



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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January 27, 2010

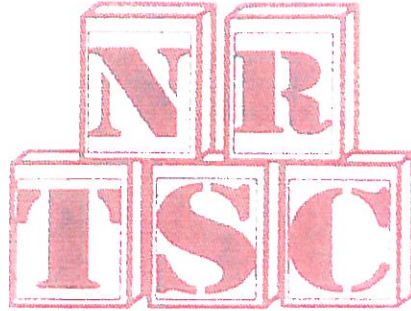
Board of Directors  
Neighborhood Resources Corporation, Inc.  
227 W. Jefferson Blvd., Ste. 1200 S.  
South Bend, IN 46601

We have reviewed the audit report prepared by Christine A. Lauber, CPA, Independent Public Accountant, for the period January 1, 2005 to December 31, 2005. 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, 2005, 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.

We call your attention to the findings in the report. The management letter contains three comments.

STATE BOARD OF ACCOUNTS



**NEIGHBORHOOD RESOURCES CORPORATION, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2005 and 2004**



# CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

May 31, 2006

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

In planning and performing my audit of the financial statements of Neighborhood Resources Corporation, Inc., for the years ended December 31, 2005 and 2004, I considered the Organization's internal control structure to plan my auditing procedures and not to provide assurance on internal control.

My comments and recommendations intended to improve and enhance operational efficiencies and are presented for your consideration. This letter does not affect my report, dated May 24, 2006, on the financial statements of the Neighborhood Resources Corporation, Inc.

## **Cash control**

Copies of checks that have cleared the bank are no longer mailed to you automatically. National City allows you to print copies from their web-site. I recommend utilization of this feature, making it part of your monthly reconciliation procedure. You will need to go online and set-up your log-in access. Also, document this procedure in your new accounting manual.

## **Investments**

Due to recommendations from past audits, the Organization has researched and decided upon investment options to reduce risks associated with exceeding Federal Deposit Insurance Corporation limits. I suggest considering a more sophisticated investment vehicle than CD's. If you anticipate holding large cash balances, like the year-end balances, you may be able to realize a greater rate of return in another investment product. CD's allow you to maintain liquidity. However, if you do not need to keep large amounts of cash liquid, another product may produce better return.

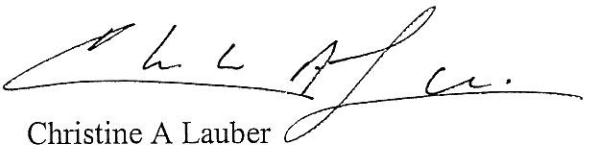
### **Progress reporting**

It has been my experience that not-for-profit organizations are great at creating strategic plans and setting them in motion. The next step tends to get overlooked. Once you have a plan, you need to develop a set of criteria that allow you to measure the effectiveness of the activities of the plan. I would suggest developing a report that would help you measure the progress of your strategic plan. Periodic review of the report would indicate your real progress, and adjustments could be implemented to more effectively reach your target.

I wish to commend the Board of Directors for their efforts in addressing issues brought about by my recommendations and their dedication to Neighborhood Resources Corporation, Inc. It is very rewarding to see a board so involved in its organization and the commitment to its success. I would like to thank the accounting staff for their support and assistance during the audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Christine A. Lauber', written in a cursive style with a long horizontal flourish at the end.

Christine A Lauber



# CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

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Melinda C. Clark, CPA  
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Christine A. Lauber, CPA  
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, 2005 and 2004, and have issued my report thereon dated May 24, 2006. 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.

### **Accounting estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There are currently no sensitive estimates affecting the financial statements of Neighborhood Resources Corporation, Inc.

### **Significant audit adjustments**

For purposes, of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me, but not recorded by the Organization that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. There are no proposed material audit adjustments relating to the financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

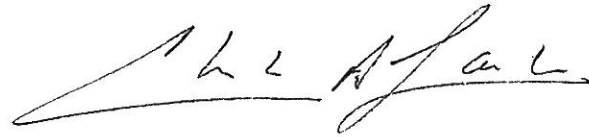
### **Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

**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.



May 30, 2006

# NEIGHBORHOOD RESOURCES CORPORATION, INC.

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statements of financial position	2
Statements of activities and changes in net assets	3
Statements of cash flows	4
Statements of functional expenses	5
<b>Notes to financial statements</b>	6-8



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, 2005 and 2004, 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, 2005 and 2004, 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.

May 24, 2006

Page 1

**NEIGHBORHOOD RESOURCES CORPORATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2005 and 2004**

	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents, (Restricted 2005, \$ 9,178, 2004, \$ 9,178)	\$ 261,762	\$ 324,686
Certificate of deposit	50,000	-
Prepaid expenses	2,724	2,822
<b>TOTAL CURRENT ASSETS</b>	<b>314,486</b>	<b>327,508</b>
<b>Property and equipment</b>		
Construction in progress	45,911	-
Land and buildings	493,410	493,410
Equipment	42,538	40,676
	581,859	534,086
Less accumulated depreciation	114,723	99,416
	467,136	434,670
	<b>\$ 781,622</b>	<b>\$ 762,178</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,080	\$ 4,007
Accrued expenses	17,539	17,420
Due to other agencies	9,178	9,178
<b>TOTAL CURRENT LIABILITIES</b>	<b>29,797</b>	<b>30,605</b>
<b>Net assets</b>		
Unrestricted	13,780	34,868
Temporarily restricted	738,045	696,705
	751,825	731,573
	<b>\$ 781,622</b>	<b>\$ 762,178</b>



**NEIGHBORHOOD RESOURCES CORPORATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2005 and 2004

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 20,252	\$ (27,737)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	15,307	19,687
(Increase) decrease in certificates of deposit	(50,000)	-
(Increase) decrease in accounts receivable	-	907
(Increase) decrease in prepaid expenses	98	(576)
Increase (decrease) in accounts payable and accrued liabilities	(808)	2,688
Total adjustments	(35,403)	22,706
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(15,151)</b>	<b>(5,031)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of fixed assets	(47,773)	(1,024)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(47,773)</b>	<b>(1,024)</b>
<b>NET DECREASE IN CASH</b>	<b>(62,924)</b>	<b>(6,055)</b>
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<b>324,686</b>	<b>330,741</b>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<b>\$ 261,762</b>	<b>\$ 324,686</b>

**NEIGHBORHOOD RESOURCES CORPORATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended December 31, 2005 and 2004

	2005				2004			
	Neighborhood Technical Assistance	Neighborhood Partnership Centers	Management & General	Total	Neighborhood Technical Assistance	Neighborhood Partnership Centers	Management & General	Total
In-kind staffing	\$ -	\$ 82,835	\$ 10,102	\$ 92,937	\$ -	\$ 75,225	\$ 7,033	\$ 82,258
Contracted services	-	-	-	-	51	-	-	51
Center coordinators	-	98,670	-	98,670	-	98,703	-	98,703
Other occupancy	-	64,000	-	64,000	-	61,182	(290)	60,892
Depreciation	-	18,690	750	19,440	-	18,274	1,413	19,687
Professional fees	-	20	7,778	7,798	-	-	8,953	8,953
Outreach	-	345	4,120	4,465	-	320	5,000	5,320
Office expense	923	5,878	350	7,151	691	5,860	569	7,120
Copier expense	-	1,560	-	1,560	-	1,060	-	1,060
Training	4,451	7,818	-	12,269	1,143	4,499	532	6,174
Program supplies	-	10,485	-	10,485	-	11,759	-	11,759
Hospitality	-	6,524	-	6,524	-	5,654	576	6,230
Administrative	-	-	20	20	-	-	24	24
Grants	8,279	-	-	8,279	17,395	-	-	17,395
Other	-	253	756	1,009	-	689	99	788
	\$ 13,653	\$ 297,078	\$ 23,876	\$ 334,607	\$ 19,280	\$ 283,225	\$ 23,909	\$ 326,414

See notes to financial statements  
Page 5

**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>2005</u>	<u>2004</u>
Neighborhood partnership centers:	\$ 738,045	\$ 696,705

**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, 2005 and 2004 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.