



**AUDITED  
FINANCIAL STATEMENTS**

**YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

# 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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 18, 2022 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.

A handwritten signature in cursive script that reads 'Barnes Wendling CPAs'.

Sheffield Village, Ohio  
March 18, 2022

# NEIGHBORHOOD ALLIANCE

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND DECEMBER 31, 2019

	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 903,083	\$ 195,741
Grants receivable	490,895	478,469
Prepaid expenses	7,811	6,202
Total current assets	1,401,789	680,412
Property and Equipment	4,745,284	2,729,440
Less accumulated depreciation	2,117,735	1,980,462
	2,627,549	748,978
Beneficial interest in perpetual trusts	117,905	109,775
Total assets	<u>\$ 4,147,243</u>	<u>\$ 1,539,165</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of notes payable	\$ 54,355	\$ 64,411
Current portion of Paycheck Protection Program loan	197,249	-0-
Line of credit	125,000	149,586
Accounts payable	92,215	130,251
Accrued expenses	56,220	66,124
Total current liabilities	525,039	410,372
Long-Term Debt:		
Notes payable, net of current portion	400,769	472,239
Paycheck Protection Program loan, net of current portion	254,615	-0-
	655,384	472,239
Total liabilities	1,180,423	882,611
<b>NET ASSETS</b>		
Without donor restriction	2,586,425	377,937
With donor restriction	380,395	278,617
Total net assets	2,966,820	656,554
Total liabilities and net assets	<u>\$ 4,147,243</u>	<u>\$ 1,539,165</u>

See Notes to Financial Statements

# NEIGHBORHOOD ALLIANCE

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2019

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Government agencies	\$ 2,700,640	\$ -0-	\$ 2,700,640	\$ 2,352,511
Program fees	337,550	-0-	337,550	350,888
Contributions	224,456	218,973	443,429	341,174
Donated property and equipment	1,800,000	-0-	1,800,000	-0-
Foundations	257,330	210,000	467,330	319,051
Capital campaign	11,872	-0-	11,872	-0-
Investment income	923	8,129	9,052	36,206
Loss on sale of property and equipment	-0-	-0-	-0-	( 4,000)
Other income	167,958	-0-	167,958	42,565
	<u>5,500,729</u>	<u>437,102</u>	<u>5,937,831</u>	<u>3,438,395</u>
Net assets released from restrictions	<u>335,324</u>	<u>( 335,324)</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>5,836,053</b>	<b>101,778</b>	<b>5,937,831</b>	<b>3,438,395</b>
<b>EXPENSES</b>				
Program services:				
Child enrichment services	859,991	-0-	859,991	868,774
Family support services	907,974	-0-	907,974	731,855
Emergency service	822,695	-0-	822,695	727,011
Senior enrichment services	641,453	-0-	641,453	539,959
Supporting services:				
Management and general	121,571	-0-	121,571	261,695
Fundraising	273,881	-0-	273,881	138,339
	<u>3,627,565</u>	<u>-0-</u>	<u>3,627,565</u>	<u>3,267,633</u>
<b>TOTAL EXPENSES</b>	<b>3,627,565</b>	<b>-0-</b>	<b>3,627,565</b>	<b>3,267,633</b>
<b>CHANGES IN NET ASSETS</b>	<b>2,208,488</b>	<b>101,778</b>	<b>2,310,266</b>	<b>170,762</b>
<b>NET ASSETS - beginning of year</b>	<b>377,937</b>	<b>278,617</b>	<b>656,554</b>	<b>485,792</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,586,425</b>	<b>\$ 380,395</b>	<b>\$ 2,966,820</b>	<b>\$ 656,554</b>

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2019

	2019 Total	2020 Total	Program Services			Support Services		
			Child Enrichment Services	Family Support Services	Emergency Services	Senior Enrichment Services	Fund Raising	Management and General
Total salaries and related expenses	\$ 2,200,226	\$ 2,399,651	\$ 615,165	\$ 771,657	\$ 498,965	\$ 392,702	\$ 68,626	\$ 52,536
Professional fees and contracts	39,257	44,953	6,227	4,260	4,260	3,291	7,475	19,440
Supplies	165,519	283,093	68,974	43,044	56,248	102,891	2,786	9,150
Telephone	31,000	38,338	8,022	9,355	7,885	8,786	975	3,315
Postage and shipping	3,913	3,491	2	1,241	144	361	1,101	642
Occupancy	269,606	251,546	78,677	11,953	63,184	49,369	3,750	44,613
Rental and maintenance of equipment	89,585	71,898	18,605	15,639	10,424	8,227	7,919	11,084
Printing and publications	4,394	40,541	856	10,907	2,921	1,561	21,496	2,800
Mileage/operational travel	93,913	64,250	14,589	11,739	4,227	28,523	1,383	3,789
Conferences, conventions, and meetings	9,954	18,713	1,060	3,359	1,555	9,605	1,223	1,911
Specific assistance to individuals	103,028	149,981	-0-	75	144,275	5,631	-0-	-0-
Membership dues	10,420	10,477	536	3,466	1,375	341	1,559	3,200
Interest	49,592	32,232	-0-	-0-	-0-	-0-	-0-	32,232
Insurance	52,905	65,905	13,582	15,510	9,139	8,149	2,173	17,352
Purchased services	8,460	8,159	2,051	904	2,640	1,418	-0-	1,146
Miscellaneous	37,130	7,065	-0-	-0-	-0-	-0-	-0-	7,065
Depreciation	98,731	137,272	31,645	4,865	15,453	20,598	1,105	63,606
Total expenses	<u>\$ 3,267,633</u>	<u>\$ 3,627,565</u>	<u>\$ 859,991</u>	<u>\$ 907,974</u>	<u>\$ 822,695</u>	<u>\$ 641,453</u>	<u>\$ 121,571</u>	<u>\$ 273,881</u>

See Notes to Financial Statements

# NEIGHBORHOOD ALLIANCE

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,310,266	\$ 170,762
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	137,272	98,731
Donated property and equipment	( 1,800,000)	-0-
Gain on investments and perpetual trusts	( 8,130)	( 16,799)
Loss on sale of property and equipment	-0-	4,000
(Increase) decrease in assets:		
Grants receivable	( 12,426)	( 232,192)
Prepaid expenses	( 1,609)	( 4,497)
Increase (decrease) in liabilities:		
Accounts payable	( 38,036)	24,300
Accrued expenses	( 9,904)	7,592
Net cash provided by operating activities	<u>577,433</u>	<u>51,897</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	-0-	6,000
Purchase of property and equipment	( 215,843)	( 10,614)
Net cash used in investing activities	<u>(215,843)</u>	<u>(4,614)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	451,864	-0-
Repayments of long-term debt	( 81,526)	( 61,129)
Net (repayments) borrowings from line of credit	( 24,586)	2,000
Net cash provided by (used in) financing activities	<u>345,752</u>	<u>( 59,129)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	707,342	( 11,846)
<b>CASH – BEGINNING OF YEAR</b>	<u>195,741</u>	<u>207,587</u>
<b>CASH – END OF YEAR</b>	<u><u>\$ 903,083</u></u>	<u><u>\$ 195,741</u></u>

See Notes to Financial Statements



# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *Revenue from Contracts with Customers*, which supersedes many of the current revenue recognition requirements. The underlying principle is an entity will recognize revenue to depict the transfer of goods or services to customers at an amount the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

In June 2018, the FASB issued ASU *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which requires organizations to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, the recipient is not entitled to the transferred assets (or future transfer of assets) until it has overcome the barriers in the agreement.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

The Agency adopted both ASUs in the year ended December 31, 2020 using a full retrospective method of application. The results of adopting both ASUs using the retrospective approach had no impact on the financial position, changes in net assets, cash flows, business processes, controls or systems of the Agency. The adoption of both ASUs resulted in changes to the disclosure of revenue.

- 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, 2020 and 2019. Bad debt expense for the years ended December 31, 2020 and 2019 was \$-0-.
- 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,	
	2020	2019
Interest and dividends	\$ 923	\$ 19,407
Net unrealized gains (losses)	8,129	16,799
	<u>\$ 9,052</u>	<u>\$ 36,206</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 \$137,272 and \$98,731 for the years ended December 31, 2020 and 2019, respectively.
- G. Paycheck Protection Program Loan – The Agency has elected to account for the Paycheck Protection Program loan using the debt model. Under this method of accounting, the Agency has recorded the loan from its bank as debt until such time as the loan is formally forgiven, at which time the Agency will record the debt forgiveness as other income.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

- H. 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.
- I. Donated Facilities – Donated facilities are reflected in the financial statements at the fair market value upon receipt.
- J. 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, 2020 AND 2019

**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:

			December 31, 2020 Total
Description	Level 1	Level 2	
Beneficial interest JP Morgan Chase	\$ -	\$ 108,218	\$ 108,218
Beneficial interest Community Foundation of Lorain County	-	9,687	9,687
	<u>\$ -0-</u>	<u>\$ 117,905</u>	<u>\$ 117,905</u>
			December 31, 2019 Total
Description	Level 1	Level 2	
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>

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.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

- K. Revenue Recognition – Revenues from government agencies and program fees are recognized as revenue when performance obligations are satisfied and expenses are incurred for the related programs. Performance obligations are typically satisfied at a point in time.

Contributions from are reported as revenue when received or pledged. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions met in the same period as the gift are reported as contributions without donor restriction. Other restricted gifts are reported as restricted contributions in net assets with donor restriction.

- L. 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, 2019, from which the summarized information was derived.
- M. 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, 2020 and 2019 consisted of the following:

	2020	2019	Useful Life (years)
Land	\$ 108,531	\$ 108,531	
Land improvements	108,322	108,322	20 – 30
Buildings	2,441,068	641,068	20 – 40
Building improvements	1,139,337	1,085,342	5 – 40
Equipment/furniture	900,131	738,282	3 – 10
Playground equipment	6,760	6,760	10
Leasehold improvements	41,135	41,135	5 – 10
	<u>4,745,284</u>	<u>2,729,440</u>	
Less accumulated depreciation	<u>2,117,735</u>	<u>1,980,462</u>	
	<u>\$ 2,627,549</u>	<u>\$ 748,978</u>	

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### Note 3. Long-Term Debt

Long-term debt consisted of the following at December 31, 2020 and 2019:

	<u>Due Date</u>	<u>2020</u>	<u>2019</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	\$ -0-	\$ 29,829
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>455,124</u>	<u>506,821</u>
Total Long-Term Debt		455,124	536,650
Less: Current Portion		<u>54,355</u>	<u>64,411</u>
Long-Term Portion		<u>\$ 400,769</u>	<u>\$ 472,239</u>

Principal payments required to be made are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 54,355
2022	57,078
2023	59,936
2024	62,900
2025	66,089
Thereafter	<u>154,766</u>
	<u>\$ 455,124</u>

Interest expense for all indebtedness for the years ended December 31, 2020 and 2019 was \$32,232 and \$49,592, respectively.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### **Note 4. Paycheck Protection Program Loan**

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Securities (CARES) Act was signed into law. Under the CARES Act, the Agency applied for and received a Paycheck Protection Program (PPP) loan from the Small Business Administration (SBA) through their bank. The Agency received proceeds of \$451,864 in May 2020. The loan bears interest at 1.00%. Subsequent to year-end, the Agency applied for forgiveness of the loan, and received formal forgiveness for the full amount of the loan from the SBA in May 2021.

### **Note 5. 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 (3.25% as of December 31, 2020) plus 1.01%. The line is secured by substantially all assets of the Agency. At December 31, 2020 and 2019, \$125,000 and \$149,586, respectively, had been borrowed against the line of credit.

### **Note 6. Donation of Buildings and Equipment**

During the year ended December 31, 2020, the Agency received a donation of real property from an individual. The land and building were determined to have a fair market value of \$1,800,000. These assets were placed into service during the year ended December 31, 2020, and are included within property and equipment.

### **Note 7. Net Assets with Donor Restrictions**

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

	December 31,	
	2020	2019
Program restrictions:		
Child enrichment services	\$ 12,442	\$ 13,058
Senior enrichment services	65,766	-0-
Rising Titans	19,722	21,593
Capital campaign	94,079	60,000
Endowment		
Endowed cash	70,482	74,191
Beneficial interest	117,905	109,775
	<u>\$ 380,396</u>	<u>\$ 278,617</u>

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### **Note 8. 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.

#### **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.



NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

**Note 8. Endowment (Continued)**

Endowment net asset composition by type of fund as of December 31, 2020 and 2019:

	Donor Restricted 2020	Donor Restricted 2019
Donor-restricted endowment funds	<u>\$ 188,387</u>	<u>\$ 183,966</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019:

	Donor Restricted 2020		Donor Restricted 2019
Endowment net assets, January 1, 2020	\$ 183,966	Endowment net assets, January 1, 2019	\$ 175,183
Investment return Appropriation	<u>8,129 (3,708)</u>	Investment return Appropriation	<u>16,799 (8,016)</u>
Endowment net assets, December 31, 2020	<u>\$ 188,387</u>	Endowment net assets, December 31, 2019	<u>\$ 183,966</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, 2020 and 2019 was \$460,515 and \$448,794, respectively. Earnings of \$922 and \$19,275 were distributed to the Agency during the years ended December 31, 2020 and 2019, respectively.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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### **Note 9. 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 \$62,262 and \$115,537, respectively during the years ended December 31, 2020 and 2019.

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

Years Ending <u>December 31,</u>	
2021	\$ 23,948
2022	22,732
2023	<u>22,124</u>
	<u>\$ 68,804</u>

### **Note 10. 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 11. 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, 2020 and 2019, 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.

# NEIGHBORHOOD ALLIANCE

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

### Note 12. Supplemental Cash Flow Information

Cash paid for interest was \$32,232 and \$49,592 for the years ended December 31, 2020 and 2019, respectively.

### Note 13. 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.

As of December 31, 2020 and 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:

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 903,083	\$ 195,741
Less: Endowed cash and cash equivalents	(70,482)	(74,191)
Grants receivable	490,895	478,469
Total financial assets	<u>1,323,496</u>	<u>600,019</u>
Financial assets available to meet the cash needs for general expenditures within one year	<u>\$1,323,496</u>	<u>\$ 600,019</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 14. Subsequent Events

As stated in Note 4 to the financial statements, the Agency received formal forgiveness from the SBA of the entire \$451,864 outstanding balance of its PPP loan in May 2021.

The Agency has evaluated subsequent events through March 18, 2022, 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, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
<u>MAJOR PROGRAMS</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			\$ 553,183
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			97,075
U.S. Department of Housing & Urban Development passed through the Ohio Department of Development and the Board of Lorain County Commissioners				
Homeless Assistance Grant Program	14.231			195,000
Total Major Programs			\$ -	\$ 845,258
<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			\$ 17,903
Part C - Early Intervention - Family Supportive Services	93.045			276,657
Part C - Early Intervention - Family Supportive Services	93.052			2,658
Part C - Early Intervention - Family Supportive Services	93.045			62,121
Total Aging Cluster			-	359,339
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			74,912
TANF - Cluster:				
Temporary Assistance for Needy Families	93.558			143,989
Total Department of Health and Human Services			-	218,901
U.S. Department of Housing & Urban Development passed through the City of Elyria:				
Community Development Block Grant Program	14.228			8,280
U.S. Department of Housing & Urban Development passed through the Ohio Office of Community Development to OneEighty, Inc.:				
Community Development Block Grant Program	14.228			45,746
Total Department of Housing & Urban Development			-	54,026
U.S. Department of Agriculture passed through the Ohio Department of Education:				
Child and Adult Care Food Program	10.558			37,596
Total Department of Agriculture			-	37,596
Department of Homeland Security passed through the Federal Emergency Management Agency passed through the United Way (as a fiscal agent):				
Emergency Management Food and Shelter National Board Program	97.024			38,750
Total Department of Homeland Security			-	38,750
Total Other Federal Assistance			-	708,612
Total Expenditures of Federal Awards			\$ -	\$ 1,553,870

# NEIGHBORHOOD ALLIANCE

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

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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, 2020. 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, 2020, 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 18, 2022.

**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 18, 2022



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, 2020. 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, 2020.

### ***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 18, 2022

THE NEIGHBORHOOD ALLIANCE

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

**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	___x___yes	_____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**

Reports	
84.181	Help Me Grow Early Intervention Part C
14.231	Homeless Assistance Grant Program Emergency Solutions Grant Program
Dollar threshold used to distinguish Type A and type B programs:	\$ 750,000
Auditee qualified as a low risk auditee?	_____yes      ___x___no

**Section II - Financial Statement Findings**

No findings were noted.

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

No findings were noted.