

**THE NEXTDOOR, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2019 AND 2018**

THE NEXTDOOR, INC.

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THE NEXTDOOR, INC.

**Board of Directors**

Mark Smith, *Board Chair*

Jason Rogers, *Vice-Chair*

Anna Thornton, *Treasurer*

Elizabeth Hawkins, *Secretary*

Heather Crane

Steve Shelton

Tam Gordon

Dorothy Sifford

Betty Dickens

Dr. Chris Smeltzer

Linda Leathers, Ex-officio

Susan Smith

Frank Lewis, Ex-officio

Cathy Taylor

Laura Minchew

Rob Waggener

Michele Oglesby

Johnna Watson

Kathryn Phillips

Judy Wilcox

Sam Sells

**Management Officials**

Ginger Gaines, Chief Executive Officer

Cindy Sneed, NCC, LPC-MHSP, Chief Clinical Officer



## Independent Auditor's Report

The Board of Directors  
The Nextdoor, Inc.  
Nashville, Tennessee

### **Report on Financial Statements**

We have audited the accompanying financial statements of The Nextdoor, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Nextdoor, Inc. as of December 31, 2019 and 2018, 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.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2020, on our consideration of The Nextdoor, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Nextdoor, Inc.'s internal control over financial reporting and compliance.

*Crosslin, PLLC*

Nashville, Tennessee  
May 26, 2020

THE NEXTDOOR, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 298,321	\$ 361,706
Government grants receivable	222,508	108,758
Contributions receivable	72,000	122,500
Accounts receivables, net	450,691	484,736
Land, buildings and equipment, net	<u>8,597,157</u>	<u>9,067,529</u>
Total assets	<u>\$9,640,677</u>	<u>\$10,145,229</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 232,533	\$ 200,366
Notes payable	<u>5,601,427</u>	<u>5,784,643</u>
Total liabilities	<u>5,833,960</u>	<u>5,985,009</u>
Net assets without donor restrictions	3,603,763	3,992,739
Net assets with donor restrictions	<u>202,954</u>	<u>167,481</u>
Total net assets	<u>3,806,717</u>	<u>4,160,220</u>
Total liabilities and net assets	<u>\$9,640,677</u>	<u>\$10,145,229</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>			
Support:			
Contributions	\$ 2,518,261	\$ 142,357	\$ 2,660,618
Government grants and contracts	<u>2,009,451</u>	<u>-</u>	<u>2,009,451</u>
Total support	<u>4,527,712</u>	<u>142,357</u>	<u>4,670,069</u>
Revenue:			
Program fees, net and rental income	4,973,772	-	4,973,772
Interest income	266	-	266
Other income	<u>4,324</u>	<u>-</u>	<u>4,324</u>
Total revenue	<u>4,978,362</u>	<u>-</u>	<u>4,978,362</u>
Net assets released from restriction	<u>106,884</u>	<u>( 106,884)</u>	<u>-</u>
Total support and revenue	<u>9,612,958</u>	<u>35,473</u>	<u>9,648,431</u>
<b>EXPENSES:</b>			
Program services:			
Counseling	1,172,074	-	1,172,074
Housing and ministry	<u>6,756,887</u>	<u>-</u>	<u>6,756,887</u>
Total program services	<u>7,928,961</u>	<u>-</u>	<u>7,928,961</u>
Supporting services:			
Administrative	1,536,511	-	1,536,511
Fundraising	<u>536,462</u>	<u>-</u>	<u>536,462</u>
Total supporting services	<u>2,072,973</u>	<u>-</u>	<u>2,072,973</u>
Loss on sale of land and building	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>10,001,934</u>	<u>-</u>	<u>10,001,934</u>
Net (decrease) increase in net assets	( 388,976)	35,473	( 353,503)
Net assets at beginning of year	<u>3,992,739</u>	<u>167,481</u>	<u>4,160,220</u>
Net assets at end of year	<u>\$ 3,603,763</u>	<u>\$ 202,954</u>	<u>\$ 3,806,717</u>

<u>Year Ended December 31, 2018</u>		
<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
\$ 2,793,309	\$ 59,750	\$ 2,853,059
<u>1,818,774</u>	<u>-</u>	<u>1,818,774</u>
<u>4,612,083</u>	<u>59,750</u>	<u>4,671,833</u>
4,854,937	-	4,854,937
273	-	273
<u>2,467</u>	<u>-</u>	<u>2,467</u>
<u>4,857,677</u>	<u>-</u>	<u>4,857,677</u>
<u>75,892</u>	<u>( 75,892)</u>	<u>-</u>
<u>9,545,652</u>	<u>( 16,142)</u>	<u>9,529,510</u>
1,110,571	-	1,110,571
<u>6,631,439</u>	<u>-</u>	<u>6,631,439</u>
<u>7,742,010</u>	<u>-</u>	<u>7,742,010</u>
1,465,118	-	1,465,118
<u>509,093</u>	<u>-</u>	<u>509,093</u>
<u>1,974,211</u>	<u>-</u>	<u>1,974,211</u>
<u>12,086</u>	<u>-</u>	<u>12,086</u>
<u>9,728,307</u>	<u>-</u>	<u>9,728,307</u>
( 182,655)	( 16,142)	( 198,797)
<u>4,175,394</u>	<u>183,623</u>	<u>4,359,017</u>
<u>\$ 3,992,739</u>	<u>\$ 167,481</u>	<u>\$ 4,160,220</u>

See accompanying notes to the financial statements.



THE NEXTDOOR, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>1,166,319</u>	<u>4,116,422</u>
Other expenses:		
Contract labor	-	388,311
Client assistance (housing, living expenses)	-	992
Office and apartment rent	-	74,207
Other program expenses	-	281,891
Interest		82,702
Utilities	-	168,642
Maintenance	-	469,371
Provision for depreciation	-	486,995
Telephone	-	20,862
Resident outfitting	-	15
Resident meals	-	324,789
Automobile expenses	-	19,296
Insurance	-	66,875
Travel and entertainment	-	16,169
Supplies	-	59,587
Professional fees	-	58,884
Devotional book distribution	-	77,997
Licenses	-	13,240
Dues and subscriptions	-	6,078
Postage and delivery	-	3,266
Marketing	-	-
Training and support services	<u>5,755</u>	<u>20,311</u>
Total other expenses	<u>5,755</u>	<u>2,640,465</u>
Total expenses	<u>\$1,172,074</u>	<u>\$6,756,887</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$1,234,926</u>	<u>\$343,035</u>	<u>\$ 6,860,702</u>
8,208	-	396,519
-	-	992
3,092	-	77,299
59,749	10,544	352,184
17,574	3,101	103,377
18,738	-	187,380
52,152	-	521,523
54,190	-	541,185
1,623	695	23,180
-	-	15
-	-	324,789
-	-	19,296
8,697	-	75,572
1,258	539	17,966
7,056	11,761	78,404
62,156	42,528	163,568
-	-	77,997
-	-	13,240
405	270	6,753
594	2,079	5,939
-	120,217	120,217
<u>6,093</u>	<u>1,693</u>	<u>33,852</u>
<u>301,585</u>	<u>193,427</u>	<u>3,141,232</u>
<u>\$1,536,511</u>	<u>\$536,462</u>	<u>\$10,001,934</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	
	<u>Counseling</u>	<u>Housing and Ministry</u>
Total salaries, wages and benefits	<u>1,105,956</u>	<u>3,903,375</u>
Other expenses:		
Contract labor	-	365,676
Client assistance (housing, living expenses)	-	1,631
Office and apartment rent	-	80,904
Other program expenses	-	449,909
Interest		78,386
Utilities	-	167,004
Maintenance	-	442,325
Provision for depreciation	-	497,957
Telephone	-	18,338
Resident outfitting	-	15
Resident meals	-	329,417
Automobile expenses	-	18,191
Insurance	-	47,976
Travel and entertainment	-	14,530
Supplies	-	59,990
Professional fees	-	24,289
Devotional book distribution	-	79,951
Licenses	-	24,412
Dues and subscriptions	-	6,008
Postage and delivery	-	4,868
Marketing	-	-
Training and support services	<u>4,615</u>	<u>16,287</u>
Total other expenses	<u>4,615</u>	<u>2,728,064</u>
 Total expenses	 <u>\$1,110,571</u>	 <u>\$6,631,439</u>

Supporting Services

<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>\$1,171,012</u>	<u>\$325,280</u>	<u>\$6,505,623</u>
7,730	-	373,406
-	-	1,631
3,371	-	84,275
95,606	16,871	562,386
16,657	2,939	97,983
18,556	-	185,560
49,147	-	491,472
55,329	-	553,286
1,426	611	20,375
-	-	15
-	-	329,417
-	-	18,191
6,239	-	54,215
1,130	484	16,144
7,104	11,841	78,935
25,639	17,542	67,470
-	-	79,951
-	-	24,412
401	267	6,676
885	3,098	8,851
-	128,802	128,802
<u>4,886</u>	<u>1,357</u>	<u>27,145</u>
<u>294,106</u>	<u>183,813</u>	<u>3,210,598</u>
<u>\$1,465,118</u>	<u>\$509,093</u>	<u>\$9,716,221</u>

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Decrease in net assets	\$(353,503)	\$(198,797)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	541,185	553,285
Loss on sale of land and building held for sale	-	12,086
(Increase) decrease in government grants receivable	(113,750)	41,369
Decrease in contributions receivable	50,500	42,284
Decrease in accounts receivable	34,045	54,920
Decrease in prepaid expenses	-	2,625
Increase in accounts payable and accrued expenses	<u>32,167</u>	<u>65,749</u>
Net cash provided by operating activities	<u>190,644</u>	<u>573,531</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	<u>( 70,813)</u>	<u>( 27,684)</u>
Net cash used in investing activities	<u>( 70,813)</u>	<u>( 27,684)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(620,216)	(303,455)
Proceeds from net borrowings on notes payable	<u>437,000</u>	<u>145,223</u>
Net cash used in financing activities	<u>(183,216)</u>	<u>(158,232)</u>
Net (decrease) increase in cash and cash equivalents	( 63,385)	387,605
Cash and cash equivalents (overdraft) at beginning of year	<u>361,706</u>	<u>( 25,899)</u>
Cash and cash equivalents at end of year	<u>\$ 298,321</u>	<u>\$ 361,706</u>

Supplemental cash flow information:

Cash paid for interest totaled \$103,377 and \$97,983 for the years ended December 31, 2019 and 2018, respectively.

See accompanying notes to the financial statements.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Nextdoor, Inc., (the “Organization”) is a not-for-profit organization incorporated in 2003 to provide evidence-based substance abuse and mental health services for women in an environment of faith and healing to restore hope and a lifetime of recovery. They offer a full continuum of care including Medically-Monitored Detoxification, Residential Treatment, Partial Hospitalization, Intensive Outpatient, Medication-Assisted Treatment (MAT), Outpatient MAT services and Aftercare for alumnae.

Accrual Basis and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

For reporting purposes, the Organization’s financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net Assets With Donor Restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets. The Organization does not have net assets with donor restrictions that are perpetual in nature.

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 statements of activities.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions 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 support with donor restrictions. 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.

Contributions Receivable

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year and allowances for uncollectible amounts. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor.

Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the pledge is received.

Program Fee Revenue and Accounts Receivable

On January 1, 2019, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers. The Organization adopted the new revenue recognition accounting guidance by applying the modified retrospective transition approach to all contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with program participants. The adoption of the guidance did not have an impact on the amount or timing of revenue recognized.

Program participant charges are reported at the amount that reflects consideration to which the Organization expects to be entitled in exchange for providing various services. For all services provided, timing of revenue recognition is based on services transferred over time as performance obligations are met under the contracts. Performance obligations are determined by the nature of the services provided to each participant.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Program fee revenue, net represents the estimated net realizable amounts from program participants and third party payors, including insurance companies. Program participant charges are billed monthly as services are provided, therefore there are typically no contract assets or liabilities other than accounts receivable. Certain program fee revenue is recorded at established rates reduced by estimated allowances for contractual adjustments. Contractual adjustments arise due to the terms of certain reimbursement contracts. Such contractual adjustments represent the difference between charges at established rates and estimated reimbursable amounts and are recognized in the period the service is rendered. The estimated reimbursable amounts are based on management's knowledge and historical collections from similar payors. Final determination of certain settlements is subject to review by appropriate authorities. Any differences between estimated contractual adjustments and actual settlements under reimbursement are reported as additional contractual adjustments in the period such adjustments are determined. The term between billing and when payment is due is generally not significant. As permitted under U.S. GAAP, the Organization has elected not to assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the program participant or third party payor and transfer of the promised services to the program participant will be one year or less.

Related accounts receivable are carried at cost less an allowance for doubtful accounts and contractual adjustments. Accounts receivable are periodically evaluated for collectability. Provisions for uncollectible accounts and contractual adjustments are determined on the basis of experience, known and inherent risks, and current economic conditions.

The Organization provides services to participants primarily located in the middle Tennessee area.

The Organization is generally directly responsible for fulfilling its performance obligations in contracts with program participants.

Federal, State and Other Grants

Revenue under federal, state and other grants is recognized to the extent related expenses have been incurred. Grants receivable represents the difference between amounts earned and amounts received. Deferred grant revenue represents grant funds received that have not been earned.



THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, or if contributed, at estimated fair 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.

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets for possible impairment when events or circumstances indicate that the carrying amounts may not be recoverable. Long-lived assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows that are independent of the cash flows of other groups of assets. If it is determined that the carrying amounts of such long-lived assets are not recoverable, the assets are written down to their fair value. As of December 31, 2019 and 2018, in the opinion of management, there has been no such impairment.

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.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability* assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 areas are the recovery period for the buildings, leasehold improvements and equipment, the functional allocation of expenses and the collectability of receivables. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

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 Measurements

Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's financial instruments consist of receivables, accounts payable and accrued expenses, notes payable and lines-of-credit. The recorded values of receivables, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The carrying value of the notes payable and lines-of-credit are not materially different from the estimated fair value of these instruments.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Expenses

Expenses have been allocated by function into program services or supporting services based on estimates made by management.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 298,321	\$ 361,706
Government grants receivable	222,508	108,758
Contributions receivable	72,000	122,500
Accounts receivable, net	<u>450,691</u>	<u>484,736</u>
Total financial assets	<u>1,043,520</u>	<u>1,077,700</u>
Less amounts not available to be used for general expenditures within one year:		
Financial assets not available to be used within one year	<u>202,954</u>	<u>167,481</u>
Financial assets available to meet general expenditures within one year	<u>\$ 840,566</u>	<u>\$ 910,219</u>

The Organization receives substantial support through restricted and unrestricted contributions and fundraising clients and must maintain sufficient resources to meet responsibilities to its donors. The Organization also reviews significant revenues from grants which are ongoing. Grant revenues are received monthly through submittal of reimbursement requests for various programs. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

C. RECEIVABLES

Government grants receivable and contribution receivables totaled \$294,508 and \$231,258 as of December 31, 2019 and 2018, respectively. Contributions receivable are due through 2023. There was no allowance for uncollectible accounts considered necessary as of December 31, 2019 and 2018.

Accounts receivable related to program fees and other revenues as of December 31, 2019 and 2018, totaled \$450,691 and \$484,736, respectively. There was no allowance for uncollectible accounts and contractual adjustments considered necessary as of December 31, 2019 and 2018.

D. LAND, BUILDINGS AND EQUIPMENT AND LAND AND BUILDING HELD FOR SALE

Land, buildings and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 132,450	\$ 132,450
Buildings	10,249,853	10,249,853
Leasehold improvements	11,865	11,865
Furniture and fixtures	680,658	670,449
Equipment and computers	<u>1,124,406</u>	<u>1,063,802</u>
	12,199,232	12,128,419
Less: Accumulated depreciation	<u>( 3,602,075)</u>	<u>( 3,060,890)</u>
	<u>\$ 8,597,157</u>	<u>\$ 9,067,529</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$541,185 and \$553,286, respectively.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

E. NOTES PAYABLE

A summary of notes payable at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Short-term note payable to a member of the Board. Interest rate is 0% per annum. The short-term note payable is due and payable in full on December 31, 2020.	\$ 143,000	\$ -
Note payable to a financial institution due in monthly principal payments of \$3,866 plus interest at 4% below the financial institution's Base Rate (.75% at December 31, 2019). All Outstanding interest and principal are due September 30, 2024. The note is collateralized by the land and building of the Organization.	658,997	757,767
Note payable to a financial institution due in monthly principal installments of \$29,573 through October 2019, and monthly principal installments of \$28,594 through October 2024 with a final balloon payment in November 2024. Interest is payable monthly and is based on the financial institution's Base Rate less 4% (.75% at December 31, 2019). The note is collateralized by the land and building of the Organization.	<u>4,799,430</u>	<u>5,026,876</u>
Total notes payable	<u>\$5,601,427</u>	<u>\$5,784,643</u>

Future maturities required under notes payable are as follows as of December 31, 2019:

Years Ending December 31,

2020	\$ 532,518
2021	389,518
2022	389,518
2023	389,518
2024	<u>3,900,355</u>
Total	<u>\$5,601,427</u>

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

F. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 and 2018 have been restricted by the donors for the following purposes:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Subject to purpose restrictions:		
EMR and Billing System	\$100,000	\$ -
Chaplain services	-	18,750
Sabbatical	5,705	22,250
Miscellaneous resident needs	<u>25,249</u>	<u>3,981</u>
Total subject to purpose restrictions	130,954	44,981
Subject to time restrictions	<u>72,000</u>	<u>122,500</u>
Total net assets with donor restrictions	<u>\$202,954</u>	<u>\$167,481</u>

Net assets with donor restrictions of \$106,884 and \$75,892 for the years ended December 31, 2019 and 2018, respectively were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

G. LEASES

The Organization leases certain office equipment. Lease expense under the operating leases for each of the years ended December 31, 2019 and 2018 was \$33,290 and \$35,175, respectively. A summary of future minimum lease payments required under the non-cancellable operating leases is as follows:

<u>Years Ending December 31,</u>	
2020	\$ 31,884
2021	31,884
2022	31,884
2023	<u>10,628</u>
Total	<u>\$106,280</u>

H. ADVERTISING COSTS TOTAL

The Organization expenses the cost of advertising and marketing when incurred, which totaled \$120,217 and \$128,802 for the years ended December 31, 2019 and 2018, respectively.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

I. GIFTS IN KIND

The Organization records donated rent, materials and services at fair value on the date of donation. The Organization recorded donated rent, materials and supplies with fair values of \$64,800 and \$71,859 for the years ended December 31, 2019 and 2018, respectively.

J. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at financial institutions which management believes are high credit quality institutions at balances which, at times, may be uninsured by exceeding 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. Credit risk also extends to receivables, all of which are uncollateralized. As of December 31, 2019, and 2018, respectively, two contributions receivable comprised 90% of total contributions receivable and three contributions receivable comprised 90% of contributions receivable.

K. COMMITMENTS AND CONTINGENCIES

The Organization has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations, and any required reimbursements would not be material to the financial statements of the Organization.

L. RELATED PARTY TRANSACTIONS

The Organization leases certain office space and living space from related parties. The lease arrangements with the related parties provide The Nextdoor, Inc. with certain contributed rent concessions. These concessions were recorded as contributions and rent expense on the statements of activities at their estimated fair value of \$64,800 for both the years ended December 31, 2019 and 2018.

THE NEXTDOOR, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2020, which is the date the financial statements were available for issuance, and has determined that there was one subsequent event requiring disclosure as follows:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our program participants, employees, and vendors, all of which are uncertain and cannot be predicted. In order to assist in the mitigation of potential negative impact on our operational and financial performance, the Organization applied for and has received financing from the Small Business Administration (the “SBA”) totaling approximately \$1.2 million through the Paycheck Protection Program (“Program”). Under the Program, the loan is subject to forgiveness if it is utilized for expenditures such as certain payroll, rent, and utility costs. It is management’s intent to utilize the loan proceeds for purposes that qualify the loan for forgiveness under the Program, and management expects the loan to ultimately be forgiven.

While expected to be temporary, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2020.



## **SUPPLEMENTAL INFORMATION**

THE NEXTDOOR, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2019 Accrued</u>	<u>Receipts</u>
<u>Federal Awards</u>				
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Metropolitan Housing and Development Agency of Nashville and Davidson County				
Supportive Housing Program	14.235	TN0059L4J041710	<u>\$(4,801)</u>	<u>\$ 96,574</u>
Total U.S. Department of Housing and Urban Development			<u>(4,801)</u>	<u>96,574</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through the Tennessee Department of Mental Health				
MAT Buprenorphine STR	93.788	57913	-	84,195
Addictions Recovery Program State Targeted Response (ARP STR)	93.788	57910	<u>( 30)</u>	<u>5,970</u>
Total U.S. Department of Health and Human Services			<u>( 30)</u>	<u>90,165</u>
TOTAL FEDERAL AWARDS			<u>(4,831)</u>	<u>186,739</u>

	Balance December 31, 2019
<u>Expenditures</u>	<u>Accrued</u>

<u>\$( 97,989)</u>	<u>\$( 6,216)</u>
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<u>( 97,989)</u>	<u>( 6,216)</u>
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( 84,195)	-
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<u>( 5,940)</u>	<u>-</u>
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<u>( 90,135)</u>	<u>-</u>
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<u>(188,124)</u>	<u>( 6,216)</u>
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THE NEXTDOOR, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Grant Number</u>	<u>Balance January 1, 2019 Accrued</u>	<u>Receipts</u>
<u>State Awards</u>				
TN Dept. of Mental Health and Substance Abuse	N/A	58042/62144	\$ -	\$ 6,918
TN Dept. of Mental Health and Substance Abuse	N/A	58513/33901	( 1,816)	27,199
TN Dept. of Mental Health and Substance Abuse	N/A	58044	( 14,418)	720,415
TN Dept. of Mental Health and Substance Abuse	N/A	58043/62133	( 3,080)	36,985
TN Dept. of Mental Health and Substance Abuse	N/A	58046/62137	( 13,292)	179,636
TN Dept. of Mental Health and Substance Abuse	N/A	58040/62141	( 3,375)	53,290
TN Dept. of Mental Health and Substance Abuse	N/A	58041/62142	( 10,068)	39,861
TN Dept. of Corrections	N/A	59324	( 57,878)	633,116
TN Dept. of Children's Services	N/A	62384	<u>-</u>	<u>11,541</u>
TOTAL STATE AWARDS			<u>(103,927)</u>	<u>1,708,961</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$(108,758)</u>	<u>\$1,895,700</u>

<u>Expenditures</u>	Balance December 31, 2019 <u>Accrued</u>
\$( 10,278)	\$( 3,360)
( 27,303)	( 1,920)
( 776,700)	( 70,703)
( 36,990)	( 3,085)
( 183,131)	( 16,787)
( 51,272)	( 1,357)
( 29,793)	-
( 689,532)	(114,294)
<u>( 16,327)</u>	<u>( 4,786)</u>
<u>(1,821,326)</u>	<u>(216,292)</u>
<u>\$(2,009,450)</u>	<u>\$(222,508)</u>

#### NOTE - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the federal and state grant activity of the Organization for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of the State of Tennessee. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. The schedule is presented using the accrual basis of accounting.

The note to the Schedule of Expenditures of Federal Awards and State Financial Assistance is an integral part of this schedule.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
The Nextdoor, Inc.  
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Nextdoor, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crosslin, PLLC*

Nashville, Tennessee  
May 26, 2020

THE NEXTDOOR, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings reported.