606</u>	<u>8,636</u>
Net Assets		
Unrestricted	169,173	142,740
Total liabilities and net assets	<u><u>\$ 198,779</u></u>	<u><u>\$ 151,376</u></u>

The accompanying notes are an integral part of these financial statements

**PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENTS OF ACTIVITIES**

	2008	2007
	<u>Unrestricted</u>	<u>Unrestricted</u>
Revenue		
Grant income	\$ 704,006	\$ 706,407
Contributions	80,400	86,314
Registration fees	69,770	62,417
Interest income	1,309	3,215
Miscellaneous income	-	-
Total Revenue	<u>855,485</u>	<u>858,353</u>
Expenses		
Program services	723,488	807,662
Management and general	81,545	77,651
Fundraising	24,019	21,223
Total expenses	<u>829,052</u>	<u>906,536</u>
Change in net assets	26,433	(48,183)
Net assets at beginning of year	142,740	190,923
Net assets at end of year	<u><u>\$ 169,173</u></u>	<u><u>\$ 142,740</u></u>

The accompanying notes are an integral part of these financial statements

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll	\$ 503,062	\$ 46,669	\$ 14,627	\$ 564,358
Payroll taxes	38,443	4,050	639	43,132
Retirement plan	1,685	1,872	187	3,744
Health insurance	4,092	4,547	454	9,093
Total compensation	547,282	57,138	15,907	620,327
Marketing	763			763
Bank charges	126	747	-	873
Depreciation	3,336	2,309	770	6,415
Dues and subscriptions	201	639	125	965
Employee screening	336	-	-	336
Equipment	130		-	130
Field trips	8,355	-	-	8,355
Food - Program	76,285	-	-	76,285
Incentive/awards	3,649	-	-	3,649
Insurance	22,777	462	231	23,470
Licenses and permits	-	430	-	430
Miscellaneous	-	610	-	610
Disposal of assets	-	787	-	787
Office supplies	327	3,432	67	3,826
Printing and reproduction	5,145	834		5,979
Professional fees	-	3,250	3,250	6,500
Program supplies	15,908	-	-	15,908
Rent	6,962	3,241	1,801	12,004
Occupancy	938	437	243	1,618
Bus lease	11,422	-	-	11,422
Special events	2,832	-	-	2,832
Staff training	1,445	2,858	60	4,363
Storage	357	357	-	714
Telephone	11,846	2,556	1,420	15,822
Meals and entertainment	366	561	-	927
Travel and entertainment	2,700	897	145	3,742
Total expenses	\$ 723,488	\$ 81,545	\$ 24,019	\$ 829,052

The accompanying notes are an integral part of these financial statements

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll	\$ 550,051	\$ 35,161	\$ 11,346	\$ 596,558
Payroll taxes	41,830	2,690	868	45,388
Retirement plan	1,742	1,075	205	3,022
Health insurance	5,459	3,172	1,212	9,843
Total compensation	599,082	42,098	13,631	654,811
Marketing	305	97	373	775
Bank charges	13	787	-	800
Depreciation	3,186	2,206	735	6,127
Dues and subscriptions	1,011	592	-	1,603
Employee screening	508	-	-	508
Equipment	940	239	-	1,179
Field trips	4,400	-	-	4,400
Food - Program	86,898	-	-	86,898
Unrecoverable expense	-	16,791	-	16,791
Incentive/awards	12,831	-	-	12,831
Insurance	23,946	470	235	24,651
Licenses and permits	-	38	-	38
Miscellaneous	112	554	-	666
Office supplies	2,271	1,040	578	3,889
Penalties and interest	-	2,850	-	2,850
Printing and reproduction	1,778	112	131	2,021
Professional fees	-	2,125	2,125	4,250
Program supplies	20,620	-	-	20,620
Rent	6,612	3,078	1,710	11,400
Occupancy	1,009	470	261	1,740
Bus lease	17,100	-	-	17,100
Special events	3,180	-	-	3,180
Staff training	4,279	70	95	4,444
Storage	354	354	-	708
Community service	848	-	-	848
Telephone	12,837	2,265	1,131	16,233
Meals and entertainment	-	538	-	538
Travel and entertainment	3,542	877	218	4,637
Total expenses	\$ 807,662	\$ 77,651	\$ 21,223	\$ 906,536

The accompanying notes are an integral part of these financial statements

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Cash Flows From Operating Activities:	<u>2008</u>	<u>2007</u>
Change in net assets	\$ 26,433	\$ (48,183)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,415	6,127
Loss on disposal of fixed assets	787	-
Changes in operating assets and liabilities:		
Grants receivable	9,604	(13,371)
Other receivables	20,986	(20,986)
Prepaid expenses	4,447	(4,500)
Other assets	-	-
Accounts payable	(1,575)	(2,701)
Accrued liabilities	(665)	(936)
Deferred revenue	23,210	-
 Net cash (used in) provided by operating activities	 <u>89,642</u>	 <u>(84,550)</u>
Cash flows From Investing Activities		
Purchases of property and equipment	<u>(19,853)</u>	<u>(2,000)</u>
 Net cash used in investing activities	 <u>(19,853)</u>	 <u>(2,000)</u>
 Net (decrease) increase in cash and cash equivalents	 69,789	 (86,550)
Cash at beginning of year	51,327	137,877
Cash at end of year	<u>\$ 121,116</u>	<u>\$ 51,327</u>
 <u>Supplemental schedule of noncash operating activities:</u>		
 In-kind contributions of food for program services	 \$ 69,205	 \$ 77,723

The accompanying notes are an integral part of these financial statements

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Project for Neighborhood Aftercare, Inc. (the Project) is a nonprofit after-school program in Metro schools located in Nashville, Tennessee for children in kindergarten through eighth grade. The Project's mission is to provide a meaningful and enriching after-school program for Davidson County children, providing expanded learning opportunities to students in need. The programs are offered for a nominal registration fee and are neighborhood-based and academically-enriched. The Project strives to create an environment that will allow each child to grow socially and academically, while fostering a sense of belonging and increased self-esteem.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported 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 restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Project considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At June 30, 2008 and at June 30, 2007, the Project had no cash equivalents.

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Accounts Receivable

The Project considers accounts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment are recorded at cost to the Project, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. The Project's capitalization policy is to capitalize any expenditure over \$1,500 for any land, building, and equipment purchased. Expenditures for repairs and maintenance are charged to operations when incurred. Depreciation expense amounted to \$6,415 and \$6,127, for the years ended June 30, 2008 and 2007, respectively.

Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on actual or estimated time employees spend on each function.

Use of Estimates

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

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Project is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Project is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

NOTE 2 – LEASE COMMITMENT

The Project leases its office facilities under an operating lease. This lease expires August 2009. Rent expense for the years ended June 30, 2008 and June 30, 2007 totaled \$12,004 and \$11,400, respectively. Future rental payments under the noncancellable operating lease are as follows:

2009	12,000
2010	<u>2,000</u>
	<u>\$14,000</u>

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Project to concentrations of credit risk consist of grant funds from the Metropolitan Government of Nashville and Davidson County and the Metropolitan Nashville Public Schools. The grants represent 74% and 73% of the total revenue for the years ending June 30, 2008 and June 30, 2007, respectively. A significant reduction in the levels of this support, if this were to occur, could have an adverse impact on the Project's programs and activities.

Cash is another financial instrument that potentially subjects the Project to a concentration of credit risk. The Project has cash deposits in financial institutions in excess of the amount insured by the Federal Depository Insurance Corporation in the amount of \$37,268 at June 30, 2008.

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2008 and 2007

NOTE 4 – RETIREMENT PLAN

The Project adopted a retirement plan for the Executive Director and the Director of Finance on August 31, 1999. For the years ended June 30, 2008 and June 30, 2007, the Project contributed \$72 and \$72 each pay period for each employee. The Project contributed \$3,744 and \$3,022 for the years ended June 30, 2008 and June 30, 2007, respectively.

NOTE 5 – DONATED FOOD

Metro Nashville Public Schools and Second Harvest Food Bank donated food to the Project during the years ended June 30, 2008 and June 30, 2007. In addition, Panera Bread Company donated food to the Project for the year ended June 30, 2007.

Donated food is used in the ongoing operations of the Project and is reflected as contributions in the statements of activities at its fair value at the date of receipt. The value of donated food included in the statements of activities and the corresponding expenditures for the years ended June 30, 2008 and June 30, 2007 is as follows:

<u>Revenues – Contributions</u>			<u>Expenses</u>		
	<u>2008</u>	<u>2007</u>		<u>2008</u>	<u>2007</u>
Food	\$ 69,205	\$ 77,723	Food	\$69,205	\$77,723

NOTE 6 – RELATED PARTY

For the year ended June 30, 2008 and June 30, 2007, a member of the board of Directors, Corine Jackson, is the coordinator of the community education department with the Metropolitan Nashville Public Schools and serves as the administrator for the Project's grant funds from the Metropolitan Nashville Public Schools.

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2008 and 2007

NOTE 7 – LINE OF CREDIT

On August 17, 2007, the Organization entered into an open end revolving line of credit agreement with a commercial bank. The agreement provides for a line of credit up to \$100,000 and provides for interest to accrue at a variable rate based on the prime rate not to be less than 8.25%. The prime rate is subject to increase or decrease at the sole option of the commercial bank up to the maximum rate allowed by applicable law. The line is secured by furniture, fixtures, equipment, and accounts receivable of the Organization. No borrowings have been issued or were outstanding under the agreement since the line of credit was opened in August 2007.