PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2009 AND 2008

PROJECT FOR NEIGHBOORHOOD AFTERCARE, INC.
Financial Statements
JUNE 30, 2009 AND 2008

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THOMASON
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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, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Thomason Financial Resources

September 1, 2009

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

ASSETS	2009	2008
Current Assets		
Cash	$ 89,420	$ 121,116
Grants receivable	46,243	52,266
Other receivables		
Prepaid expenses	2,045	2,098
Total current assets	$ 137,708	$ 175,480
Property and Equipment		
Office furniture and equipment	4,880	7,258
Computer software	15,088	-
Computer equipment	46,876	35,954
	66,844	43,212
Less: accumulated depreciation	(30,142)	(21,088)
Total property and equipment	36,702	22,124
Other Assets		
Deposits	1,175	1,175
Total assets	$ 175,585	$ 198,779
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 186	$ 849
Accrued liabilities	4,018	5,547
Deferred Revenue	20,584	23,210
Total Current Liabilities	24,788	29,606
Net Assets		
Unrestricted	150,797	169,173
Total liabilities and net assets	$ 175,585	$ 198,779

The accompanying notes are an integral part of these financial statements

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENTS OF ACTIVITIES

	2009 Unrestricted	2008 Unrestricted
Revenue		
Grant income	$ 480,285	$ 704,006
Contributions	106,176	80,400
Registration fees	119,785	69,770
Restitution of program funds	15,213	
Interest income	1,400	1,309
Miscellaneous income	1,397	-
Total Revenue	724,256	855,485
Expenses		
Program services	642,337	723,488
Management and general	83,418	81,545
Fundraising	16,877	24,019
Total expenses	742,632	829,052
Change in net assets	(18,376)	26,433
Net assets at beginning of year	169,173	142,740
Net assets at end of year	$ 150,797	$ 169,173

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, 2009

	Program Services	Management and General	Fundraising	Total Expenses
Payroll	$ 427,675	$ 43,723	$ 11,982	$ 483,380
Payroll taxes	32,683	3,344	917	36,944
Retirement plan	1,629	1,834	281	3,744
Health insurance	4,514	5,084	778	10,376
Total compensation	466,501	53,985	13,958	534,444
Marketing	323	-	-	323
Bank charges	-	663	-	663
Depreciation	10,448	2,500	180	13,128
Dues and subscriptions	347	429	125	901
Employee screening	-	144	-	144
Equipment	-	273	-	273
Food - Program	92,016	-	-	92,016
Incentive/awards	1,733	389	-	2,122
Insurance	15,365	488	72	15,925
Licenses and permits	-	20	300	320
Miscellaneous	170	115	-	285
Disposal of assets	-	532	-	532
Office supplies	1,667	1,844	282	3,793
Printing and reproduction	1,727	90	152	1,969
Professional fees	-	6,500	-	6,500
Program supplies	27,163	-	-	27,163
Rent	5,292	5,963	912	12,167
Occupancy	846	952	146	1,944
Special events	4,087	-	-	4,087
Staff training	455	2,964	-	3,419
Storage	313	353	54	720
Telephone	8,688	4,013	614	13,315
Meals and entertainment	164	747	-	911
Travel and entertainment	5,032	454	82	5,568
Total expenses	$ 642,337	$ 83,418	$ 16,877	$ 742,632

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

	Program Services	Management and General	Fundraising	Total Expenses
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash Flows From Operating Activities:		
Change in net assets	$ (18,376)	$ 26,433
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	13,128	6,415
Loss on disposal of fixed assets	532	787
Changes in operating assets and liabilities:		
Grants receivable	6,023	9,604
Other receivables	-	20,986
Prepaid expenses	53	4,447
Other assets	-	-
Accounts payable	(663)	(1,575)
Accrued liabilities	(1,529)	(665)
Deferred revenue	(2,626)	23,210
Net cash (used in) provided by operating activities	(3,458)	89,642
Cash flows From Investing Activities		
Purchases of property and equipment	(28,238)	(19,853)
Net cash used in investing activities	(28,238)	(19,853)
Net (decrease) increase in cash and cash equivalents	(31,696)	69,789
Cash at beginning of year	121,116	51,327
Cash at end of year	$ 89,420	$ 121,116
Supplemental schedule of noncash operating activities:		
In-kind contributions of food for program services	$ 85,563	$ 69,205
In-kind contributions of computer software	3,069	-
Total In-kind contributions	$ 88,632	$ 69,205

The accompanying notes are an integral part of these financial statements

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Project for Neighborhood Aftercare, Inc. (the Organization) is a nonprofit after-school program in Metro schools located in Nashville, Tennessee for children in kindergarten through eighth grade. The Organization'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 Organization 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 Organization 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, 2009 and at June 30, 2008, the Project had no cash equivalents.

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 Organization 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 Organization, 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 Organization'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 $13,128 and $6,415, for the years ended June 30, 2009 and 2008, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization 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 Organization leases its office facilities under an operating lease. This lease expires August 2011. Rent expense for the years ended June 30, 2009 and June 30, 2008 totaled $12,167 and $12,004, respectively. Future rental payments under the noncancellable operating lease are as follows:

2010	13,100
2011	1,650
	$14,750

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization 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 48% and 74% of the total revenue for the years ending June 30, 2009 and June 30, 2008, 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.

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2009 and 2008

NOTE 4 – RETIREMENT PLAN

The Organization adopted a retirement plan for the Executive Director and the Director of Finance on August 31, 1999. For both years ended June 30, 2009 and June 30, 2008, the Organization contributed $72 each pay period for each employee. As such, the Organization contributed $3,744 for each of the years ended June 30, 2009 and June 30, 2008, respectively.

NOTE 5 – DONATED FOOD & SUPPLIES

Metro Nashville Public Schools and Second Harvest Food Bank donated food to the Organization during the years ended June 30, 2009 and June 30, 2008. A software vendor donated computer software to the Organization during the year ended June 30, 2009.

Donated food and computer software are used in the ongoing operations of the Organization and are reflected as contributions in the statements of activities at its fair value at the date of receipt. The value of donated food is $85,563 and $69,205 for the years ended June 30, 2009 and June 30, 2008, respectively, and is included in the statement of activities as food expense. The value of computer software is $3,069 for the year ended June 30, 2009 and is capitalized as computer software in the statement of financial position.

NOTE 6 – RELATED PARTY

For the years ended June 30, 2009 and June 30, 2008, 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 Organization's grant funds from the Metropolitan Nashville Public Schools.

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.

NOTE 8 – RESTITUTION OF PROGRAM FUNDS

In October 2008, the Organization received payment in the amount of \$15,213 as full restitution of program funds from a former employee. This former employee misappropriated the Organization's program funds during the year ended June 30, 2007. Amount is included as a separate revenue line item in the statement of activities.

NOTE 9 – NEW PRONOUNCEMENT

In July 2006, the Financial Accounting Standards Board ("FASB") issued interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return. The required implementation date of FIN 48 has been deferred for most nonpublic entities to fiscal years beginning after December 15, 2008. The Organization has elected to defer implementation of FIN 48, and is currently evaluating the impact, if any, of the adoption of this pronouncement on the financial statements.