

**PROJECT FOR NEIGHBORHOOD
AFTERCARE, INC.**

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

JUNE 30, 2010 AND 2009

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Financial Statements
JUNE 30, 2010 AND 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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, Inc.

October 4, 2010

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash	\$ 94,104	\$ 89,420
Grants receivable	17,483	46,243
Prepaid expenses	2,045	2,045
Total current assets	<u>\$ 113,632</u>	<u>\$ 137,708</u>
Property and Equipment		
Office furniture and equipment	4,880	4,880
Computer software	15,088	15,088
Computer equipment	46,876	46,876
	<u>66,844</u>	<u>66,844</u>
Less: accumulated depreciation	<u>(40,487)</u>	<u>(30,142)</u>
Total property and equipment	<u>26,357</u>	<u>36,702</u>
Other Assets		
Deposits	<u>-</u>	<u>1,175</u>
Total assets	<u><u>\$ 139,989</u></u>	<u><u>\$ 175,585</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 1,482	\$ 186
Accrued liabilities	519	4,018
Deferred Revenue	5,479	20,584
Total Current Liabilities	<u>7,480</u>	<u>24,788</u>
Net Assets		
Unrestricted	132,509	150,797
Total liabilities and net assets	<u><u>\$ 139,989</u></u>	<u><u>\$ 175,585</u></u>

The accompanying notes are an integral part of these financial statements

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

	2010	2009
	<u>Unrestricted</u>	<u>Unrestricted</u>
Revenue		
Grant income	\$ 95,622	\$ 480,285
Contributions	42,942	106,176
Program fees	298,669	119,785
Restitution of program funds	-	15,213
Interest income	26	1,400
Miscellaneous income	416	1,397
Total Revenue	<u>437,675</u>	<u>724,256</u>
Expenses		
Program services	369,099	642,337
Management and general	76,400	83,418
Fundraising	10,464	16,877
Total expenses	<u>455,963</u>	<u>742,632</u>
Change in net assets	(18,288)	(18,376)
Net assets at beginning of year	150,797	169,173
Net assets at end of year	<u><u>\$ 132,509</u></u>	<u><u>\$ 150,797</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, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll	\$ 242,961	\$ 45,044	\$ 6,895	\$ 294,900
Payroll taxes	21,943	537	130	22,610
Retirement plan	1,629	1,834	281	3,744
Health insurance	4,166	4,693	718	9,577
Total compensation	270,699	52,108	8,024	330,831
Bank charges	30	1,720	-	1,750
Data management	4,041			4,041
Depreciation	9,722	542	81	10,345
Dues and subscriptions	210	583		793
Food - Program	36,744	-	-	36,744
Incentive/awards	211	55	8	274
Insurance	11,267	211	32	11,510
Licenses and permits	1,280	20	300	1,600
Miscellaneous	340	338	52	730
Office supplies	1,103	1,244	190	2,537
Printing and reproduction	892	246	10	1,148
Professional fees	-	6,500	-	6,500
Program supplies	6,907	-	-	6,907
Rent	5,307	5,978	915	12,200
Occupancy	657	741	113	1,511
Special events	4,260	-	-	4,260
Staff training	713	813	-	1,526
Storage	385	433	66	884
Telephone	7,528	3,908	598	12,034
Meals and entertainment	203	419	-	622
Travel and entertainment	6,600	541	75	7,216
Total expenses	\$ 369,099	\$ 76,400	\$ 10,464	\$ 455,963
Current year's percentages	80.95%	16.76%	2.29%	100.00%

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
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
Current year's percentages	86.49%	11.23%	2.27%	100.00%

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, 2010 AND 2009

Cash Flows From Operating Activities:	<u>2010</u>	<u>2009</u>
Change in net assets	\$ (18,288)	\$ (18,376)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	10,345	13,128
Loss on disposal of fixed assets	-	532
Changes in operating assets and liabilities:		
Grants receivable	28,760	6,023
Prepaid expenses	-	53
Other assets	1,175	-
Accounts payable	1,296	(663)
Accrued liabilities	(3,499)	(1,529)
Deferred revenue	(15,105)	(2,626)
Net cash (used in) provided by operating activities	<u>4,684</u>	<u>(3,458)</u>
Cash flows From Investing Activities		
Purchases of property and equipment	<u>-</u>	<u>(28,238)</u>
Net cash used in investing activities	<u>-</u>	<u>(28,238)</u>
Net (decrease) increase in cash and cash equivalents	4,684	(31,696)
Cash at beginning of year	89,420	121,116
Cash at end of year	<u>\$ 94,104</u>	<u>\$ 89,420</u>
<u>Supplemental schedule of noncash operating activities:</u>		
In-kind contributions of food for program services	\$ 34,539	\$ 85,563
In-kind contributions of computer software	-	3,069
Total In-kind contributions	<u>\$ 34,539</u>	<u>\$ 88,632</u>

The accompanying notes are an integral part of these financial statements

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2010 and 2009

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 charged a weekly fee as well as a semester 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, 2010 and at June 30, 2009, the Project had no cash equivalents.

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2010 and 2009

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 \$10,345 and \$13,128, for the years ended June 30, 2010 and 2009, 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, 2010 and 2009

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 leased its office facilities under an operating lease. This lease was terminated by the Organization in April 2010. Rent expense for the years ended June 30, 2010 and June 30, 2009 totaled \$12,200 and \$12,167, respectively.

NOTE 3 – 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, 2010 and June 30, 2009, 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, 2010 and June 30, 2009, respectively.

NOTE 4 – DONATED FOOD & SUPPLIES

Metro Nashville Public Schools and Second Harvest Food Bank donated food to the Organization during the years ended June 30, 2010 and June 30, 2009. A software vendor donated computer software to the Organization during the year ended June 30, 2009.

PROJECT FOR NEIGHBORHOOD AFTERCARE, INC.
Notes to Financial Statements
June 30, 2010 and 2009

NOTE 4 – DONATED FOOD & SUPPLIES - continued

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 \$34,539 and \$85,563 for the years ended June 30, 2010 and June 30, 2009, 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 5 – RELATED PARTY

For the year ended June 30, 2009, a member of the board of Directors, Corine Jackson, is the coordinator of the community education department with the Metropolitan Nashville Public Schools and served as the administrator for the Organization's grant funds from the Metropolitan Nashville Public Schools for the year ended June 30, 2009.

NOTE 6 – 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 for fiscal year ended June 30, 2009.