

Neighbors Helping Neighbors, Inc.

Financial Statements

December 31, 2007 and 2006

**Neighbors Helping Neighbors, Inc.
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December 31, 2007 and 2006**

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To The Board of Trustees
Neighbors Helping Neighbors, Inc.
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I have audited the accompanying statements of financial position of Neighbors Helping Neighbors, Inc. ("Organization") as of December 31, 2007 and 2006 and the related statements of activities and cash flows 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 Neighbors Helping Neighbors, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America.

 CPA MBA PLLC
Rob Goldman CPA MBA PLLC

January 24, 2008

Neighbors Helping Neighbors, Inc.
 Statements of Financial Position
 As Of December 31,

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 79,792	\$ 35,057
Investments	87,098	82,869
Grants Receivable - Government	337,887	597,978
Fees Receivable - Other Non Profits	103,547	104,547
Grants and Contributions Receivable	60,825	16,446
Prepaid Expenses	9,438	4,798
Total Current Assets	678,587	841,695
FIXED ASSETS		
Computer Equipment	22,805	22,805
Accumulated Depreciation	(6,840)	(2,280)
Net Fixed Assets	15,965	20,525
OTHER ASSETS		
Security Deposit	5,200	5,200
Total Other Assets	5,200	5,200
TOTAL ASSETS	\$ 699,752	\$ 867,420
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 24,190	\$ 14,236
Deferred Revenue - Government Grants	299,485	464,703
Deferred Revenue - Other Non Profits	99,798	99,798
Total Current Liabilities	423,473	578,737
NET ASSETS		
Unrestricted Net Assets	193,779	187,683
Temporarily Restricted Net Assets	82,500	101,000
Total Net Assets	276,279	288,683
TOTAL LIABILITIES AND NET ASSETS	\$ 699,752	\$ 867,420

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
Statement of Activities
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Government Grants	-	\$ 194,360	-	\$ 194,360
Foundation Grants and Contributions	-	159,300	-	159,300
Service Fees	-	36,350	-	36,350
Corporate Contributions	-	43,600	-	43,600
Fundraising Event	\$ 58,746	-	-	58,746
Individual Contributions	24,192	-	-	24,192
Investment Income	4,324	-	-	4,324
Other Income	50	-	-	50
Net Assets Released	452,110	(452,110)	-	-
Total Revenues and Support	<u>539,422</u>	<u>(18,500)</u>	<u>-</u>	<u>520,922</u>
EXPENSES				
Program Services	386,435	-	-	386,435
Management and General	78,788	-	-	78,788
Fundraising	68,103	-	-	68,103
Total Expenses	<u>533,326</u>	<u>-</u>	<u>-</u>	<u>533,326</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 6,096</u>	<u>\$ (18,500)</u>	<u>\$ -</u>	<u>\$ (12,404)</u>

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
Statement of Activities
Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Government Grants	-	\$ 240,425	-	\$ 240,425
Foundation Grants and Contributions	-	217,499	-	217,499
Service Fees	-	41,447	-	41,447
Corporate Contributions	-	32,285	-	32,285
Individual Contributions	\$ 22,971	-	-	22,971
Investment Income	4,134	-	-	4,134
Other Income	4,979	-	-	4,979
Net Assets Released	491,656	(491,656)	-	-
Total Revenues and Support	523,740	40,000	-	563,740
EXPENSES				
Program Services	360,726	-	-	360,726
Management and General	97,035	-	-	97,035
Fundraising	61,896	-	-	61,896
Total Expenses	519,657	-	-	519,657
INCREASE IN NET ASSETS	\$ 4,083	\$ 40,000	\$ -	\$ 44,083

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
 Statements of Net Assets
 As Of December 31, 2007 and 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - December 31, 2005	183,600	61,000	-	244,600
INCREASE IN NET ASSETS - 2006	4,083	40,000	-	44,083
Balance - December 31, 2006	<u>\$ 187,683</u>	<u>\$ 101,000</u>	<u>\$ -</u>	<u>\$ 288,683</u>
INCREASE (DECREASE) IN NET ASSETS - 2007	6,096	(18,500)	-	(12,404)
Balance - December 31, 2007	<u>\$ 193,779</u>	<u>\$ 82,500</u>	<u>\$ -</u>	<u>\$ 276,279</u>

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
Statement of Functional Expenses
Year Ended December 31, 2007

	Program Services	Management and General	Fund Raising	Total Expenses
EXPENSES				
Salaries	\$ 250,526	\$ 36,260	\$ 42,853	\$ 329,639
Payroll Taxes	24,176	3,500	4,135	31,811
Employee Benefits	39,072	5,656	6,683	51,411
Consultants		16,637		16,637
Total Labor Costs	<u>313,774</u>	<u>62,053</u>	<u>53,671</u>	<u>429,498</u>
Rent - Office	29,398	4,255	5,029	38,682
Program Grants	10,531	-	-	10,531
Equipment Lease	6,961	1,007	1,191	9,159
Audit	-	6,500	-	6,500
Telephone	4,809	696	823	6,328
Utilities	4,045	586	692	5,323
Depreciation	3,466	501	593	4,560
Office Supplies	3,310	443	566	4,319
Printing	2,676	423	458	3,557
Travel	1,932	280	330	2,542
Insurance	1,832	265	313	2,410
Fundraising Costs	-	-	2,336	2,336
Credit Repots	1,940	-	-	1,940
Computer Costs	1,081	157	185	1,423
Dues and Subscriptions	885	129	151	1,165
Postage and Delivery	872	126	149	1,147
Training	574	83	98	755
Advertising	458	66	78	602
Meeting Costs	299	43	51	393
Repairs and Maintenance	119	17	20	156
TOTAL EXPENSES	<u><u>\$ 388,962</u></u>	<u><u>\$ 77,630</u></u>	<u><u>\$ 66,734</u></u>	<u><u>\$ 533,326</u></u>

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
Statement of Functional Expenses
Year Ended December 31, 2006

	Program Services	Management and General	Fund Raising	Total Expenses
EXPENSES				
Salaries	\$ 205,514	\$ 46,313	\$ 37,629	\$ 289,456
Payroll Taxes	18,962	4,273	3,472	26,707
Employee Benefits	34,167	7,700	6,256	48,123
Consultants	13,846	18,470	1,239	33,555
Total Labor Costs	<u>272,489</u>	<u>76,756</u>	<u>48,596</u>	<u>397,841</u>
Rent - Office	28,883	4,097	4,916	37,896
Program Grants	25,000	-	-	25,000
Equipment Lease	7,098	1,006	1,208	9,312
Utilities	4,573	649	779	6,001
Printing	-	2,479	3,021	5,500
Training	2,929	1,625	128	4,682
Office Supplies	3,393	501	763	4,657
Telephone	3,539	502	603	4,644
Audit	-	4,000	-	4,000
Credit Repots	2,681	-	-	2,681
Depreciation	1,738	246	296	2,280
Insurance	1,075	908	183	2,166
Postage and Delivery	1,622	230	276	2,128
Travel	1,021	996	-	2,017
Computer Costs	1,404	199	239	1,842
Amortization	-	1,806	-	1,806
Advertising	1,160	135	510	1,805
Dues and Subscriptions	975	331	240	1,546
Repairs and Maintenance	811	115	138	1,064
Meeting Costs	335	454	-	789
TOTAL EXPENSES	<u><u>\$ 360,726</u></u>	<u><u>\$ 97,035</u></u>	<u><u>\$ 61,896</u></u>	<u><u>\$ 519,657</u></u>

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
Statement of Program Service Expenses
Year Ended December 31, 2007

	Home Ownership Services	Tenant Services	Community Revitalization	Total Program Service Expenses
EXPENSES				
Salaries	\$ 100,211	\$ 112,737	\$ 37,578	\$ 250,526
Payroll Taxes	9,671	10,879	3,626	24,176
Employee Benefits	15,629	17,583	5,860	39,072
Total Labor Costs	<u>125,511</u>	<u>141,199</u>	<u>47,064</u>	<u>313,774</u>
Rent - Office	11,759	13,229	4,410	29,398
Pass Throughs	3,201	3,602	1,201	8,004
Equipment Lease	2,784	3,132	1,045	6,961
Telephone	1,924	2,164	721	4,809
Utilities	1,618	1,820	607	4,045
Depreciation	1,386	1,560	520	3,466
Office Supplies	1,324	1,489	497	3,310
Printing	1,070	1,204	402	2,676
Credit Repots	1,940	-	-	1,940
Travel	773	869	290	1,932
Insurance	733	824	275	1,832
Computer Costs	433	487	161	1,081
Dues and Subscriptions	354	398	133	885
Postage and Delivery	349	392	131	872
Training	230	258	86	574
Advertising	183	206	69	458
Meeting Costs	119	134	46	299
Repairs and Maintenance	47	53	19	119
TOTAL EXPENSES	<u><u>\$ 155,738</u></u>	<u><u>\$ 173,020</u></u>	<u><u>\$ 57,677</u></u>	<u><u>\$ 386,435</u></u>

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
Statement of Program Service Expenses
Year Ended December 31, 2006

	Home Ownership Services	Tenant Services	Community Revitalization	Total Program Service Expenses
EXPENSES				
Salaries	\$ 98,415	\$ 89,731	\$ 17,368	\$ 205,514
Payroll Taxes	9,049	8,596	1,317	18,962
Employee Benefits	14,154	15,981	4,032	34,167
Consultants	4,279	6,559	3,008	13,846
Total Labor Costs	<u>125,897</u>	<u>120,867</u>	<u>25,725</u>	<u>272,489</u>
Rent - Office	12,700	14,339	1,844	28,883
Pass Throughs	-	-	25,000	25,000
Equipment Lease	3,523	3,120	455	7,098
Utilities	2,011	2,271	291	4,573
Training	1,640	1,260	29	2,929
Office Supplies	1,492	1,685	216	3,393
Telephone	1,557	1,758	224	3,539
Credit Repots	2,681	-	-	2,681
Depreciation	764	863	111	1,738
Insurance	473	534	68	1,075
Postage and Delivery	713	805	104	1,622
Travel	639	352	30	1,021
Computer Costs	697	617	90	1,404
Advertising	468	617	75	1,160
Dues and Subscriptions	325	650	-	975
Repairs and Maintenance	357	403	51	811
Meeting Costs	270	65	-	335
TOTAL EXPENSES	<u><u>\$ 156,207</u></u>	<u><u>\$ 150,206</u></u>	<u><u>\$ 54,313</u></u>	<u><u>\$ 360,726</u></u>

See accompanying notes to the financial statements

Neighbors Helping Neighbors, Inc.
 Statements of Cash Flows
 Years Ended December 31,

	2007	2006
Cash Flows From Operating Activities		
(Decrease) Increase in net assets for the year	\$ (12,404)	\$ 44,083
Adjustments:		
Amortization	-	1,806
Depreciation	4,560	2,280
(Increase) in Investments	(4,229)	(3,254)
Decrease (Increase) in Grants and Contributions Receivable	215,712	(47,016)
Decrease in Fee Receivable - Other Non Profits	1,000	16,162
(Increase) in Prepaid Expenses	(4,640)	(2,244)
Increase in Accounts Payables and Accrued Expenses	9,954	2,225
(Decrease) in Deferred Revenue	(165,218)	(35,837)
Net Cash Provided By (Used For) Operating Activities	44,735	(21,795)
Cash Flows From Investing Activities		
Purchase of Computer System	-	(22,805)
Net Cash (Used For) Investing Activities	-	(22,805)
Net Increase (Decrease) in Cash and Cash Equivalents	44,735	(44,600)
Cash and Cash Equivalents, Beginning of Year	35,057	79,657
Cash and Cash Equivalents, End of Year	\$ 79,792	\$ 35,057

Supplementary Information:

Cash Paid For Interest	\$ -	\$ -
Cash Paid For Income Taxes	\$ -	\$ -

See accompanying notes to the financial statements

**Neighbors Helping Neighbors, Inc.
Notes To The Financial Statements**

SUMMARY OF ORGANIZATION AND ACTIVITIES

Neighbors Helping Neighbors, Inc. (“NHN”) is a not-for-profit New York State Corporation incorporated on December 31, 1990.

The mission of NHN is to empower low and moderate income people to secure quality housing and build assets.

To accomplish their mission, NHN operates three types of programs.

Home Ownership Services

NHN teaches regular workshops about the home buying process in English and Spanish, provides personal financial counseling to potential homebuyers and offers periodic workshops about financial literacy to help people overcome barriers to achieving home ownership. In addition, NHN conducts outreach to homeowners at risk for foreclosure and provides foreclosure prevention counseling.

Tenant Services

NHN sponsors workshops regarding tenant rights, helps resolve landlord-tenant disputes over rent and repairs and helps tenants apply for financial assistance. Also, NHN organizes tenant associations and helps tenants to develop leadership skills.

Commercial Revitalization

NHN helps to promote the preservation of affordable apartments above shops in small mixed use properties and the improvement of the Fifth Avenue commercial strip through the awarding of NYS Main Street grants.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements of NHN have been prepared in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No.117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No.117, NHN is required to present its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Neighbors Helping Neighbors, Inc.
Notes To The Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Unrestricted net assets are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets are reported in unrestricted net assets. Unrestricted net assets include assets available for general activities which account for the income and expenses of operations.

Temporarily restricted net assets include gifts in which donor imposed restrictions have not been met and pledges receivable for which the purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include gifts and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. NHN does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenues and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

NHN considers all highly liquid investments with an original maturity of three months or less, and which are not held by investment managers as a part of an investment portfolio or restricted for long-term purpose, to be cash equivalents.

Contributions and Grants

NHN accounts for monetary contributions and grants in accordance with the requirements of Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made* and subsequent interpretations.

Neighbors Helping Neighbors, Inc.
Notes To The Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants (continued)

Contribution and grant revenue and support are recorded as unrestricted, temporarily restricted, or permanently restricted - depending on the existence and nature of any donor restrictions. Support that is restricted by the donor 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.

Contributions pledged are recorded as contributions receivable and contribution revenues in the period in which the pledge is made. Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Grant revenue is reported in accordance to the terms of each respective grant contract. Grants that are deemed as exchange transactions by management are recognized as revenue in the period in which the stipulated terms of the grant contract have been satisfied. Grants pledged are recorded as grants receivable and deferred revenue in the year the pledge is made. Grants receivable is recorded at the dollar amount stated in the respective contracts.

NHN records contributions of non-monetary assets as unrestricted net assets.

Allowance For Doubtful Accounts

All grants receivable and contributions receivable are handled on a case-by-case basis and are written-off after all reasonable collection activities have taken place and the possibility of further recovery is considered to be remote.

Receivables are classified as non-performing when management has determined that there is a reasonable doubt as to the ultimate collection of principal. The provision for defaulted receivables consists of specific items established on a case-by-case basis. Management did not establish provisions for uncollectible accounts as of December 31, 2007 and 2006.

Neighbors Helping Neighbors, Inc.
Notes To The Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 5 years. NHN capitalizes all fixed asset purchases over \$ 3,000 with an estimated useful life greater than one year.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. During the years ended December 31, 2007 and 2006 NHN did not receive donations of property or equipment.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs.

Advertising Costs

NHN expenses all advertising costs in the year incurred.

Income Taxes

NHN is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. Income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income.

GRANTS RECEIVABLE - GOVERNMENT

Grants Receivable - Government reflects the amount due to NHN from various Federal New York State and New York City Government agencies for services performed and pledges committed. Grants Receivable – Government consisted of the following balances as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Grants Receivable – Federal	\$ 23,615	\$ 25,857
Grants Receivable – New York State	314,272	567,121
Grants Receivable – New York City	<u>0</u>	<u>5,000</u>
Total Grants Receivable – Government	\$337,887	\$597,978

Neighbors Helping Neighbors, Inc.
Notes To The Financial Statements

GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and Contributions Receivable reflects the amount due to NHN for grants and contribution pledges committed by various non profit organizations.

LINE OF CREDIT

In 2003 NHN obtained a revolving line of credit with JPMorgan Chase Bank N A for a maximum amount of \$25,000. The purpose of the line of credit was to fund unexpected temporary shortages in working capital. There was no balance owed on the line of credit as of December 31, 2006 and NHN cancelled the line of credit during the year ended December 31, 2007.

DEFERRED REVENUE – GOVERNMENT GRANTS

Deferred Revenue – Government Grants reflects the amounts of future services to be performed with pledges of future support by various government agencies and an advance balance from a government agency. Deferred Revenue – Government grants consisted of the following balances as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Deferred Revenue – Federal	\$ 17,712	\$ 19,393
Deferred Revenue – New York State	281,773	414,538
Advance – New York State	<u>0</u>	<u>30,772</u>
Total Deferred Revenue – Government Grants	\$299,485	\$464,703

DEFERRED REVENUE – OTHER NON PROFITS

Deferred Revenue – Other Non Profits reflects the amount of future services to be performed with a pledge from other non profit organizations.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets reflects the amount of funds received to date that have not been expended on restricted uses.

Neighbors Helping Neighbors, Inc.
Notes To The Financial Statements

CONCENTRATION OF CREDIT RISK

NHN maintains investments in a bank managed money market fund containing United States Government Securities. This account is subject to market risk and is not insured by the Federal Deposit Insurance Corporation. As of December 31, 2007 and 2006 the balances were \$87,098 and \$82,869 respectively.

During the year ended December 31, 2007 NHN recognized \$194,360 in revenue and support from various government agencies. This amount reflects approximately 37% of the total amount of revenue and support for the year. During the year ended December 31, 2006 NHN recognized \$240,425 in revenue and support from various government agencies. This amount reflects approximately 43% of the total amount of revenue and support for the year. If these amount were interrupted it would have a significant impact on the operations and program services of NHN.

RETIREMENT PLAN

NHN established a SIMPLE IRA plan in 2007 for employees. NHN may determine in a given year whether to match employee contributions up to 3% or contribute a flat 2% of employee's salary. NHN may switch between a flat contribution model and a percentage model, but only with two months notice to employees and only effective as of the beginning of the next fiscal year. NHN may elect to contribute as low as 1% match of what employee's contribute, but may only elect this option for two out of every five years. NHN's current practice is to match up to 3% of an employee's contribution. NHN also has a salary deferral plan under Section 403(b) of the Internal Revenue Code, but NHN does not provide matching contributions.

COMMITMENTS AND CONTINGENCIES

NHN is party to a signed written office lease extension agreement with SCO Family Services. The lease extension expires on April 30, 2008 and requires future minimum lease payments of \$13,020. The lease requires NHN to pay their pro-rata amount for water/sewer and real estate tax escalation.