

**THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN  
MINISTRY CENTER, INC.)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2006 AND 2005**

THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN MINISTRY CENTER, INC.)

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Independent Auditors' Report

Board of Directors  
The Nextdoor, Inc.  
(Formerly known as Downtown Ministry Center, Inc.)  
Nashville, Tennessee

We have audited the accompanying statements of financial position of The Nextdoor, Inc., formerly known as Downtown Ministry Center, Inc. (the "Organization") as of December 31, 2006 and 2005, and the related statements of activities, cash flows and functional expenses 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 The Nextdoor, Inc. as of December 31, 2006 and 2005, 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 of America.

*Crosslin, Vaden & Associates, P.C.*

Nashville, Tennessee  
June 22, 2007

THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN MINISTRY CENTER, INC.)  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash	\$346,233	\$317,498
Government grants receivable, net	1,394	34,581
Prepaid insurance	<u>5,404</u>	<u>1,843</u>
Total current assets	353,031	353,922
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, net	<u>556,584</u>	<u>453,639</u>
Total assets	<u>\$909,615</u>	<u>\$807,561</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 6,696	\$ 89,088
NET ASSETS:		
Unrestricted	880,000	695,673
Temporarily restricted	<u>22,919</u>	<u>22,800</u>
Total net assets	<u>902,919</u>	<u>718,473</u>
Total liabilities and net assets	<u>\$909,615</u>	<u>\$807,561</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN MINISTRY CENTER, INC.)  
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2006		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$423,471	\$ -	\$423,471
Grants	235,862	-	235,862
Net assets released from restrictions	-	-	-
Total support	<u>659,333</u>	<u>-</u>	<u>659,333</u>
Revenue:			
Rental income	79,213	-	79,213
Interest income	6,204	119	6,323
Other income	4,800	-	4,800
Total revenue	<u>90,217</u>	<u>119</u>	<u>90,336</u>
Total support and revenue	<u>749,550</u>	<u>119</u>	<u>749,669</u>
<b>EXPENSES:</b>			
Program services:			
Counseling	79,300	-	79,300
Housing and ministry	394,588	-	394,588
Total program services	<u>473,888</u>	<u>-</u>	<u>473,888</u>
Supporting services:			
Administrative	82,552	-	82,552
Fund raising	8,783	-	8,783
Total supporting services	<u>91,335</u>	<u>-</u>	<u>91,335</u>
Total expenses	<u>565,223</u>	<u>-</u>	<u>565,223</u>
Net increase (decrease) in net assets	184,327	119	184,446
Net assets at beginning of year	<u>695,673</u>	<u>22,800</u>	<u>718,473</u>
Net assets at end of year	<u>\$880,000</u>	<u>\$22,919</u>	<u>\$902,919</u>

<u>Year Ended December 31, 2005</u>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$392,636	\$ -	\$392,636
309,493	-	309,493
<u>27,200</u>	<u>(27,200)</u>	<u>-</u>
<u>729,329</u>	<u>(27,200)</u>	<u>702,129</u>
49,731	-	49,731
2,058	-	2,058
<u>3,992</u>	<u>-</u>	<u>3,992</u>
<u>55,781</u>	<u>-</u>	<u>55,781</u>
<u>785,110</u>	<u>(27,200)</u>	<u>757,910</u>
48,730	-	48,730
<u>247,389</u>	<u>-</u>	<u>247,389</u>
<u>296,119</u>	<u>-</u>	<u>296,119</u>
37,137	-	37,137
<u>24,921</u>	<u>-</u>	<u>24,921</u>
<u>62,058</u>	<u>-</u>	<u>62,058</u>
<u>358,177</u>	<u>-</u>	<u>358,177</u>
426,933	(27,200)	399,733
<u>268,740</u>	<u>50,000</u>	<u>318,740</u>
<u>\$695,673</u>	<u>\$ 22,800</u>	<u>\$718,473</u>

See accompanying notes to the financial statements.



THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN MINISTRY CENTER, INC.)  
STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31.</u>	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase in net assets	\$ 184,446	\$ 399,733
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	18,983	11,548
Decrease (increase) in government grants receivable	33,187	( 34,581)
Increase in prepaid insurance	( 3,561)	( 839)
(Decrease) increase in accounts payable	<u>( 82,392)</u>	<u>88,447</u>
Net cash provided by operating activities	<u>150,663</u>	<u>464,308</u>
Cash flows from investing activities:		
Purchases of leasehold improvements and equipment	<u>(121,928)</u>	<u>(236,301)</u>
Net cash used in investing activities	<u>(121,928)</u>	<u>(236,301)</u>
Net increase in cash	28,735	228,007
Cash at beginning of year	<u>317,498</u>	<u>89,491</u>
Cash at end of year	<u>\$ 346,233</u>	<u>\$ 317,498</u>

See accompanying notes to the financial statements.

DOWNTOWN MINISTRY CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2006

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	\$ -	\$172,972
Other expenses:		
Counseling	79,300	-
Rent	-	49,199
Other program expenses	-	3,734
Utilities	-	38,850
Maintenance	-	13,263
Provision for depreciation	-	18,034
Telephone	-	8,150
Resident outfitting	-	10,833
Resident meals	-	9,641
Automobile expenses	-	1,011
Insurance	-	4,234
Travel and entertainment	-	3,178
Supplies	-	41,519
Professional fees	-	5,629
Dues and subscriptions	-	-
Postage and delivery	-	-
Bank fees	-	-
Marketing	-	-
Training and support services	-	14,341
Total other expenses	<u>79,300</u>	<u>221,616</u>
Total program expenses	<u>\$79,300</u>	<u>\$394,588</u>



Supporting Services

<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
<u>\$17,492</u>	<u>\$3,887</u>	<u>\$194,351</u>
-	-	79,300
2,740	-	51,939
180	-	3,914
4,317	-	43,167
-	-	13,263
949	-	18,983
5,433	-	13,583
-	-	10,833
-	-	9,641
1,007	-	2,018
14,606	-	18,840
1,852	69	5,099
22,185	-	63,704
6,717	-	12,346
1,488	393	1,881
588	104	692
335	-	335
696	4,201	4,897
1,967	129	16,437
<u>65,060</u>	<u>4,896</u>	<u>370,872</u>
<u>\$82,552</u>	<u>\$8,783</u>	<u>\$565,223</u>

See accompanying notes to the financial statements.

DOWNTOWN MINISTRY CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2005

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	\$ -	\$ 85,416
Other expenses:		
Counseling	48,730	-
Rent	-	39,900
Other program expenses	-	20,264
Utilities	-	26,978
Maintenance	-	23,523
Provision for depreciation	-	10,970
Telephone	-	5,091
Resident outfitting	-	4,039
Resident meals	-	2,095
Automobile expense	-	1,202
Insurance	-	614
Travel and entertainment	-	567
Supplies	-	26,730
Professional fees	-	-
Dues and subscriptions	-	-
Postage and delivery	-	-
Bank fees	-	-
Marketing	-	-
Total other expenses	<u>48,730</u>	<u>161,973</u>
Total expenses	<u>\$48,730</u>	<u>\$247,389</u>

Supporting Services

<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
<u>\$14,737</u>	<u>\$14,737</u>	<u>\$114,890</u>
-	-	48,730
2,100	-	42,000
-	-	20,264
1,420	-	28,398
1,238	-	24,761
578	-	11,548
5,090	-	10,181
-	-	4,039
-	-	2,095
-	-	1,202
1,810	-	2,424
95	71	733
6,067	-	32,797
2,226	-	2,226
1,392	-	1,392
236	236	472
148	-	148
-	9,877	9,877
<u>22,400</u>	<u>10,184</u>	<u>243,287</u>
<u>\$37,137</u>	<u>\$24,921</u>	<u>\$358,177</u>

See accompanying notes to financial statements.

THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN MINISTRY CENTER, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Nextdoor, Inc., formerly known as Downtown Ministry Center, 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, 2006 and 2005.

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.

Certain reclassifications have been made to the financial statements for 2005 to conform to the presentation adopted for 2006.



THE NEXTDOOR, INC.  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

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.

Leasehold Improvements and Equipment

Leasehold improvements 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.

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.

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 area is the recovery period for leasehold improvements and equipment. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN MINISTRY CENTER, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 of Financial Instruments

The carrying value of cash, receivables, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

B. GOVERNMENT GRANTS RECEIVABLE

Government grants receivable are due within one year of December 31, 2006 and 2005. No allowance for uncollectible accounts was considered necessary as of December 31, 2006 and 2005.

C. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Leasehold improvements	\$ 533,776	\$ 269,650
Furniture and fixtures	23,635	23,635
Equipment and computers	37,849	24,018
Leasehold improvements in progress	<u>-</u>	<u>156,029</u>
	595,260	473,332
Less: Accumulated depreciation	<u>( 38,676)</u>	<u>( 19,693)</u>
	<u>\$ 556,584</u>	<u>\$ 453,639</u>

Depreciation expense for the years ended December 31, 2006 and 2005 totaled \$18,983 and \$11,548, respectively.



THE NEXTDOOR, INC.  
(FORMERLY KNOWN AS DOWNTOWN MINISTRY CENTER, INC.)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

D. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$27,200 were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended December 31, 2005. The purpose restrictions accomplished were for expenditures relating to the renovation of facilities. No temporarily restricted net assets were released from donor restrictions for the year ended December 31, 2006. Temporarily restricted net assets totaled \$22,919 and \$22,800 as of December 31, 2006 and 2005, respectively and are restricted for the renovation and acquisition of facilities.

E. LEASES

The Organization leases a copier. Rent expense under the operating lease for the years ended December 31, 2006 and 2005 were \$1,932 and \$322, respectively. A summary of future minimum rental payments required under the lease follows:

	<u>Amount</u>
2007	\$1,932
2008	<u>1,610</u>
	<u>\$3,542</u>

F. ADVERTISING COSTS

The Organization expenses the cost of advertising when incurred, which totaled \$4,897 and \$9,877 for the years ended December 31, 2006 and 2005, respectively.

G. 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 \$33,899 and \$26,730 for the years ended December 31, 2006 and 2005, respectively.

In addition, The Nextdoor, Inc., leases a building from a related party. The lease arrangement with the related party provides The Nextdoor, Inc. with certain contributed rent advantages which were recorded at a fair value of \$42,000 for each of the years ended December 31, 2006 and 2005.

THE NEXTDOOR, INC.  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

H. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in high credit quality financial institutions at balances which, at times, may be uninsured or may exceed 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.