

**NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2017 AND 2016**

**NEIGHBORHOODS RESOURCE CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 12



Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Neighborhoods Resource Center

We have audited the accompanying financial statements of Neighborhoods Resource Center (a Tennessee not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhoods Resource Center as of June 30, 2017 and 2016, 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.

December 12, 2017

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS			
		2017	2016
Current assets:			
Cash and cash equivalents		\$ 164,875	\$ 1,363,194
Investments		<u>1,064,980</u>	<u>-</u>
Total current assets		1,229,855	1,363,194
Property and equipment, net		13,097	3,643
Security deposit		<u>3,690</u>	<u>-</u>
Total assets		<u><u>\$ 1,246,642</u></u>	<u><u>\$ 1,366,837</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable		\$ 1,913	\$ 5,176
Payroll liabilities		<u>7,177</u>	<u>-</u>
Total liabilities		<u>9,090</u>	<u>5,176</u>
Net assets:			
Unrestricted		<u>1,237,552</u>	<u>1,361,661</u>
Total net assets		<u>1,237,552</u>	<u>1,361,661</u>
Total liabilities and net assets		<u><u>\$ 1,246,642</u></u>	<u><u>\$ 1,366,837</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
SUPPORT AND REVENUE:		
Investment income, net	\$ 65,077	\$ -
Contributions	48,801	36,447
Grant revenue	16,267	3,669
Miscellaneous income	5,373	1,464
Special events	4,648	5,396
Gain on sale of fixed assets	<u>-</u>	<u>1,216,580</u>
Total support and revenue	<u>140,166</u>	<u>1,263,556</u>
EXPENSES:		
Program services	148,704	175,415
Management and general	40,936	15,541
Fundraising	<u>74,635</u>	<u>31,085</u>
Total expenses	<u>264,275</u>	<u>222,041</u>
Increase (decrease) in net assets	(124,109)	1,041,515
Net assets, beginning of year	<u>1,361,661</u>	<u>320,146</u>
Net assets, end of year	<u><u>\$ 1,237,552</u></u>	<u><u>\$ 1,361,661</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 66,753	\$ 22,251	\$ 59,336	\$ 148,340
Payroll taxes	4,745	1,582	4,218	10,545
Employee benefits	1,800	600	1,600	4,000
Total payroll and related expense	73,298	24,433	65,154	162,885
Rent	19,926	1,107	1,107	22,140
Events	16,660	-	877	17,537
Professional fees	-	9,821	5,306	15,127
Equipment and technology	9,082	505	505	10,092
Miscellaneous	4,526	251	251	5,028
Printing	4,061	226	226	4,513
Utilities	3,366	187	187	3,740
Supplies	3,249	181	181	3,611
Travel and meetings	3,236	180	180	3,596
Telephone	3,157	175	175	3,507
Memberships and subscriptions	2,229	124	124	2,477
Insurance	-	2,387	24	2,411
Depreciation	1,699	94	94	1,887
Training and staff development	1,678	93	93	1,864
Advertising	1,493	83	83	1,659
Postage	1,044	58	58	1,160
Taxes and licenses	-	904	9	913
Bank and credit card fees	-	127	1	128
	<u>\$ 148,704</u>	<u>\$ 40,936</u>	<u>\$ 74,635</u>	<u>\$ 264,275</u>

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 77,028	\$ 6,825	\$ 13,651	\$ 97,504
Payroll taxes	6,068	538	1,075	7,681
Employee benefits	747	66	132	945
Total payroll and related expense	83,843	7,429	14,858	106,130
Professional fees	18,695	1,657	3,313	23,665
Interest	10,367	919	1,837	13,123
Rental and service fees	8,849	784	1,568	11,201
Supplies	8,170	724	1,448	10,342
Depreciation	7,840	695	1,389	9,924
Loan costs	5,750	509	1,019	7,278
Miscellaneous	5,446	482	965	6,893
Printing	5,272	467	934	6,673
Technology	4,842	429	858	6,129
Insurance	4,509	399	799	5,707
Repairs and maintenance	3,718	329	659	4,706
Utilities	3,267	290	579	4,136
Telephone	2,533	224	449	3,206
Travel and meetings	973	86	172	1,231
Advertising	461	41	82	584
Memberships and subscriptions	377	33	67	477
Postage	283	25	50	358
Bank fees	220	19	39	278
	<u>\$ 175,415</u>	<u>\$ 15,541</u>	<u>\$ 31,085</u>	<u>\$ 222,041</u>

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

**NEIGHBORHOODS RESOURCE CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (124,109)	\$ 1,041,515
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Realized loss on investments	1,527	-
Unrealized gain on investments	(60,071)	-
Depreciation	1,887	9,924
Gain on sale of fixed assets	-	(1,216,580)
Decrease in accounts receivable	-	1,593
Increase in deposits	(3,690)	-
Increase (decrease) in accounts payable	(3,263)	2,652
Increase in payroll liabilities	7,177	-
Decrease in accrued expenses	<u>-</u>	<u>(3,397)</u>
Net cash used in operating activities	<u>(180,542)</u>	<u>(164,293)</u>
Cash flows from investing activities:		
Purchase of investments	(1,071,558)	-
Proceeds from sale of investments	65,122	-
Fixed asset purchases	(11,341)	-
Payment to release property interest	-	(100,909)
Proceeds from sale of fixed assets	<u>-</u>	<u>1,708,414</u>
Net cash provided by (used in) investing activities	<u>(1,017,777)</u>	<u>1,607,505</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	375,000
Principal payments on long-term debt	<u>-</u>	<u>(475,764)</u>
Net cash used in financing activities	<u>-</u>	<u>(100,764)</u>
Net increase (decrease) in cash and cash equivalents	(1,198,319)	1,342,448
Cash and cash equivalents, beginning of year	<u>1,363,194</u>	<u>20,746</u>
Cash and cash equivalents, end of year	<u><u>\$ 164,875</u></u>	<u><u>\$ 1,363,194</u></u>
Supplemental disclosures of cash flow information:		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ 13,123</u></u>

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

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Neighborhoods Resource Center (the "Center") is a private not-for-profit corporation chartered under the laws of the State of Tennessee to assist residents of various neighborhoods, primarily in low-income areas, in the formation and/or development of neighborhood organizations that identify and take action on issues affecting their neighborhoods. The Center assists residents by providing information, leadership training, consulting and supportive services, and by forming collaborative relationships with, and providing support to, institutions that serve neighborhoods.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Center does not have any temporarily or permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Unrealized gains and losses, as well as appreciation or depreciation in the market value, are reflected in the accompanying financial statements.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property and equipment is recorded at fair market value. Contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of 3 – 40 years on a straight-line basis.

Advertising Costs

The Center expenses all advertising costs as incurred. Total advertising expense amounted to \$1,659 and \$584 in 2017 and 2016, respectively.

Income Tax Status

Neighborhoods Resource Center is exempt from federal income tax under Internal Revenue Code section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Neighborhoods Resource Center has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Center continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (continued)

For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2016, the Center has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Center has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed.

Functional Classification of Expenses

The following program services are included in the accompanying financial statements:

Information and Technology Services provide neighborhood-level community asset and liability information to neighborhood organizations and the government and nonprofit agencies that serve neighborhoods, in both tabular and graphical formats by using the Geographic Information System. These services also include the deployment of computer systems and training to neighborhood and ethnic community groups for use in their community development activities.

Organizing and Support Services provide neighborhood residents and groups with hands on organizational development assistance. This support is designed to engage neighborhood residents in the development of a neighborhood organization that identifies its community goals, takes focused action to achieve its goals, and produces a group of neighborhood leaders with the capacity to carry on their community development work. This area also includes the Strategic Partnership Services which provide government and social service agencies with a nonprofit partner that brings a neighborhood perspective to specific community development projects that are city-wide or multi-neighborhood in nature.

Training and Capacity Building Services consist of the Neighborhood Leadership Training Institute and customized capacity building workshops. These programs are designed to provide residents with the knowledge and skills necessary to take the leading role in identifying and addressing the needs of their neighborhood.

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, as determined by management.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016**

Contributed Services

The Center receives a significant amount of donated services from unpaid volunteers. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition set forth by accounting principles generally accepted in the United States of America.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Center has evaluated events and transactions that occurred after June 30, 2017, through the date of the issued financial statements. During the period there were no material recognizable subsequent events that required recognition in the disclosures to the June 30, 2017 financial statements.

NOTE 2 - INVESTMENTS

Marketable securities are recorded at market value at June 30, 2017, as follows:

	Cost	Market
Money market funds	\$ 74,098	\$ 74,098
Bonds	257,604	253,349
Equities	<u>673,207</u>	<u>737,533</u>
	<u>\$ 1,004,909</u>	<u>\$ 1,064,980</u>

Investment income from these investments for the years ended June 30, 2017 is as follows:

Unrealized gain on investments	\$ 60,071
Realized loss on investments	(1,527)
Dividends/interest	17,938
Investment management fees	<u>(11,405)</u>
	<u>\$ 65,077</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

The Center uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

In accordance with this guidance, the Center groups its financial assets and liabilities generally measured at fair value in a three level valuation hierarchy for disclosure of fair value measurements defined as Level 1 – inputs for quoted market prices for identical assets or liabilities in active markets; Level 2 – inputs include quoted market prices for similar assets and liabilities in active markets and inputs that are observable either directly or indirectly and; Level 3 – inputs that are unobservable and significant to the fair value measurements.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

At June 30, 2017, the Center did not have any assets measured with Level 2 or Level 3 inputs.

Fair value of assets measured on a recurring basis at June 30, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 74,098	\$ 74,098	\$ -	\$ -
Bonds	253,349	253,349	-	-
Equities	737,533	737,533	-	-
Total assets, at fair value	<u>\$ 1,064,980</u>	<u>\$ 1,064,980</u>	<u>\$ -</u>	<u>\$ -</u>

The Center does not measure any liabilities on a recurring basis.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2017	2016
Office furniture and equipment	16,948	5,607
Less accumulated depreciation	(3,851)	(1,964)
	<u>\$ 13,097</u>	<u>\$ 3,643</u>

For the years ended June 30, 2017 and 2016, the Center had depreciation expense of \$1,887 and \$9,924, respectively.

**NEIGHBORHOODS RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 5 - LEASES

The Center entered into a lease for office space in June 2016. The terms of the lease are monthly payments of \$1,845 for 36 months beginning August 2016. Monthly payments increase three percent each year after the first. The Center also signed a lease for a copier in March 2016. Terms of the lease are monthly payments of \$165 for 60 months beginning April 2016. Expenses related to leases totaled \$24,503 and \$1,437 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments are as follows:

2018	\$ 24,708
2019	25,296
2020	1,980
2021	<u>1,485</u>
Total	<u>\$ 75,744</u>