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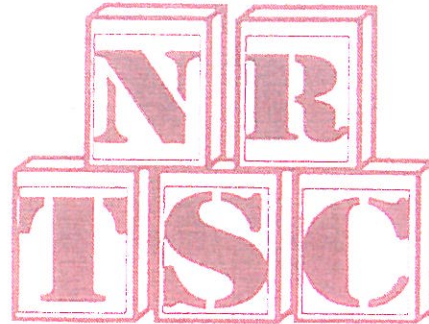
January 27, 2010

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, 2007 to December 31, 2007. 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, 2007, 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 AND TECHNICAL
SERVICES CORPORATION**

FINANCIAL STATEMENTS

December 31, 2007 and 2006



CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

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Christine A. Lauber, CPA
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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, 2007 and 2006, and have issued my report thereon dated October 2, 2008. 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 sensitive estimates affecting the financial statements of Neighborhood Resources Corporation, Inc. The most sensitive estimate, is the market value of the partnership centers. Given the current market conditions, current value can change quickly.

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.



October 2, 2008

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, 2007 and 2006, 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, 2007 and 2006, 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.

October 2, 2008

NEIGHBORHOOD RESOURCES CORPORATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents, (Restricted 2007, \$9,178, 2006, \$252,909)	\$ 233,170	\$ 273,301
Accounts Receivable	64,765	-
Prepaid expenses	1,997	2,874
TOTAL CURRENT ASSETS	299,932	276,175
Property and equipment		
Construction in progress	-	98,837
Land and buildings	418,072	493,410
Equipment	-	34,261
	418,072	626,508
Less accumulated depreciation	89,111	122,904
	328,961	503,604
	\$ 628,893	\$ 779,779
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,843	\$ 12,043
Accrued expenses	16,782	18,853
Due to other agencies	9,178	9,178
TOTAL CURRENT LIABILITIES	27,803	40,074
Net assets		
Unrestricted	529,833	13,936
Temporarily restricted	71,257	725,769
	601,090	739,705
	\$ 628,893	\$ 779,779

NEIGHBORHOOD RESOURCES CORPORATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (138,615)	\$ (12,127)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	19,335	19,454
(Increase) decrease in accounts receivable	(64,765)	-
(Increase) decrease in certificates of deposit		50,000
(Increase) decrease in prepaid expenses	877	(150)
(Gain) Loss on sale of asset(s)	18,783	-
Impairment (gain) loss on assets held for disposal	103,641	-
Increase (decrease) in accounts payable and accrued liabilities	(12,271)	10,284
Total adjustments	65,600	79,588
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(73,015)	67,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of asset(s)	46,944	
Cash paid for purchases of fixed assets	(14,060)	(55,922)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	32,884	(55,922)
NET INCREASE (DECREASE) IN CASH	(40,131)	11,539
CASH AND EQUIVALENTS, BEGINNING OF YEAR	273,301	261,762
CASH AND EQUIVALENTS, END OF YEAR	\$ 233,170	\$ 273,301

NEIGHBORHOOD RESOURCES CORPORATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2007 and 2006

	2007			2006		
	Neighborhood Technical Assistance	Neighborhood Partnership Centers	Management & General Total	Neighborhood Technical Assistance	Neighborhood Partnership Centers	Management & General Total
In-kind staffing	\$ -	\$ 103,818	\$ 16,615	\$ -	\$ 113,908	\$ 17,705
Impairment loss	-	103,641	-	-	-	-
Center coordinators	-	94,956	-	-	94,850	-
Other occupancy	-	67,289	-	-	69,186	-
Depreciation	-	19,334	-	-	19,411	43
Professional fees	-	1,033	7,465	-	518	8,047
Outreach	-	-	-	-	-	910
Office expense	-	3,842	376	-	6,466	1,597
Copier expense	-	1,207	-	-	1,137	-
Training	3,764	-	918	7,920	652	446
Program supplies	-	6,745	-	-	9,030	-
Hospitality	-	2,631	-	-	4,933	-
Administrative	-	-	1,087	-	-	197
Grants	2,567	-	-	5,216	-	-
Donations	-	-	375	-	-	200
Other	-	249	677	-	171	814
	\$ 6,331	\$ 404,745	\$ 27,513	\$ 13,136	\$ 320,262	\$ 29,959
			\$ 438,589			\$ 363,357

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. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and the gain or loss on the disposition is credited or charged to income.

Accounting for impairment of long-lived assets and for long-lived assets to be disposed of

The Organization reviews property for impairment whenever changes in circumstances indicate that the carrying value of the property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During 2007 three of the partnership centers were determined to be impaired and were written down to fair value. The impairment loss totaled \$103,641 for the year ended December 31, 2007.

NEIGHBORHOOD RESOURCES CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS

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.

Note 2 **Temporarily restricted net assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Neighborhood partnership centers:	\$ -0-	\$ 716,591
Neighborhood Housing Services:	<u>9,178</u>	<u>9,178</u>
	9,178	725,769

Note 3 **Property and equipment**

The Organization has decided to close the five neighborhood centers since the City intends to pull its support as of 12/31/08. The fair value of the Organization's land, land improvements, buildings, and building improvements is approximately \$356,200 based on a 2007 appraisal of the Organization's real property and actual selling prices for two properties subsequent to the balance sheet date, which is \$76,400 less than the book value of the property as reported on the balance sheet.

NEIGHBORHOOD RESOURCES CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 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, 2007 and 2006, 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, 2007 and 2006 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.