

**PROJECT FOR NEIGHBORHOOD  
AFTERCARE, INC.**

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

**JUNE 30, 2007 AND 2006**

**PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.**  
**Financial Statements**  
**JUNE 30, 2007 AND 2006**

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CPA for the Not-For-Profit Sector

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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, 2007 and 2006, 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, 2007 and 2006, 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*

August 24, 2007

**PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2007 AND 2006**

**ASSETS**

	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>Current Assets</b>		
Cash	\$ 51,327	\$ 137,877
Grants receivable	61,870	48,498
Other receivables	20,986	-
Prepaid expenses	6,545	2,045
Total current assets	<u>\$ 140,728</u>	<u>\$ 188,420</u>
<b>Property and Equipment</b>		
Office furniture and equipment	4,604	5,412
Computer equipment	33,018	40,289
	<u>37,622</u>	<u>45,701</u>
Less: accumulated depreciation	(28,149)	(32,100)
Total property and equipment	<u>9,473</u>	<u>13,601</u>
<b>Other Assets</b>		
Deposits	<u>1,175</u>	<u>1,175</u>
Total assets	<u><u>\$ 151,376</u></u>	<u><u>\$ 203,196</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 2,424	\$ 5,125
Accrued wages	4,582	5,442
Payroll taxes payable	1,630	1,706
Total Current Liabilities	<u>8,636</u>	<u>12,273</u>
<b>Net Assets</b>		
Unrestricted	142,740	190,923
Total liabilities and net assets	<u><u>\$ 151,376</u></u>	<u><u>\$ 203,196</u></u>

The accompanying notes are an integral part of these financial statements

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

	<b>2007</b>	<b>2006</b>
	<b><u>Unrestricted</u></b>	<b><u>Unrestricted</u></b>
<b>Revenue</b>		
Grant income	\$ 706,407	\$ 711,403
Contributions	86,314	60,760
Registration fees	62,417	33,769
Interest income	3,215	2,416
Miscellaneous income	-	550
Total Revenue	<u>858,353</u>	<u>808,898</u>
<b>Expenses</b>		
Program services	807,662	727,842
Management and general	77,651	54,829
Fundraising	21,223	17,146
Total expenses	<u>906,536</u>	<u>799,817</u>
<b>Change in net assets</b>	(48,183)	9,081
Net assets at beginning of year	190,923	181,842
<b>Net assets at end of year</b>	<u><u>\$ 142,740</u></u>	<u><u>\$ 190,923</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, 2007**

	<u><b>Program Services</b></u>	<u><b>Management and General</b></u>	<u><b>Fundraising</b></u>	<u><b>Total Expenses</b></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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll	\$ 520,642	\$ 27,777	\$ 9,981	\$ 558,400
Payroll taxes	39,830	2,264	763	42,857
Retirement plan	2,015	1,310	455	3,780
Health insurance	4,486	3,136	1,089	8,711
Total compensation	566,973	34,487	12,288	613,748
Marketing	1,195	299	-	1,494
Bank charges	-	261	-	261
Depreciation	3,167	2,193	731	6,091
Dues and subscriptions	480	448	-	928
Employee screening	529	-	-	529
Equipment	-	30	-	30
Field trips	3,750	-	-	3,750
Food - Program	61,492	-	-	61,492
Incentive/awards	4,815	419	-	5,234
Insurance	22,274	442	221	22,937
Licenses and permits	-	325	-	325
Miscellaneous	88	390	-	478
Office supplies	3,350	1,171	390	4,911
Printing and reproduction	1,873	952	-	2,825
Professional fees	-	4,118	619	4,737
Program supplies	16,230	-	-	16,230
Rent	7,696	4,424	1,475	13,595
Occupancy	2,004	1,387	461	3,852
Bus lease	14,300	-	-	14,300
Special events	2,223	-	-	2,223
Staff training	256	258	-	514
Storage	383	324	-	707
Student services	2,907	-	-	2,907
Telephone	9,024	2,473	824	12,321
Travel and entertainment	2,833	428	137	3,398
Total expenses	\$ 727,842	\$ 54,829	\$ 17,146	\$ 799,817

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, 2007 AND 2006**

<b>Cash Flows From Operating Activities:</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Change in net assets	\$ (48,183)	\$ 9,081
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,127	6,091
Changes in operating assets and liabilities:		
Grants receivable	(13,371)	(5,265)
Other receivables	(20,986)	-
Prepaid expenses	(4,500)	-
Other assets	-	(775)
Accounts payable	(2,701)	2,699
Accrued wages	(860)	2,841
Payroll taxes payable	(76)	1,448
 Net cash (used in) provided by operating activities	 <u>(84,550)</u>	 <u>16,120</u>
 <b>Cash flows From Investing Activities</b>		
Purchases of property and equipment	<u>(2,000)</u>	<u>(1,740)</u>
 Net cash used in investing activities	 <u>(2,000)</u>	 <u>(1,740)</u>
 Net (decrease) increase in cash and cash equivalents	 (86,550)	 14,380
Cash at beginning of year	137,877	123,497
Cash at end of year	<u>\$ 51,327</u>	<u>\$ 137,877</u>
 <u>Supplemental schedule of noncash operating activities:</u>		
 In-kind contributions of food for program services	 \$ 77,723	 \$ 51,154
In-kind contributions of facilities	-	1,305
In-kind contributions of telephone services	-	345
Total In-kind contributions	<u>\$ 77,723</u>	<u>\$ 52,804</u>

The accompanying notes are an integral part of these financial statements



**PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

**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, 2007 and at June 30, 2006, the Project had no cash equivalents.

**PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

**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 \$500 for any land, building, and equipment purchased. Expenditures for repairs and maintenance are charged to operations when incurred. Depreciation expense amounted to \$6,127 and \$6,091, for the years ended June 30, 2007 and 2006, 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, 2007 and 2006**

**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, 2007 and June 30, 2006 totaled \$11,400 and \$13,595, respectively. Future rental payments under the noncancellable operating lease are as follows:

<b>2008</b>	\$11,950
<b>2009</b>	12,000
<b>2010</b>	<u>2,000</u>
	<u>\$25,950</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 73% and 83% of the total revenue for the years ending June 30, 2007 and June 30, 2006, 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 \$40,108 at June 30, 2006.

**PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.**

**Notes to Financial Statements**

**June 30, 2007 and 2006**

**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, 2007 and June 30, 2006, the Project contributed \$72 and \$70 each pay period for each employee. The Project contributed \$3,022 and \$3,780 for the years ended June 30, 2007 and June 30, 2006, respectively.

**NOTE 5 – DONATED FOOD, FACILITIES AND SERVICES**

Metro Nashville Public Schools and Second Harvest Food Bank donated food to the Project during the years ended June 30, 2007 and June 30, 2006. In addition, Panera Bread Company donated food to the Project for the year ended June 30, 2007. Also, for the year ended June 30, 2006, the Fall Business School donated a portion of the Project's facilities and telephone services.

Donated food, facilities and services are used in the ongoing operations of the Project and are reflected as contributions in the statements of activities at their fair values at the date of receipt. The value of donated food, facilities and services included in the statements of activities and the corresponding expenditures for the years ended June 30, 2007 and June 30, 2006 are as follows:

**Revenues – Contributions**

	<u>2007</u>
Food – Program	\$ 77,723

**Revenues – Contributions**

	<u>2006</u>
Food – Program	\$ 51,154
Rent	1,305
Telephone	<u>345</u>
	<u>\$ 52,804</u>

**Expenses**

	<u>2007</u>
Donated Food	\$77,723

**Expenses**

	<u>2006</u>
Donated Food	\$51,154
Donated Facilities	1,305
Donated Services	<u>345</u>
Totals	<u>\$52,804</u>

**PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

**NOTE 6 – RELATED PARTY**

For the year ended June 30, 2007 and June 30, 2006, a member of the board of Directors, Corine Jackson, and the board's vice-chairman, Lynn Morelock, is the respective fiscal year's 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.

**NOTE 7 – SUBSEQUENT EVENT**

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% for the initial year of the line of credit. 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.