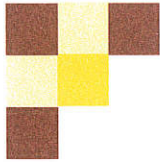


**NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE, 30, 2016 AND 2015**

NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE, 30, 2016 AND 2015

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
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



Edmondson, Betzler & Dame, PLLC
(Certified Public Accountants)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Neighborhoods Resource Center

We have audited the accompanying financial statements of Neighborhoods Resource Center (a Tennessee not-for-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhoods Resource Center as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edmondson, Betzler & Dame, PLLC

November 22, 2016

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS			
		2016	2015
Current assets:			
Cash and cash equivalents		\$ 1,363,194	\$ 20,746
Accounts receivable		<u>-</u>	<u>1,593</u>
Total current assets		1,363,194	22,339
Property and equipment, net		<u>3,643</u>	<u>404,492</u>
Total assets		<u><u>\$ 1,366,837</u></u>	<u><u>\$ 426,831</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable		\$ 5,176	\$ 2,524
Current maturities of long-term debt		-	10,714
Accrued expenses		<u>-</u>	<u>3,397</u>
Total current liabilities		5,176	16,635
Long-term debt, net of current maturities		<u>-</u>	<u>90,050</u>
Total liabilities		<u>5,176</u>	<u>106,685</u>
Net assets:			
Unrestricted		<u>1,361,661</u>	<u>320,146</u>
Total net assets		<u>1,361,661</u>	<u>320,146</u>
Total liabilities and net assets		<u><u>\$ 1,366,837</u></u>	<u><u>\$ 426,831</u></u>

The accompanying notes are an integral part of these financial statements.

NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
SUPPORT AND REVENUE:		
Contributions	\$ 36,447	\$ 91,597
Special events	5,396	4,319
Grant revenue	3,669	9,503
Gain on sale of fixed assets	1,216,580	-
Miscellaneous income	<u>1,464</u>	<u>1,488</u>
Total support and revenue	<u>1,263,556</u>	<u>106,907</u>
EXPENSES:		
Program services	175,415	83,822
Management and general	15,541	12,303
Fundraising	<u>31,085</u>	<u>14,853</u>
Total expenses	<u>222,041</u>	<u>110,978</u>
Increase (decrease) in net assets	1,041,515	(4,071)
Net assets, beginning of year	<u>320,146</u>	<u>324,217</u>
Net assets, end of year	<u><u>\$ 1,361,661</u></u>	<u><u>\$ 320,146</u></u>

The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 77,028	\$ 6,825	\$ 13,651	\$ 97,504
Employee benefits	747	66	132	945
Payroll taxes	6,068	538	1,075	7,681
Total payroll and related expense	83,843	7,429	14,858	106,130
Professional fees	18,695	1,657	3,313	23,665
Interest	10,367	919	1,837	13,123
Rental and service fees	8,849	784	1,568	11,201
Supplies	8,170	724	1,448	10,342
Depreciation	7,840	695	1,389	9,924
Loan costs	5,750	509	1,019	7,278
Miscellaneous	5,446	482	965	6,893
Printing	5,272	467	934	6,673
Technology	4,842	429	858	6,129
Insurance	4,509	399	799	5,707
Repairs and maintenance	3,718	329	659	4,706
Utilities	3,267	290	579	4,136
Telephone	2,533	224	449	3,206
Travel and meetings	973	86	172	1,231
Advertising	461	41	82	584
Memberships and subscriptions	377	33	67	477
Postage	283	25	50	358
Bank fees	220	19	39	278
	<u>\$ 175,415</u>	<u>\$ 15,541</u>	<u>\$ 31,085</u>	<u>\$ 222,041</u>

The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 22,581	\$ 2,001	\$ 4,002	\$ 28,584
Employee benefits	481	43	85	609
Payroll taxes	1,376	122	244	1,742
Total payroll and related expense	24,438	2,166	4,331	30,935
Professional fees	8,451	5,624	1,498	15,573
Depreciation	7,553	669	1,338	9,560
Rental and service fees	7,457	661	1,321	9,439
Taxes and licenses	6,386	566	1,132	8,084
Interest	6,209	550	1,100	7,859
Utilities	5,363	475	950	6,788
Repairs and maintenance	4,342	385	769	5,496
Miscellaneous	3,748	332	664	4,744
Insurance	2,643	234	468	3,345
Technology	2,611	231	463	3,305
Telephone	2,075	184	368	2,627
Printing	909	81	161	1,151
Travel and meetings	804	71	143	1,018
Supplies	554	49	98	701
Postage	279	25	49	353
	<u>\$ 83,822</u>	<u>\$ 12,303</u>	<u>\$ 14,853</u>	<u>\$ 110,978</u>

The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,041,515	\$ (4,071)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,924	9,560
Gain sale of fixed assets	(1,216,580)	-
Decrease in accounts receivable	1,593	3,921
Increase (decrease) in accounts payable	2,652	(1,233)
Decrease in accrued expenses	<u>(3,397)</u>	<u>(2,947)</u>
Net cash provided by (used in) operating activities	<u>(164,293)</u>	<u>5,230</u>
Cash flows from investing activities:		
Payment to release property interest	(100,909)	-
Proceeds from sale of fixed assets	<u>1,708,414</u>	<u>-</u>
Net cash provided by investing activities	<u>1,607,505</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from line of credit	375,000	-
Principal payments on long-term debt	<u>(475,764)</u>	<u>(9,852)</u>
Net cash used in financing activities	<u>(100,764)</u>	<u>(9,852)</u>
Net increase (decrease) in cash and cash equivalents	1,342,448	(4,622)
Cash and cash equivalents, beginning of year	<u>20,746</u>	<u>25,368</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,363,194</u></u>	<u><u>\$ 20,746</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u><u>\$ 13,123</u></u>	<u><u>\$ 7,859</u></u>

The accompanying notes are an integral part of these financial statements.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Neighborhoods Resource Center (the "Center") is a private not-for-profit corporation chartered under the laws of the State of Tennessee to assist residents of various neighborhoods, primarily in low-income areas, in the formation and/or development of neighborhood organizations that identify and take action on issues affecting their neighborhoods. The Center assists residents by providing information, leadership training, consulting and supportive services, and by forming collaborative relationships with, and providing support to, institutions that serve neighborhoods.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Center does not have any permanently restricted net assets.

Use of Estimates

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statements of activities as net assets released from restrictions.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Accounts Receivable Valuation

Accounts receivable are considered by management to be fully collectible, thus no valuation allowance has been recorded.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property and equipment is recorded at fair market value. Contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of 3 – 40 years on a straight-line basis.

Income Tax Status

Neighborhoods Resource Center is exempt from federal income tax under Internal Revenue Code section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Neighborhoods Resource Center has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes.

For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2016, the Center has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Center has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Classification of Expenses

The following program services are included in the accompanying financial statements:

Information and Technology Services provide neighborhood-level community asset and liability information to neighborhood organizations and the government and nonprofit agencies that serve neighborhoods, in both tabular and graphical formats by using the Geographic Information System. These services also include the deployment of computer systems and training to neighborhood and ethnic community groups for use in their community development activities.

Organizing and Support Services provide neighborhood residents and groups with hands on organizational development assistance. This support is designed to engage neighborhood residents in the development of a neighborhood organization that identifies its community goals, takes focused action to achieve its goals, and produces a group of neighborhood leaders with the capacity to carry on their community development work. This area also includes the Strategic Partnership Services which provide government and social service agencies with a nonprofit partner that brings a neighborhood perspective to specific community development projects that are city-wide or multi-neighborhood in nature.

Training and Capacity Building Services consist of the Neighborhood Leadership Training Institute and customized capacity building workshops. These programs are designed to provide residents with the knowledge and skills necessary to take the leading role in identifying and addressing the needs of their neighborhood.

Contributed Services

The Center receives a significant amount of donated services from unpaid volunteers. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition set forth by accounting principles generally accepted in the United States of America.

Events Occurring After Reporting Date

The Center has evaluated events and transactions that occurred after June 30, 2016, through the date of the issued financial statements. During the period there were no material recognizable subsequent events that required recognition in the disclosures to the June 30, 2016 financial statements.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2016	2015
Land	\$ -	\$ 171,250
Building	-	276,353
Office furniture and equipment	5,607	34,931
Computer equipment	-	61,247
	<u>5,607</u>	<u>543,781</u>
Less accumulated depreciation	<u>(1,964)</u>	<u>(139,289)</u>
	<u><u>\$ 3,643</u></u>	<u><u>\$ 404,492</u></u>

In August 2015, Metropolitan Government of Nashville and Davidson County (Metro) agreed to relinquish their interest in the property at 1312 3rd Avenue North in exchange for a one-time payment of \$100,909. A line of credit was obtained in September 2015 and the required payment was made to Metro.

On April 13, 2016, the Center entered into a sale agreement with LFM Real Estate, LLC for land and Firehall #1 located at 1312 3rd Avenue North. Gross proceeds per the agreement were \$1,800,000 with a net amount paid to the Center of \$1,396,453 after expenses related to the sale and the repayment of outstanding debt.

NOTE 3 - LONG-TERM DEBT

A summary of long-term debt as of June 30, 2015 is as follows:

	2015
Note payable due in monthly installments of \$677, including interest at a fixed rate of 7.40%, through November 2022, secured by real estate. Note was repaid in September 2015.	\$ 45,730
Note payable due in monthly installments of \$768, including interest at a fixed rate of 7.53% through February 2023, secured by real estate. Note was repaid in September 2015.	<u>55,034</u>
Total long-term debt	100,764
Less current installments	<u>(10,714)</u>
Long-term debt, net of current installments	<u><u>\$ 90,050</u></u>

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 4 - RETIREMENT PLAN

The Center has a defined contribution retirement plan available to employees with at least one year of service. There were no contributions made for the years ended June 30, 2016 and 2015.

NOTE 5 - LEASES

The Center entered into a lease for office space in June 2016. The terms of the lease are monthly payments of \$1,845 for 36 months beginning August 2016. Monthly payments increase three percent each year after the first. The Center also signed a lease for a copier in March 2016. Terms of the lease are monthly payments of \$165 for 60 months beginning April 2016. Expenses related to leases totaled \$1,437 for the year ended June 30, 2016.

Future minimum lease payments are as follows:

2017	22,275
2018	24,708
2019	25,296
2020	1,980
2021	1,485
Total	<u>75,744</u>