



**AUDITED  
FINANCIAL STATEMENTS**

**YEARS ENDED  
DECEMBER 31, 2019 AND 2018**

# NEIGHBORHOOD ALLIANCE

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Neighborhood Alliance  
Elyria, Ohio

### Report on Financial Statements

We have audited the accompanying financial statements of Neighborhood Alliance (an Ohio nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Alliance as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Neighborhood Alliance's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021 on our consideration of Neighborhood Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neighborhood Alliance's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Alliance's internal control over financial reporting and compliance.

*Barnes Wendling CPAs*

Sheffield Village, Ohio  
March 26, 2021

# NEIGHBORHOOD ALLIANCE

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 195,741	\$ 207,587
Grants receivable	478,469	246,277
Prepaid expenses	<u>6,202</u>	<u>1,705</u>
Total current assets	680,412	455,569
Property and Equipment	2,729,440	2,728,826
Less accumulated depreciation	<u>1,980,462</u>	<u>1,881,731</u>
	748,978	847,095
Beneficial interest in perpetual trusts	<u>109,775</u>	<u>92,976</u>
Total assets	<u><u>\$ 1,539,165</u></u>	<u><u>\$ 1,395,640</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of notes payable	\$ 64,411	\$ 61,168
Line of credit	149,586	147,586
Accounts payable	130,251	105,951
Accrued expenses	<u>66,124</u>	<u>58,532</u>
Total current liabilities	410,372	373,237
Long-Term Debt:		
Notes payable, net of current portion	<u>472,239</u>	<u>536,611</u>
Total liabilities	882,611	909,848
<b>NET ASSETS</b>		
Without donor restriction	377,937	156,570
With donor restriction	<u>278,617</u>	<u>329,222</u>
Total net assets	<u>656,554</u>	<u>485,792</u>
Total liabilities and net assets	<u><u>\$ 1,539,165</u></u>	<u><u>\$ 1,395,640</u></u>

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Government agencies	\$ 2,352,511	\$ -0-	\$ 2,352,511	\$ 1,971,467
Program fees	350,888	-0-	350,888	319,028
Contributions	185,890	155,284	341,174	391,569
Donated property and equipment	-0-	-0-	-0-	182,880
Foundations	307,963	11,088	319,051	274,550
Investment income	19,407	16,799	36,206	7,633
Loss on sale of property and equipment	( 4,000)	-0-	( 4,000)	-0-
Other income	42,565	-0-	42,565	42,363
	<u>3,255,224</u>	<u>183,171</u>	<u>3,438,395</u>	<u>3,189,490</u>
Net assets released from restrictions	<u>233,776</u>	<u>( 233,776)</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<u>3,489,000</u>	<u>( 50,605)</u>	<u>3,438,395</u>	<u>3,189,490</u>
<b>EXPENSES</b>				
Program services:				
Child enrichment services	868,774	-0-	868,774	847,287
Family support services	731,855	-0-	731,855	815,499
Emergency service	727,011	-0-	727,011	515,654
Senior enrichment services	539,959	-0-	539,959	458,576
Supporting services:				
Management and general	261,695	-0-	261,695	267,407
Fundraising	138,339	-0-	138,339	186,515
	<u>3,267,633</u>	<u>-0-</u>	<u>3,267,633</u>	<u>3,090,938</u>
<b>TOTAL EXPENSES</b>	<u>3,267,633</u>	<u>-0-</u>	<u>3,267,633</u>	<u>3,090,938</u>
<b>CHANGES IN NET ASSETS</b>	<u>221,367</u>	<u>( 50,605)</u>	<u>170,762</u>	<u>98,552</u>
<b>NET ASSETS - beginning of year</b>	<u>156,570</u>	<u>329,222</u>	<u>485,792</u>	<u>387,240</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 377,937</u>	<u>\$ 278,617</u>	<u>\$ 656,554</u>	<u>\$ 485,792</u>

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018

	2018 Total	2019 Total	Program Services				Support Services	
			Child Enrichment Services	Family Support Services	Emergency Services	Senior Enrichment Services	Management and General	Fund Raising
Total salaries and related expenses	\$ 2,015,945	\$ 2,200,226	\$ 616,063	\$ 616,064	\$ 440,045	\$ 352,036	\$ 66,007	\$ 110,011
Professional fees and contracts	61,179	39,257	0	1,275	1,230	-0-	36,752	-0-
Supplies	202,639	165,519	72,419	8,966	17,522	55,432	5,783	5,397
Telephone	39,275	31,000	6,983	6,729	7,176	6,148	2,996	968
Postage and shipping	2,842	3,913	11	1,931	249	66	766	890
Occupancy	268,182	269,606	82,094	15,402	106,687	46,556	13,616	5,251
Rental and maintenance of equipment	106,645	89,585	18,220	27,106	12,069	12,777	12,675	6,738
Printing and publications	9,035	4,394	315	538	693	774	884	1,190
Mileage/operational travel	78,473	93,913	17,968	24,611	8,412	33,293	7,537	2,092
Conferences, conventions, and meetings	8,255	9,954	2,100	6,280	160	281	940	193
Specific assistance to individuals	79,750	103,028	-0-	125	102,853	50	-0-	-0-
Membership dues	9,942	10,420	1,290	3,300	356	655	3,186	1,633
Interest	31,415	49,592	-0-	-0-	-0-	-0-	49,592	-0-
Insurance	50,296	52,905	12,513	12,418	8,656	7,283	10,184	1,851
Purchased services	13,185	8,460	2,396	2,081	1,206	1,600	1,177	-0-
Miscellaneous	24,150	37,130	2,141	985	1,221	1,194	30,793	796
Depreciation	89,730	98,731	34,261	4,044	18,476	21,814	18,807	1,329
Total expenses	<u>\$ 3,090,938</u>	<u>\$ 3,267,633</u>	<u>\$ 868,774</u>	<u>\$ 731,855</u>	<u>\$ 727,011</u>	<u>\$ 539,959</u>	<u>\$ 261,695</u>	<u>\$ 138,339</u>

See Notes to Financial Statements

# NEIGHBORHOOD ALLIANCE

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 170,762	\$ 98,552
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	98,731	89,730
Donated property and equipment	-0-	( 182,880)
(Gain) loss on investments and perpetual trusts	( 16,799)	11,560
Loss on sale of property and equipment	4,000	
Non-cash interest expense - loan fees amortization	-0-	126
(Increase) decrease in assets:		
Grants receivable	( 232,192)	( 79,971)
Prepaid expenses	( 4,497)	( 1,346)
Increase (decrease) in liabilities:		
Accounts payable	24,300	( 62,941)
Accrued expenses	7,592	4,673
Net cash (used in) provided by operating activities	<u>51,897</u>	<u>(122,497)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	6,000	-0-
Proceeds from sale of investments	-0-	155,366
Purchase of property and equipment	( 10,614)	( 51,939)
Net cash provided by (used in) investing activities	<u>(4,614)</u>	<u>103,427</u>
<b>FINANCING ACTIVITIES</b>		
Borrowings from long-term debt	-0-	50,000
Repayments of long-term debt	( 61,129)	( 55,632)
Net (repayments) borrowings from line of credit	2,000	( 2,000)
Net cash used in by financing activities	<u>( 59,129)</u>	<u>( 7,632)</u>
<b>NET DECREASE IN CASH</b>	<b>( 11,846)</b>	<b>( 26,702)</b>
<b>CASH – BEGINNING OF YEAR</b>	<u>207,587</u>	<u>234,289</u>
<b>CASH – END OF YEAR</b>	<u><u>\$ 195,741</u></u>	<u><u>\$ 207,587</u></u>

See Notes to Financial Statements



# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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**Note 1. Agency Description and Summary of Significant Accounting Policies**

- A. Agency Description – Neighborhood Alliance (the "Agency") is a nonprofit social service agency with program operations throughout Lorain County, Ohio. The Agency receives funding support for its programs from a variety of public and private sources.
- B. Reporting – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restrictions represent net assets not restricted by donor-imposed stipulations.

Net assets with donor restrictions include net assets where use by the Agency is limited by donor-imposed restrictions either expiring by the passage of time or fulfilled and removed by actions of the Agency pursuant to the stipulations.

The Agency reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions stating how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Agency records donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restriction.

In accordance with a Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) available to not-for-profit entities, the Agency has elected to defer the adoption of Revenue from Contracts with Customers until the year ending December 31, 2020.

- C. Grants receivable are due on the 30th day following the month of billing and bear no interest on the unpaid balance. Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Management reviews all outstanding grants receivable balances. Accounts are written off when deemed uncollectible. Management recorded an allowance for doubtful accounts of \$-0- as of December 31, 2019 and 2018. Bad debt expense for the years ended December 31, 2019 and 2018 was \$-0-.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### Note 1. Agency Description and Summary of Significant Accounting Policies (Continued)

- D. Investments – The Agency reports all investments in marketable securities with readily determinable values at fair value. The following schedule summarizes the investment income:

	Years Ended December 31,	
	2019	2018
Interest and dividends	\$ 19,407	\$ 19,193
Net unrealized gains (losses)	16,799	(11,560)
	<u>\$ 36,206</u>	<u>\$ 7,633</u>

- E. Concentration of Risk – Grants receivable are primarily due from governmental agencies. Deposits with the financial institution, net of outstanding checks, occasionally exceed federally insured limits.
- F. Property and Equipment – These assets are stated at cost at the date of purchase or fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets further described in Note 2. The Agency capitalized all expenditures for property and equipment in excess of \$500. Maintenance and repairs of property and equipment are charged to expense when incurred and major additions are capitalized. Depreciation expense was \$98,731 and \$89,730 for the years ended December 31, 2019 and 2018, respectively.
- G. Use of Estimates – The preparation of 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. Actual results could differ from those estimates.
- H. Donated Facilities – Donated facilities are reflected in the financial statements at the fair market value upon receipt.

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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**Note 1. Agency Description and Summary of Significant Accounting Policies (Continued)**

- I. Fair Value Measurement – Fair value is defined as the price the Agency would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. Accounting principles generally accepted in the United States of America establishes a three-tier hierarchy to distinguish between (A) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (B) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Agency's financial instruments. The inputs are summarized in the three broad levels listed below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 – Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets not sufficiently active to qualify as Level 1, other observable inputs, or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### Note 1. Agency Description and Summary of Significant Accounting Policies (Continued)

The Agency has determined the fair value of the investments to be within the Level 1 and 2 of the hierarchy as follows:

Description	Level 1	Level 2	December 31, 2019 Total
Beneficial interest JP Morgan Chase	\$ -	\$ 100,474	\$ 100,474
Beneficial interest Community Foundation of Lorain County	-	9,301	9,301
	<u>\$ -0-</u>	<u>\$ 109,775</u>	<u>\$ 109,775</u>
Description	Level 1	Level 2	December 31, 2018 Total
Beneficial interest JP Morgan Chase	\$ -	\$ 87,220	\$ 87,220
Beneficial interest Community Foundation of Lorain County	-	5,756	5,756
	<u>\$ -0-</u>	<u>\$ 92,976</u>	<u>\$ 92,976</u>

The assets held by JP Morgan Trust reflected above are valued at the fair value of the units held by JP Morgan of which the Agency receives 50% of its annual earnings in perpetuity which is estimated to approximate the present value of expected future distributions from the trusts.

The change in value of the perpetual trusts and marketable securities is recognized as donor restricted revenue in the Statement of Activities.

A portion of the assets held at the Community Foundation of Greater Lorain County (Foundation) reflected above were provided by the Agency to be invested in perpetuity and the Agency named itself as the beneficiary. The assets are valued at the fair value of the Agency's share of the Foundation's master pooled investments. The investments in corporate stock, equities, money market, and fixed income investments are valued at the fair value of units held by the Agency at year end.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### Note 1. Agency Description and Summary of Significant Accounting Policies (Continued)

- J. Comparative Financial Statements – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2018, from which the summarized information was derived.
- K. Functional Allocation of Expenses – The cost of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, salaries and related expenses and occupancy costs have been allocated among programs and supporting services benefited.

### Note 2. Property and Equipment

Property and equipment as of December 31, 2019 and 2018 consisted of the following:

	2019	2018	Useful Life (years)
Land	\$ 108,531	\$ 118,531	
Land improvements	108,322	108,322	20 – 30
Buildings	641,068	641,068	40
Building and improvements	1,085,342	1,085,342	5 – 40
Equipment/furniture	738,282	727,712	5 – 10
Playground equipment	6,760	6,760	10
Leasehold improvements	41,135	41,091	5 – 10
	<u>2,729,440</u>	<u>2,728,826</u>	
Less accumulated depreciation	<u>1,980,462</u>	<u>1,881,731</u>	
	<u>\$ 748,978</u>	<u>\$ 847,095</u>	

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### Note 3. Long-Term Debt

Long-term debt consisted of the following at December 31, 2019 and 2018:

	<u>Due Date</u>	<u>2019</u>	<u>2018</u>
Note payable with PNC Bank. The note is payable in monthly installments of \$1,197 including interest of 6.88% and is secured by substantially all assets of the Agency.	March 2022	\$ 29,829	\$ 41,662
Note payable to PNC Bank. The note is payable in monthly installments of \$6,333 including interest at 4.83% and is secured by substantially all assets of the Agency.	February 2028	<u>506,821</u>	<u>556,117</u>
Total Long-Term Debt		536,650	597,779
Less: Current Portion		<u>64,411</u>	<u>61,168</u>
Long-Term Portion		<u>\$ 472,239</u>	<u>\$ 536,611</u>

Principal payments required to be made are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 64,411
2020	67,972
2021	60,575
2022	59,936
2023	62,900
Thereafter	<u>220,856</u>
	<u>\$ 536,650</u>

Interest expense for all indebtedness for the years ended December 31, 2019 and 2018 was \$49,592 and \$31,415, respectively.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### Note 4. Line of Credit

The Agency has a demand line of credit from a bank with a maximum borrowing of \$150,000 with interest at prime (4.75% as of December 31, 2019) plus 1.01%. The line is secured by substantially all assets of the Agency. At December 31, 2019 and 2018, \$149,586 and \$147,586, respectively, had been borrowed against the line of credit.

### Note 5. Donation of Buildings and Equipment

During the year ended December 31, 2018, a building, land, and equipment from Family Promise were donated to the Agency. The building and equipment were determined to have a fair market value of \$182,880. These assets were included in property and equipment as of December 31, 2018, and were placed into service in 2019.

### Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes:

	December 31,	
	2019	2018
Program restrictions:		
Child enrichment services	\$ 13,058	\$ 17,560
Senior enrichment services	-0-	55,000
Rising Titans	21,593	81,479
Capital campaign	60,000	-0-
Endowment	183,966	175,183
	<u>\$ 278,617</u>	<u>\$ 329,222</u>

### Note 7. Endowment

The Agency's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### Note 7. Endowment (Continued)

#### Interpretation of Relevant Law

The Management and Board of Directors of the Agency have interpreted the Unified Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as donor-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

#### Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve and build corpus to a sufficient level that allows for a diversified investment strategy.

#### Strategies Employed for Achieving Objectives

To satisfy its investment objective, the Agency relies on a low risk long-term strategy in which investment returns are achieved through current yield (interest) through money market funds and equity securities.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

At December 31st of each calendar year, a spending rate of 5% is applied to the fair market value of the endowment in accordance with the donor's terms. This is applicable to the funds under the Agency's control. Endowed funds held outside of the Agency are managed externally.

Endowment net asset composition by type of fund as of December 31, 2019 and 2018:

	Donor Restricted 2019	Donor Restricted 2018
Donor-restricted endowment funds	<u>\$ 183,966</u>	<u>\$ 175,183</u>



# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### Note 7. Endowment (Continued)

Changes in endowment net assets for the years ended December 31, 2019 and 2018:

	Donor Restricted 2019		Donor Restricted 2018
Endowment net assets, January 1, 2019	\$ 175,183	Endowment net assets, January 1, 2018	\$ 186,734
Investment return	16,799	Investment return	(11,551)
Appropriation	<u>(8,016)</u>		
Endowment net assets, December 31, 2019	<u>\$ 183,966</u>	Endowment net assets, December 31, 2018	<u>\$ 175,183</u>

The Agency is also a beneficiary of funds directly provided to and held by the Community Foundation of Lorain County. Based on the funding of these accounts, the Agency does not record them on its financial statements. The value of the funds at December 31, 2019 and 2018 was \$448,794 and \$402,402, respectively. Earnings of \$19,275 and \$18,090 were distributed to the Agency during the years ended December 31, 2019 and 2018, respectively.

### Note 8. Lease Commitments

The Agency leases office space and equipment under non-cancelable operating leases. The Agency's total monthly lease payments range from \$152 - \$3,000. The total amount charged to expense was \$115,537 and \$135,048, respectively during the years ended December 31, 2019 and 2018.

Future minimum payments on these non-cancelable leases are as follows:

Years Ending December 31,	
2020	\$ 26,262
2021	23,948
2022	22,732
2023	<u>22,124</u>
	<u>\$ 95,066</u>

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### **Note 9. Contingencies**

The Agency operates in an environment subject to extensive federal and state laws, rules, and regulations, including payment for services, conduct of operations and facility and professional licensure. Changes in law and regulatory interpretations could reduce the Agency's revenue. The Agency is, from time to time, subject to claims and suits for damages arising in the normal course of business. Management believes the ultimate resolution of any claims will not have a material adverse effect on the financial position, changes in net assets, or liquidity of the Agency.

### **Note 10. Income Tax**

The Agency is exempt from Federal income taxes under Section 501(c)(3) and is classified as an Agency that is not a "Private Foundation" as defined in Section 509(a) of the Internal Revenue Code.

The Agency did not identify any material unrecognized tax benefits upon evaluation of tax positions taken and therefore, there was no material effect on the Agency's financial condition or results of operations.

The Agency evaluates at each balance sheet date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Agency's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2019 and 2018, the Agency had no accrued taxes, interest or penalties related to uncertain tax positions. The Agency estimates the unrecognized tax benefit will not change significantly within the next twelve months.

### **Note 11. Supplemental Cash Flow Information**

Cash paid for interest was \$49,592 and \$31,415 for the years ended December 31, 2019 and 2018, respectively.

### **Note 12. Liquidity and Availability**

The Agency regularly monitors the availability of resources required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing programs and support services to be general expenditures.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### Note 12. Liquidity and Availability (Continued)

As of December 31, 2019, the following table show the total financial assets held by the Agency and the amounts of those financial assets which could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	\$ 195,741
Less: Endowed cash and cash equivalents	(74,191)
Grants receivable	<u>478,469</u>
Total financial assets	<u>600,019</u>
Financial assets available to meet the cash	
needs for general expenditures within one year	<u><u>\$ 600,019</u></u>

The Agency generally operates with a balanced budget and anticipates collecting sufficient revenue to cover the portion of general expenditures not covered by the financial assets listed above.

### Note 13. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The Company cannot reasonably estimate the length or severity of this pandemic, but expects this matter to negatively impact its business, results of operations, and financial position. The financial impact cannot be reasonably estimated at this time.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Securities (CARES) Act was signed into law. The CARES Act stimulus package included a new forgivable loan product offered through the Small Business Administration. The Paycheck Protection Program (PPP) is designed to assist employers with employee retention and the continuation through payroll during the COVID-19 pandemic. In May 2020, the Agency received a PPP loan in the amount of \$451,864. The Agency will not know what amount, if any, of the loan is forgivable until such time as an application for forgiveness is submitted to the bank and the bank determines the final amount of forgiveness. Any loan amounts not forgiven are repayable over two years with interest of 1.00%.

In March 2020, the Agency received a donation of property, including land and a building. The property had a fair market value of \$1,800,000 and was capitalized into property and equipment during 2020.

The Agency has evaluated subsequent events through March 26, 2021, the date which the financial statements were available to be issued.

**NEIGHBORHOOD ALLIANCE**

**TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200  
AUDIT REQUIREMENTS**

NEIGHBORHOOD ALLIANCE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
<u>MAJOR PROGRAM</u>				
United States Department of Health and Human Services passed through the Ohio Department of Developmental Disabilities passed through the Lorain County Board of Commissioners:				
Special Education - Grants for Infants and Families - Help Me Grow Early Intervention Part C	84.181			\$ 520,690
Total Major Programs			<u>\$ -</u>	<u>\$ 520,690</u>
<u>OTHER FEDERAL ASSISTANCE</u>				
Aging - Cluster:				
United States Department of Health and Human Services passed through Western Reserve Area Agency on Aging:				
Special Programs for the Aging - Title III:				
Part B - Grants for Supportive Services and Senior Citizens	93.044			\$ 9,169
Part C - Early Intervention - Family Supportive Services	93.045			174,193
Part C - Early Intervention - Family Supportive Services	93.045			5,708
Part C - Early Intervention - Family Supportive Services	93.045			11,278
Part C - Early Intervention - Family Supportive Services	93.045			59,717
Total Aging Cluster			-	260,065
United States Department of Health and Human Services passed through the Lorain County Department of Jobs and Family Services:				
Social Service Block Grant	93.667			186,956
TANF - Cluster:				
Temporary Assistance for Needy Families	93.558			81,731
Total Department of Health and Human Services			-	268,687
U.S. Department of Housing & Urban Development passed through the Ohio Department Services Agency - Office of Housing and Community Partnerships:				
Emergency Solutions Grant Program	14.231			-
U.S. Department of Housing & Urban Development passed through the Ohio Department of Development and the Board of Lorain County Commissioners				
Emergency Solutions Grant Program	14.231			214,500
Total Department of Housing & Urban Development			-	214,500
U.S. Department of Agriculture passed through the Ohio Department of Education:				
Child and Adult Care Food Program	10.558			62,377
Total Department of Agriculture			-	62,377
Department of Homeland Security passed through the Federal Emergency Management Agency passed through the United Way (as a fiscal agent):				
Projects for Assistance in Transition from Homelessness (PATH)	93.150			132,521
Emergency Management Food and Shelter National Board Program	97.024			9,000
Total Department of Homeland Security			-	141,521
Total Other Federal Assistance			-	947,150
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,467,840</u>

# NEIGHBORHOOD ALLIANCE

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Neighborhood Alliance under the programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title U.S. Code of Federal Regulations (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

The Agency has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
Neighborhood Alliance  
Elyria, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Neighborhood Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Alliance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Neighborhood Alliance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barnes Wendling CPAs*

Sheffield Village, Ohio  
March 26, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE

The Board of Directors  
Neighborhood Alliance  
Elyria, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited Neighborhood Alliance's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Neighborhood Alliance's major federal programs for the year ended December 31, 2019. Neighborhood Alliance's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Neighborhood Alliance's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Neighborhood Alliance's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Neighborhood Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### ***Report on Internal Control Over Compliance***

Management of Neighborhood Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neighborhood Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Alliance's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Barnes Wendling CPAs*  
Sheffield Village, Ohio  
March 26, 2021

THE NEIGHBORHOOD ALLIANCE

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issues:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___x___no
Significant deficiency(s) identified not considered to be material weaknesses	_____yes	___x___none reported
Noncompliance material to financial statements noted?	_____yes	___x___no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	_____yes	___x___no
Significant deficiency(s) identified not considered to be material weaknesses	_____yes	___x___none reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed required to be Reported in accordance with Federal Register 2 CFR Part 200, Subpart F?	_____yes	___x___no

**CFDA Numbers**

**Name of Federal Program or Cluster**

84.181	Help Me Grow Early Intervention Part C	
Dollar threshold used to distinguish Type A and type B programs:	\$ 750,000	
Auditee qualified as a low risk auditee?	___x___yes	_____no

**Section II - Financial Statement Findings**

No findings were noted.

**Section III - Federal Award Findings and Questioned Costs**

No findings were noted.