

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Organized Neighbors of Edgehill, Inc.  
Nashville, TN

We have audited the accompanying statement of financial position of *Organized Neighbors of Edgehill, Inc.* (a not-for-profit organization) as of June 30, 2012, and the related statements of activities, cash flows, and functional expenses for the year 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 audit.

We conducted our audit 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 misstatements. 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 audit provides 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 *Organized Neighbors of Edgehill, Inc.* as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hoskins & Company  
November 19, 2012

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

**Assets**

Current assets	
Cash and cash equivalents	\$ 283,774
Mortgage receivable (Note 4)	85
Prepaid expense	200
Total current assets	<u>284,059</u>
Non-current assets	
Property and equipment, net of accumulated depreciation (Note 3)	<u>120,055</u>
Total non-current assets	<u>120,055</u>
<b>Total assets</b>	<u><u>\$ 404,114</u></u>

**Liabilities and net assets**

Current liabilities	
Accounts payable	\$ 3,387
Payroll liabilities	1,310
Total current liabilities	<u>4,697</u>
Non-current liabilities	
Loan payable-MDHA (Note 5)	<u>100,000</u>
Total liabilities	<u>104,697</u>
Net assets	
Unrestricted	299,417
Temporarily restricted	-
Permanently restricted	-
Total net assets	<u>299,417</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 404,114</u></u>

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

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**Revenue and support**

United Way-OBI	\$ 48,988
United Way-FRC	42,516
United Way-Advisory Council	1,928
Scholarship donations	25,293
Other grants	1,000
Community shares	3,944
United Way-designation	687
Event donations	3,750
Donations/membership fees	965
Rental income	10,008
HOPE development income	4,100
Interest	286
	<hr/>
Total revenue and support	143,465

**Expenses**

Program services	
Organizing & resources	83,034
Housing	13,873
Scholarship	25,500
Total program services	<hr/> 122,407
Support services	
Management & general	22,915
Fundraising	6,918
Total support services	<hr/> 29,833
	<hr/>
Total expenses	152,240
	<hr/>
Decrease in net assets	(8,775)
Prior year net assets adjustment (Note 7)	23,423
Net assets, beginning of year	<hr/> 284,769
Net assets, end of year	<hr/> <hr/> \$ 299,417

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

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**Cash flows from operating activities**

Decrease in net assets	\$ (8,775)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	4,114
Decrease in accounts receivable	22
Decrease in grant receivable	2,073
Decrease in mortgage receivable	1,067
Increase in accounts payable	3,387
(Decrease) in payroll liabilities	(359)

Net cash provided by operating activities	1,529
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**Cash flows from investing activities**

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**Cash flows from financing activities**

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Net increase in cash and cash equivalents	1,529
Cash and cash equivalents, beginning of year	282,245
<b>Cash and cash equivalents, end of year</b>	<b>\$ 283,774</b>

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



**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Program Services				Support Services			
	Organizing & Resources	Housing	Scholarships	Total Program Services	Management & General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 55,700	\$ -	\$ -	\$ 55,700	\$ 10,800	\$ 5,400	\$ 16,200	\$ 71,900
Employee benefits	5,581	-	-	5,581	1,546	773	2,319	7,900
Total salaries and benefits	61,281	-	-	61,281	12,346	6,173	18,519	79,800
Accounting & audit	-	-	-	-	6,440	-	6,440	6,440
Supplies	1,791	-	-	1,791	193	103	296	2,087
Postage & shipping	264	-	-	264	-	-	-	264
Scholarships	-	-	25,500	25,500	-	-	-	25,500
Printing	2,059	-	-	2,059	330	176	506	2,565
Travel	1,000	-	-	1,000	-	-	-	1,000
Insurance	-	529	-	529	-	-	-	529
Mortgage write-off	-	1,067	-	1,067	-	-	-	1,067
Depreciation	-	3,579	-	3,579	535	-	535	4,114
Contract services	8,810	4,500	-	13,310	18	10	28	13,338
Telephone & internet	3,128	-	-	3,128	610	325	935	4,063
Special events	419	-	-	419	-	111	111	530
Dues, fees & miscellaneous	222	-	-	222	253	20	273	495
Miscellaneous expenses	-	-	-	-	224	-	224	224
House project expense	-	4,198	-	4,198	-	-	-	4,198
Government fees	-	-	-	-	1,966	-	1,966	1,966
Meetings	4,060	-	-	4,060	-	-	-	4,060
<b>Total expenses</b>	<b>\$ 83,034</b>	<b>\$ 13,873</b>	<b>\$ 25,500</b>	<b>\$ 122,407</b>	<b>\$ 22,915</b>	<b>\$ 6,918</b>	<b>\$ 29,833</b>	<b>\$ 152,240</b>

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

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**NOTE 1---NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Organized Neighbors of Edgehill, Inc. (the "Organization") was established on June 15, 1993 in Nashville, Tennessee. The Organization was incorporated for the purpose of having a central headquarters available to all residents and to provide activities and projects that benefit the Edgehill Community. The Organization formed a Neighborhood Network that includes reporting crime, having monthly meetings for residents, growing a community garden, providing leadership training events, awarding scholarships to deserving student residents, promoting other educational programs outside the Organization, and providing space for the Juvenile Justice Center to offer services to delinquent youth and others in need of counseling.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, revenue is recognized when earned, support and promises to give are recognized when received, and expenses are recorded when incurred.

The financial statement presentation follows the recommendations of the Financial Accounting Standard Board's Accounting Standard Codification 958 (FASB ASC 958). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets — Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law.

Temporarily Restricted Net Assets — Net assets of gifts of cash and other assets, accepted by board actions, that are received with donor stipulations that limit the use of the donated assets, or designated as support for future periods.

Permanently Restricted Net Assets — Net assets, accepted by board actions, subject to donor's stipulation that require the asset be invested in perpetuity.

Donated Services

The Organization receives a substantial amount of services donated by its members in carrying out the Organization's functions. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under the Financial Accounting Standard Board's Accounting Standard Codification 958 (FASB ASC 958).



**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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Revenue, Support, and Expenses

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 contributions are 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 statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is a tax-exempt entity under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is considered necessary.

Fixed Assets

Disbursements for property and equipment, consisting of office equipment and building, are reflected in the statement of financial position at cost. Donated assets with donor stipulations as to specific purpose(s) are reported as restricted contributions until it is placed in the service for which it is restricted. Depreciation, which is reflected as an expense in the statement of activities, is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Machinery and equipment	3—10
Building	10—27.5

Functional Expenses

Management allocates expenses on a functional basis among its various programs, including support services and fundraising activities. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs are allocated based on various relationships.

**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**NOTE 2---SCHOLARSHIP PROGRAM**

One of the major objectives of the Organization is to provide educational assistance to Edgehill residents who have the scholastic ability to attend college or technical school. The Organization provided \$25,500 in scholarships during the fiscal year ended June 30, 2012.

**NOTE 3---PROPERTY AND EQUIPMENT**

Depreciation expense as of June 30, 2012 was \$4,114. A summary of property and equipment as of June 30, 2012 was as follows:

	<u>June 30, 2012</u>
Equipment	\$ 14,890
Greenhouse	2,325
House	87,498
Land	35,336
Accumulated depreciation	<u>(19,994)</u>
Total property and equipment	<u>\$ 120,055</u>

**NOTE 4---MORTGAGE RECEIVABLE**

The Organization sold property located at 1310 Grand Avenue, Nashville, Tennessee. The mortgage was a non-interest bearing, fifteen year mortgage starting from the original date and decreasing by one-fifteenth of the original amount per year. This contract expired on July 28, 2012. Mortgage receivable as of June 30, 2012 was \$85.

**NOTE 5---RENTAL HOUSE AND LOAN PAYABLE**

The Organization increased its community involvement by providing affordable homes acquired through the Community Housing Development Organization, (CHDO), a program that is sponsored by the Metropolitan Development and Housing Agency (MDHA), which receives federal funds from the Department of Housing and Urban Development.

On July 25, 2006, the Organization purchased property located at 922 14<sup>th</sup> Avenue South, Nashville, Tennessee as part of fixed assets at a cost of \$100,000. The funds to purchase the property were obtained through a loan from MDHA in the amount of \$100,000. As part of its operations, the Organization purchases, rehabs and sales houses. The proceeds from the sales of the houses are deposited in the Organization's Home Fund bank account. As long as the Organization is operational, no amount is owed to MDHA. In the event the Organization goes out of business, any amount remaining in the Organization's Home Fund bank account is owed to MDHA. The loan payable as of June 30, 2012 is \$100,000.



**ORGANIZED NEIGHBORS OF EDGEHILL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**NOTE 6---LEASE AGREEMENT**

On October 1, 2008, the Organization entered into an agreement with MDHA, whereby MDHA leases the property occupied by the Organization for a term of one year at no cost to the Organization with no requirement that the Organization sign a new lease each year. Each year the lease is "continued" based on a vote taken at the Residents Association meeting. The lease agreement requires the Organization to only use the property for a central meeting place.

**NOTE 7---PRIOR PERIOD ADJUSTMENT**

During the years 2006-2008, the Organization made improvements to the property located at 922 14<sup>th</sup> Avenue South in the amount of \$22,834. The amount of the loan payable should only reflect \$100,000, the amount MDHA loaned to the Organization to purchase the property. An increase of \$22,834 was made to correct the loan payable. The Organization began depreciating the property located at 922 14<sup>th</sup> Avenue South during the fiscal period 2010-2011 when the property was placed in service. However, the property was depreciated using the original cost of the house, land, and improvements rather than the original cost of only the house and improvements. A net increase of \$589 was made to net assets to correct accumulated depreciation. The overall effect to net assets was an increase of \$23,423.

**NOTE 8---SUBSEQUENT EVENTS**

There were no other subsequent events requiring disclosure as of November 19, 2012, the date management evaluated such events. The financial statements were available to be issued on November 19, 2012.