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B35619

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 27, 2010

Board of Directors
Neighborhood Resources Corporation, Inc.
227 W. Jefferson Blvd., Ste. 1200 S.
South Bend, IN 46601

We have reviewed the audit report prepared by Christine A. Lauber, CPA, Independent Public Accountant, for the period January 1, 2006 to December 31, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Neighborhood Resources Corporation, Inc., as of December 31, 2006, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS



NEIGHBORHOOD RESOURCES CORPORATION, INC.

FINANCIAL STATEMENTS

December 31, 2006 and 2005



CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

1402 Mishawaka Avenue
South Bend, Indiana 46615
Phone: (574) 288-4801
Fax: (574) 287-4286

Christine A. Lauber, CPA
Rosalyn D. Lewis
Beth A. Santana
Ann M. Ullman, CPA

To the Board of Directors
Neighborhood Resources Corporation, Inc.
South Bend, IN

I have audited the financial statements of Neighborhood Resources Corporation, Inc. for the years ended December 31, 2006 and 2005, and have issued my report thereon dated August 6, 2007. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under Professional Standards

As stated in the engagement letter, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by me.

As part of my audit, I considered the Organization's internal control. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

Significant accounting policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of the engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements.

I noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Issues discussed prior to retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor.

This information is intended solely for the use of the Board of Directors and management of Neighborhood Resources Corporation, Inc. and should not be used by anyone other than those specified parties.



August 6, 2007

NEIGHBORHOOD RESOURCES CORPORATION, INC.

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CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

Independent Auditor's Report

To the Board of Directors
Neighborhood Resources Corporation, Inc.
South Bend, IN

I have audited the accompanying statements of financial position of the Neighborhood Resources Corporation, Inc. as of December 31, 2006 and 2005, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Resources Corporation, Inc. as of December 31, 2006 and 2005, and 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 of America.

August 6, 2007

NEIGHBORHOOD RESOURCES CORPORATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents, (Restricted 2006, \$252,909, 2005, \$233,947)	\$ 273,301	\$ 261,762
Certificate of deposit	-	50,000
Prepaid expenses	2,874	2,724
TOTAL CURRENT ASSETS	276,175	314,486
Property and equipment		
Construction in progress	98,837	45,911
Land and buildings	493,410	493,410
Equipment	34,261	42,538
	626,508	581,859
Less accumulated depreciation	122,904	114,723
	503,604	467,136
	\$ 779,779	\$ 781,622
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 12,043	\$ 3,073
Accrued expenses	18,853	17,539
Due to other agencies	9,178	9,178
TOTAL CURRENT LIABILITIES	40,074	29,790
Net assets		
Unrestricted	13,936	21,200
Temporarily restricted	725,769	730,632
	739,705	751,832
	\$ 779,779	\$ 781,622

NEIGHBORHOOD RESOURCES CORPORATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended December 31, 2006 and 2005

	2006		2005	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUES AND OTHER SUPPORT				
Cash contributions	\$ 200	\$ -	\$ 405	\$ -
In-kind contributions	131,613	-	92,937	-
Grants	-	206,665	-	254,990
Unrealized gain on investment	233	-	(438)	-
Interest income	12,519	-	6,965	-
Net assets released from restrictions	211,528	(211,528)	221,063	(221,063)
	<u>356,093</u>	<u>(4,863)</u>	<u>320,932</u>	<u>33,927</u>
		<u>351,230</u>		<u>354,859</u>
EXPENSES				
Program - direct expenses				
Neighborhood technical assistance	13,136	-	13,653	-
Neighborhood partnership centers	320,262	-	297,078	-
Supporting services				
Management & General	29,959	-	23,876	-
	<u>363,357</u>	<u>-</u>	<u>334,607</u>	<u>-</u>
CHANGE IN NET ASSETS	(7,264)	(4,863)	(13,675)	33,927
NET ASSETS AT BEGINNING OF YEAR	21,200	730,632	34,875	696,705
NET ASSETS AT END OF YEAR	<u>\$ 13,936</u>	<u>\$ 725,769</u>	<u>\$ 21,200</u>	<u>\$ 730,632</u>
		<u>\$ 739,705</u>		<u>\$ 751,832</u>

See notes to financial statements
Page 3

NEIGHBORHOOD RESOURCES CORPORATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (12,127)	\$ 20,252
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	19,454	15,307
(Increase) decrease in certificates of deposit	50,000	(50,000)
(Increase) decrease in prepaid expenses	(150)	98
Increase (decrease) in accounts payable and accrued liabilities	<u>10,284</u>	<u>(808)</u>
Total adjustments	<u>79,588</u>	<u>(35,403)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>67,461</u>	<u>(15,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	<u>(55,922)</u>	<u>(47,773)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(55,922)</u>	<u>(47,773)</u>
NET INCREASE (DECREASE) IN CASH	11,539	(62,924)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>261,762</u>	<u>324,686</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 273,301</u>	<u>\$ 261,762</u>

NEIGHBORHOOD RESOURCES CORPORATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2006 and 2005

	2006				2005			
	Neighborhood Technical Assistance	Neighborhood Partnership Centers	Management & General	Total	Neighborhood Technical Assistance	Neighborhood Partnership Centers	Management & General	Total
In-kind staffing	\$ -	\$ 113,908	\$ 17,705	\$ 131,613	\$ -	\$ 82,835	\$ 10,102	\$ 92,937
Center coordinators	-	94,850	-	94,850	-	98,670	-	98,670
Other occupancy	-	69,186	-	69,186	-	64,000	-	64,000
Depreciation	-	19,411	43	19,454	-	18,690	750	19,440
Professional fees	-	518	8,047	8,565	-	20	7,778	7,798
Outreach	-	-	910	910	-	345	4,120	4,465
Office expense	-	6,466	1,597	8,063	923	5,878	350	7,151
Copier expense	-	1,137	-	1,137	-	1,560	-	1,560
Training	7,920	652	446	9,018	4,451	7,818	-	12,269
Program supplies	-	9,030	-	9,030	-	10,485	-	10,485
Hospitality	-	4,933	-	4,933	-	6,524	-	6,524
Administrative	-	-	197	197	-	-	20	20
Grants	5,216	-	-	5,216	8,279	-	-	8,279
Donations	-	-	200	200	-	-	-	-
Other	-	171	814	985	-	253	756	1,009
	\$ 13,136	\$ 320,262	\$ 29,959	\$ 363,357	\$ 13,653	\$ 297,078	\$ 23,876	\$ 334,607

NEIGHBORHOOD RESOURCES CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 **Nature of activities and summary of significant accounting policies**

Nature of activities

Neighborhood Resources Corporation, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana. The purpose of Neighborhood Resources Corporation, Inc. is to provide technical and financial assistance and support services to neighborhood organizations in South Bend, Indiana. Its operations are supported principally by grants and contributed services from the City of South Bend.

Significant accounting policies

Basis of accounting

The financial statements of Neighborhood Resources Corporation, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The preparation of financial statements in conformity with generally accepted accounting principles also requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure notes at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Basis of presentation

Financial statement presentations follow the recommendations of the Financial Accounting Standards Board in its *Statement of Financial Accounting Standards* (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the corporation 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.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NEIGHBORHOOD RESOURCES CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1

Continued

Donated property and services

Donated property is recorded at the estimated fair market value at date of receipt as determined by the donor. Donated services are recognized if the services create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax exemption

The Neighborhood Resources Corporation, Inc. is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Indiana income taxes under a similar section of the state's income tax laws.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Assets are capitalized if they have a cost greater than \$350.

Restricted and unrestricted revenue and support

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 Statement of Activities as net assets released from restrictions.

NEIGHBORHOOD RESOURCES CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 **Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Neighborhood partnership centers:	\$ 725,769	\$ 730,632

Note 3 **Concentrations of risk**

The Organization maintains bank accounts at one financial institution. The Federal Deposit Insurance Corporation (FDIC) insures these accounts for a maximum of \$100,000. At December 31, 2004, the balances at this bank exceeded \$100,000. In January 2005, the Organization decided upon investment options to reduce risks associated with exceeding FDIC limits. These investments are managed through National City, but are invested through separate banking institutions, which enable all cash to be insured by the FDIC.

The Organization receives the majority of its funding from the City of South Bend. Approximately 98% of the Organization's revenues for the years ending December 31, 2006 and 2005 were from grants and in-kind staffing from the City of South Bend.

The Organization is located in the City of South Bend; therefore its programs will be directly affected by local conditions in the City of South Bend.

Note 4 **Subsequent events**

The Organization will close all of the partnership centers by the end of 2007. Those centers will then be sold off, as the program focus is shifted to new strategies. The new strategies have not been decided as of the date of this report. Current real estate market conditions indicate the Organization may have difficulty selling the properties or may sell them for less than their carrying amounts.