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August 21, 2019

Board of Directors
Near Northwest Neighborhood, Inc.
1007 Portage Ave.
South Bend, IN 46616

We have reviewed the audit report prepared of Near Northwest Neighborhood, Inc. which was opined upon by Kruggel, Lawton & Company, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Near Northwest Neighborhood, Inc. as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Kruggel, Lawton & Company, LLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

Near Northwest Neighborhood

INCORPORATED



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Where We Live!

ANNUAL REPORT
December 31, 2017



Elkhart, Indiana

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

ANNUAL REPORT

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Near Northwest Neighborhood, Inc. and Subsidiary
South Bend, Indiana

We have audited the accompanying consolidated financial statements of Near Northwest Neighborhood, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

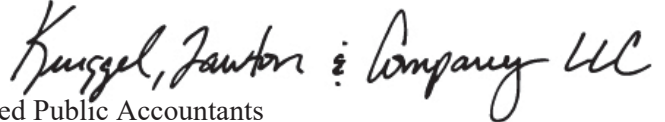
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Near Northwest Neighborhood, Inc. and Subsidiary as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kuegel, Jantzen & Company LLC".

Certified Public Accountants

Elkhart, Indiana
April 16, 2018

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARYSouth Bend, Indiana

CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONDecember 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	76,672	244,158
Grants receivable	159,434	58,177
Prepaid expenses	5,283	4,444
Real estate held for resale, net of valuation allowance	72,937	122,561
Total Current Assets	314,326	429,340
PROPERTY AND EQUIPMENT		
Land	70,960	70,960
Land improvements	59,149	59,149
Buildings and building improvements	1,334,349	1,334,349
Furniture and equipment	49,620	49,620
Total	1,514,078	1,514,078
Accumulated depreciation	(492,490)	(453,393)
Net Property and Equipment	1,021,588	1,060,685
OTHER ASSETS		
Certificates of deposit	102,987	101,915
Real estate held for resale - vacant lots	15,838	13,672
Total Other Assets	118,825	115,587
TOTAL ASSETS	1,454,739	1,605,612
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	13,965	6,480
Other accrued expenses	11,073	34,210
Grant advances	110,186	123,037
Total Current Liabilities	135,224	163,727
TOTAL LIABILITIES	135,224	163,727
NET ASSETS		
Unrestricted	1,254,588	1,428,320
Temporarily restricted	64,927	13,565
TOTAL NET ASSETS	1,319,515	1,441,885
TOTAL LIABILITIES AND NET ASSETS	1,454,739	1,605,612

The Notes to Consolidated Financial Statements are an integral part of this statement.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARYSouth Bend, Indiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Grant income - federal	412,709	0	412,709
Grant income - other	34,823	64,927	99,750
Rental revenue	40,626	0	40,626
Contributions	8,363	0	8,363
Other revenue	28,019	0	28,019
Loss on sale of real estate held for resale	(242,077)	0	(242,077)
Total Revenue	282,463	64,927	347,390
Net assets released from restrictions:			
Satisfaction of restrictions	13,565	(13,565)	0
NATURAL EXPENSES	469,760	0	469,760
CHANGE IN NET ASSETS	(173,732)	51,362	(122,370)
NET ASSETS, BEGINNING OF YEAR	1,428,320	13,565	1,441,885
NET ASSETS, END OF YEAR	1,254,588	64,927	1,319,515

The Notes to Consolidated Financial Statements are an integral part of this statement.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARYSouth Bend, Indiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Grant income - federal	854,508	0	854,508
Grant income - other	15,385	13,565	28,950
Rental revenue	39,295	0	39,295
Contributions	20,755	0	20,755
Other revenue	28,438	0	28,438
Loss on sale of real estate held for resale	(457,821)	0	(457,821)
Total Revenue	500,560	13,565	514,125
Net assets released from restrictions:			
Satisfaction of restrictions	3,347	(3,347)	0
NATURAL EXPENSES	617,558	0	617,558
CHANGE IN NET ASSETS	(113,651)	10,218	(103,433)
NET ASSETS, BEGINNING OF YEAR	1,541,971	3,347	1,545,318
NET ASSETS, END OF YEAR	1,428,320	13,565	1,441,885

The Notes to Consolidated Financial Statements are an integral part of this statement.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARYSouth Bend, Indiana

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(122,370)	(103,433)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	39,097	40,934
Valuation allowance	53,082	203,329
Loss on sale of real estate held for resale	242,077	457,821
Adjustments for changes in operating assets and liabilities:		
Grants receivable	(101,257)	115,516
Prepaid expenses	(839)	17,841
Deposits	0	8,035
Accounts payable	7,485	(109,964)
Other accrued expenses	(23,137)	8,701
Grant advances	(12,851)	(40,202)
Net Cash Flows from Operating Activities	81,287	598,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	0	(23,883)
Capital expenditures - real estate held for resale	(247,701)	(612,285)
Proceeds from sale of real estate held for resale, net of amounts recaptured by grantor	0	8,526
Purchase of certificates of deposit	(1,072)	(1,915)
Net Cash Flows from Investing Activities	(248,773)	(629,557)
CHANGE IN CASH	(167,486)	(30,979)
CASH AT BEGINNING OF YEAR	244,158	275,137
CASH AT END OF YEAR	76,672	244,158

The Notes to Consolidated Financial Statements are an integral part of this statement.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NATURE OF BUSINESS

Near Northwest Neighborhood, Inc, (the "Organization") works to improve the physical, social, and economic environment of the near northwest section of the City of South Bend, Indiana.

A significant portion of the business of the Organization involves the purchase and renovation of single family properties for resale to lower income families. The cost of acquisition and repairs normally exceeds the value of the property. Generally, subsidies are received from grants to underwrite the difference between value and cost.

The Organization's services are funded through contributions, federal, state and local governmental grants, and rental income.

The Local Cup, LLC (the "Subsidiary") operates a neighborhood run coffee shop serving pour over locally roasted coffee and locally made baked goods within the building of the Organization. The Subsidiary began operations in 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have been restricted by donors but have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Organization and the Subsidiary. The Subsidiary is a wholly-owned LLC of the Organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

USE OF ESTIMATES

The preparation of consolidated 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.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Financial Position, the Organization and its Subsidiary consider all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balance to exceed the insured limit.

Cash on the Consolidated Statement of Financial Position includes \$29,927 and \$13,565 restricted for the purposes described in Note 4 at December 31, 2017 and 2016, respectively. The remaining restrictions in Note 4 are represented by Grants receivable.

GRANTS RECEIVABLE

The Organization receives some grants for reimbursement of expenses incurred. A receivable for the reimbursement of allowable program expenditures due from grantors and other amounts promised from grantors has been recorded at both December 31, 2017 and 2016. No allowance for uncollectible grants has been recorded because the Organization believes the grants are fully collectible.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as unrestricted support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$39,097 and \$40,934 for the years ended December 31, 2017 and 2016, respectively.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

A summary of the range of lives by asset category follows:

Land improvements	15 years
Buildings and building improvements	15 - 40 years
Furniture and equipment	5 - 10 years

GAAP requires impairment losses to be recorded on long lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment loss recognized during the years ended December 31, 2017 and 2016. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

CONTRIBUTIONS

The Organization records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the consolidated financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are received.

CONTRIBUTED SERVICES

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605 states that in order to recognize donated services as contributions in the Organization's consolidated financial statements the services must require special skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. The Organization has a number of unpaid volunteers that have made significant contributions of their time to the Organization's various programs. The value of the contributed time is not reflected in the accompanying consolidated financial statements since the volunteers' time does not meet the requirements for recognition under ASC 958.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service (IRS) has determined that the Organization is not a private foundation within the meaning of Section 509(a). The Subsidiary is a disregarded entity for income tax purposes and is included in the tax return of the Organization.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. ASC 740 requires an organization to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The Organization recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Organization has concluded that there are no uncertain tax positions requiring recognition in its consolidated financial statements. The Organization's evaluation was performed for all federal and state tax periods still subject to examination. The Organization's 2014 through 2016 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NOTE 2 - CONCENTRATIONS

The Organization receives a substantial amount of its support from federal, state and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities.

NOTE 3 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	0	102,987	0	102,987
Real estate held for resale, net of valuation allowance	0	0	88,775	88,775
Total	0	102,987	88,775	191,762

Original cost plus improvements at December 31, 2017 is as follows:

Various lots and improvements	163,276
Valuation allowance	(74,501)
Net real estate held for resale	88,775

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	0	101,915	0	101,915
Real estate held for resale, net of valuation allowance	0	0	136,233	136,233
Total	0	101,915	136,233	238,148

Original cost plus improvements at December 31, 2016 is as follows:

Various lots and improvements	260,190
Valuation allowance	(123,957)
Net real estate held for resale	136,233

Lots and improvements are stated at historical cost plus the cost of improvements. A valuation reserve has been established to adjust properties to fair market value. Fair market value is estimated based on historical sales of similar properties. The eventual sales proceeds from these properties may be less than the carrying value of the properties. If the sales proceeds are less than the carrying value, a loss on sale of real estate held for resale will be recorded. A gain will be recorded if the sales proceeds are greater than the carrying value of the property sold.

The reconciliation of the changes in the real estate held for resale measured on a recurring basis using significant unobservable inputs (level 3) is as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Beginning balance	136,233	193,624
Real estate purchased	27,149	51,111
Development and construction costs	220,552	561,174
Change in market value	(53,082)	(203,329)
Real estate sold	(242,077)	(466,347)
Ending balance	88,775	136,233

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Church in the city	769	0
New construction of single family affordable homeownership house	10,000	0
Lead outreach	11,565	0
Community engagement program	27,593	13,565
Marketing for affordable homeownership program	10,000	0
Community engagement director salary	5,000	0
Total	64,927	13,565

NOTE 5 - FUNCTIONAL EXPENSE CLASSIFICATION

The Organization and its Subsidiary work to improve the physical, social, and economic environment of the near northwest section of the City of South Bend, Indiana. The costs of providing program and other activities on a functional basis have been allocated between program and supporting activities based upon personnel time and space utilized for the related activities. Expenses related to providing these services are as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Program service	334,444	494,530
Management and general	127,110	115,765
Fundraising	8,206	7,263
Total	469,760	617,558

NOTE 6 - LEASES

Leased property includes the following:

<u>Address</u>	<u>Current Term</u>	<u>Monthly Payment</u>
1005A Portage	March 1, 2017 - February 28, 2018	\$ 500
1005B Portage	August 1, 2016 - July 31, 2017	\$ 500
608 Cottage Grove	October 1, 2017 - September 30, 2018, then month-to-month	\$ 683
610 Cottage Grove	August 1, 2016 - May 31, 2018	\$ 683
903 California	June 1, 2017 - May 31, 2018	\$ 500
911 California	June 1, 2017 - May 31, 2018	\$ 500
911 1/2 California	October 1, 2016 - September 30, 2017, then month-to-month	\$ 500

Rental income was \$40,626 and \$39,295 for the years ended December 31, 2017 and 2016, respectively.

The future minimum lease receipts under the agreements are as follows:

<u>2018</u>	<u>15,562</u>
Total	15,562

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARY

South Bend, Indiana

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 7 - GRANT ADVANCES

Under its federal grant agreements, all income received by the Organization upon the sale of property rehabilitated with federal funds shall be returned to the St. Joseph County Housing Consortium as program income. The Organization has estimated a liability for future sales based on the lesser of 1) federal grant money invested in the property or 2) the estimated sales price less all eligible selling expenses. Grant advances recorded as a liability at December 31, 2017 and 2016 were \$110,186 and \$123,037, respectively.

NOTE 8 - CONTINGENCIES

Under the terms of state and federal grants, periodic audits are required and certain costs may be challenged as to allowability under the terms of the grants. Grant resources are expendable only for operating purposes specified by the grant. Such audits could lead to reimbursement to the grantor agencies. However, management is of the opinion that the risk of material disallowance is remote. Therefore, no provision for contingencies has been reflected in the financial statements.

NOTE 9 - SUBSEQUENT EVENTS

The Organization and its Subsidiary have evaluated subsequent events through April 16, 2018, the date the consolidated financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Near Northwest Neighborhood, Inc. and Subsidiary
South Bend, Indiana

We have audited the consolidated financial statements of Near Northwest Neighborhood, Inc. and Subsidiary as of and for the years ended December 31, 2017 and 2016, and our report thereon dated April 16, 2018, which expressed an unmodified opinion on those consolidated financial statements appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplemental Consolidated Schedules of Natural Expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Respectfully submitted,

Kruggel, Lawton & Company LLC

Certified Public Accountants

Elkhart, Indiana
April 16, 2018

NEAR NORTHWEST NEIGHBORHOOD, INC. AND SUBSIDIARYSouth Bend, Indiana

SUPPLEMENTAL CONSOLIDATED SCHEDULES OF NATURAL EXPENSES

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Wages, benefits and payroll taxes	236,864	190,720
Payroll processing	1,556	1,773
Professional fees	28,360	25,137
Marketing outreach and publication	482	862
General repair and maintenance	7,249	12,938
Education and training	13,621	2,116
Property taxes	1,057	970
Hospitality	5,658	6,136
Insurance	8,782	11,373
Coffee shop expenses	13,187	14,364
Dues and subscriptions	700	132
Utilities	12,832	11,557
Security	660	679
Telephone	5,460	5,089
Office supplies	5,744	3,571
Postage	1,983	1,101
Printing and copying	1,019	2,112
Charitable contributions	0	100
Miscellaneous	8,343	5,846
Small equipment	1,631	745
Change in value of real estate held for resale	53,082	203,329
Fees and permits	510	1,862
Rent	16,722	18,025
Rehabilitation	5,161	56,087
Total Expenses Before Depreciation	430,663	576,624
Depreciation	39,097	40,934
TOTAL	469,760	617,558
