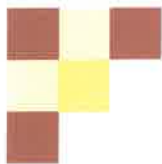


**NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2015 AND 2014**

**NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
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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, 2015 and 2014, 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, 2015 and 2014, 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

May 2, 2016

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

| ASSETS | | | |
|---|--|--------------------------|--------------------------|
| | | 2015 | 2014 |
| Current assets: | | | |
| Cash and cash equivalents | | \$ 20,746 | \$ 25,368 |
| Accounts receivable | | <u>1,593</u> | <u>5,514</u> |
| Total current assets | | 22,339 | 30,882 |
| Property and equipment, net | | <u>404,492</u> | <u>414,052</u> |
| Total assets | | <u><u>\$ 426,831</u></u> | <u><u>\$ 444,934</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities: | | | |
| Accounts payable | | \$ 2,524 | \$ 3,757 |
| Current maturities of long-term debt | | 10,714 | 9,999 |
| Accrued expenses | | <u>3,397</u> | <u>6,344</u> |
| Total current liabilities | | 16,635 | 20,100 |
| Long-term debt, net of current maturities | | <u>90,050</u> | <u>100,617</u> |
| Total liabilities | | <u>106,685</u> | <u>120,717</u> |
| Net assets: | | | |
| Unrestricted | | <u>320,146</u> | <u>324,217</u> |
| Total net assets | | <u>320,146</u> | <u>324,217</u> |
| Total liabilities and net assets | | <u><u>\$ 426,831</u></u> | <u><u>\$ 444,934</u></u> |

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014**

| | 2015 | 2014 |
|-----------------------------------|--------------------------|--------------------------|
| SUPPORT AND REVENUE: | | |
| Contributions | \$ 91,597 | \$ 238,203 |
| Grant revenue | 9,503 | 34,789 |
| Special events | 4,319 | - |
| Miscellaneous income | 1,488 | 1,999 |
| Program fees | <u>-</u> | <u>11,491</u> |
| Total support and revenue | <u>106,907</u> | <u>286,482</u> |
| EXPENSES: | | |
| Program services | 83,822 | 211,044 |
| Management and general | 12,303 | 18,700 |
| Fundraising | <u>14,853</u> | <u>37,402</u> |
| Total expenses | <u>110,978</u> | <u>267,146</u> |
| Increase (decrease) in net assets | (4,071) | 19,336 |
| Net assets, beginning of year | <u>324,217</u> | <u>304,881</u> |
| Net assets, end of year | <u><u>\$ 320,146</u></u> | <u><u>\$ 324,217</u></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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014**

| | Program Services | Management and General | Fundraising | Total |
|-----------------------------------|---------------------|------------------------------|------------------|-------------------|
| Salaries | \$ 104,000 | \$ 9,215 | \$ 18,430 | \$ 131,645 |
| Employee benefits | 17,006 | 1,507 | 3,014 | 21,527 |
| Payroll taxes | 7,441 | 659 | 1,319 | 9,419 |
| Total payroll and related expense | 128,447 | 11,381 | 22,763 | 162,591 |
| Professional fees | 28,877 | 2,559 | 5,118 | 36,554 |
| Technology | 11,013 | 976 | 1,952 | 13,941 |
| Miscellaneous | 10,002 | 886 | 1,773 | 12,661 |
| Depreciation | 7,920 | 702 | 1,404 | 10,026 |
| Interest | 6,767 | 600 | 1,199 | 8,566 |
| Utilities | 6,093 | 539 | 1,080 | 7,712 |
| Travel and meetings | 4,065 | 360 | 720 | 5,145 |
| Insurance | 3,480 | 308 | 617 | 4,405 |
| Repairs and maintenance | 1,476 | 131 | 262 | 1,869 |
| Postage | 1,128 | 100 | 200 | 1,428 |
| Supplies | 933 | 83 | 165 | 1,181 |
| Telephone | 843 | 75 | 149 | 1,067 |
| | <u>\$ 211,044</u> | <u>\$ 18,700</u> | <u>\$ 37,402</u> | <u>\$ 267,146</u> |

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

| | 2015 | 2014 |
|--|-------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ (4,071) | \$ 19,336 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 9,560 | 10,026 |
| Decrease in accounts receivable | 3,921 | 7,585 |
| Decrease in accounts payable | (1,233) | (1,584) |
| Decrease in accrued expenses | <u>(2,947)</u> | <u>(1,250)</u> |
| Net cash provided by operating activities | <u>5,230</u> | <u>34,113</u> |
| Cash flows from financing activities: | | |
| Principal payments on long-term debt | <u>(9,852)</u> | <u>(9,192)</u> |
| Net cash used in financing activities | <u>(9,852)</u> | <u>(9,192)</u> |
| Net increase (decrease) in cash and cash equivalents | (4,622) | 24,921 |
| Cash and cash equivalents, beginning of year | <u>25,368</u> | <u>447</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 20,746</u></u> | <u><u>\$ 25,368</u></u> |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | \$ 7,859 | \$ 8,566 |

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

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

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, 2015 AND 2014**

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, 2015, 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, 2015 AND 2014**

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 between June 30, 2015 and May 2, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 2 - PROPERTY AND EQUIPMENT

Equipment consists of the following:

| | 2015 | 2014 |
|--------------------------------|--------------------------|--------------------------|
| Land | \$ 171,250 | \$ 171,250 |
| Building | 276,353 | 276,353 |
| Office furniture and equipment | 34,931 | 34,931 |
| Computer equipment | 61,247 | 61,247 |
| | <u>543,781</u> | <u>543,781</u> |
| Less accumulated depreciation | (139,289) | (129,729) |
| | <u><u>\$ 404,492</u></u> | <u><u>\$ 414,052</u></u> |

The Center purchased land and a building (Firehall #1 in the Historic Germantown Nashville neighborhood) from the Metropolitan Government of Nashville and Davidson County ("Metro") for \$86,000. Both parties agreed to terms that will ensure this property's continued use for the public's good. Central to this is the term that allows the Center to lease or sell the property to any "non-profit organization" as long as the building is used for a purpose allowed by 26 U.S.C. § 501 (c)(3). Subsequent to June 30, 2015 the land and building were sold (see note 6).

If this property ceases to be used for any of the aforementioned activities the property, at Metro's option, may be purchased back by Metro. Should this occur, the Center, or the property's subsequent owner, would be compensated for its entire investment in the property including the original purchase price plus the original value of all capital improvements made to the property plus an amount equal to, or greater than 60% of all the appreciated value of the property.

NOTE 3 - LONG-TERM DEBT

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

| | 2015 | 2014 |
|--|-------------------------|--------------------------|
| Note payable due in monthly installments of \$677, including interest at a fixed rate of 7.40%, through November 2022, secured by real estate. | \$ 45,730 | \$ 50,221 |
| Note payable due in monthly installments of \$768, including interest at a fixed rate of 7.53% through February 2023, secured by real estate. | <u>55,034</u> | <u>60,395</u> |
| Total long-term debt | 100,764 | 110,616 |
| Less current installments | <u>(10,714)</u> | <u>(9,999)</u> |
| Long-term debt, net of current installments | <u><u>\$ 90,050</u></u> | <u><u>\$ 100,617</u></u> |

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 3 - LONG-TERM DEBT (CONTINUED)

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

| <u>Year</u> | <u>Amount</u> |
|---------------------|-------------------|
| 2016 | \$ 10,714 |
| 2017 | 11,481 |
| 2018 | 12,302 |
| 2019 | 13,183 |
| 2020 | 14,126 |
| 2021 and thereafter | <u>38,958</u> |
| Total | <u>\$ 100,764</u> |

NOTE 4 - RETIREMENT PLAN

The Center has a defined contribution retirement plan available to employees with at least one year of service. Costs for the years ended June 30, 2015 and 2014 were \$0 and \$992, respectively.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Center receives a substantial amount of its support from private donors and sponsors. Support from donors for the years ended June 30, 2015 and 2014 was approximately 85.7% and 83.1%, respectively, of total support and revenue. A significant reduction in the level of this support, if this were to occur, may have an affect on the Center's programs and activities.

NOTE 6 - SUBSEQUENT EVENTS

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 expense related to the sale and the repayment of outstanding debt.