



**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2023 AND 2022**

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Neighborhood Alliance and Subsidiary
Elyria, Ohio

Report on Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Neighborhood Alliance (an Ohio nonprofit organization) and its wholly owned subsidiary, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Alliance and Subsidiary (the Agency) as of December 31, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Agency's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 28, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2025 on our consideration of the Agency'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 the Agency'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 the Agency's internal control over financial reporting and compliance.

Barnes Wendling CPAs

Sheffield Village, Ohio
February 5, 2025

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31,	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 363,200	\$ 443,930
Restricted Cash		
Capital campaign	855,598	136,165
Endowed cash	60,430	63,610
Grants receivable	2,180,921	872,250
Prepaid expenses	3,214	36,210
TOTAL CURRENT ASSETS	3,463,363	1,552,165
Property and equipment, net	4,210,621	3,575,259
Other Assets		
Right-of-use operating assets	122,855	175,438
Beneficial interest in perpetual trusts	119,351	106,285
	<u>242,206</u>	<u>281,723</u>
TOTAL ASSETS	<u>\$ 7,916,190</u>	<u>\$ 5,409,147</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	\$ 60,404	\$ 58,261
Current portion of operating lease liability	33,566	52,553
Line of credit	125,643	150,000
Accounts payable	557,348	521,273
Accrued expenses	64,837	104,299
TOTAL CURRENT LIABILITIES	841,798	886,386
Long-Term Debt		
Notes payable, net of current portion	227,288	291,360
Operating lease liability, net of current portion	89,289	122,885
	<u>316,577</u>	<u>414,245</u>
TOTAL LIABILITIES	1,158,375	1,300,631
Net Assets		
Without donor restriction	4,184,969	3,591,803
With donor restriction	2,572,846	516,713
TOTAL NET ASSETS	<u>6,757,815</u>	<u>4,108,516</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,916,190</u>	<u>\$ 5,409,147</u>

See Notes to Consolidated Financial Statements

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Consolidated Statements of Activities and Changes in Net Assets Year Ended December 31, 2023 with Summarized Financial Information for the Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restriction	2023 Total	2022 Total
Revenues, gains, and other support				
Government agencies	\$ 3,352,875	\$ -	\$ 3,352,875	\$ 3,687,255
Program fees	1,026,807	-	1,026,807	500,142
Contributions	324,552	13,559	338,111	326,843
Donated services	-	-	-	14,750
Foundations grants and contributions	406,808	-	406,808	505,774
Capital campaign	-	3,036,519	3,036,519	357,512
Investment (loss) income	-	13,215	13,215	(17,634)
Gain on sale of property and equipment	147,165	-	147,165	-
Other income	63,318	-	63,318	144,691
	<u>5,321,525</u>	<u>3,063,293</u>	<u>8,384,818</u>	<u>5,519,333</u>
Net assets released from restrictions	<u>1,007,160</u>	<u>(1,007,160)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	6,328,685	2,056,133	8,384,818	5,519,333
Expenses				
Program services:				
Child enrichment services	1,147,104	-	1,147,104	1,016,518
Family support services	1,261,814	-	1,261,814	1,118,169
Emergency service	1,376,525	-	1,376,525	1,219,821
Senior enrichment services	1,433,881	-	1,433,881	1,270,647
Total program services expenses	<u>5,219,324</u>	<u>-</u>	<u>5,219,324</u>	<u>4,625,155</u>
Supporting services:				
Management and general	286,778	-	286,778	254,129
Fundraising	229,423	-	229,423	203,304
Total expenses	<u>5,735,519</u>	<u>-</u>	<u>5,735,519</u>	<u>5,082,588</u>
Changes in net assets	593,166	2,056,133	2,649,299	436,745
Net assets, beginning of the year	<u>3,591,803</u>	<u>516,713</u>	<u>4,108,516</u>	<u>3,671,771</u>
NET ASSETS, end of the year	<u>\$ 4,184,969</u>	<u>\$ 2,572,846</u>	<u>\$ 6,757,815</u>	<u>\$ 4,108,516</u>

See Notes to Consolidated Financial Statements

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Consolidated Statements of Functional Expenses Year Ended December 31, 2023 with Summarized Financial Information for the Year Ended December 31, 2022

			Program Services				Support Services	
	2022 Total	2023 Total	Child Enrichment Services	Family Support Services	Emergency Services	Senior Enrichment Services	Management and General	Fund Raising
Total salaries and related expenses	\$ 3,195,848	\$ 3,484,527	\$ 696,905	\$ 766,596	\$ 836,286	\$ 871,132	\$ 174,226	\$ 139,381
Professional fees and contracts	155,370	206,362	41,272	45,400	49,527	51,591	10,318	8,254
Supplies	517,327	493,016	98,603	108,464	118,324	123,254	24,651	19,721
Telephone	39,793	33,816	6,763	7,440	8,116	8,454	1,691	1,353
Postage and shipping	2,844	4,073	815	896	978	1,018	204	163
Occupancy	345,648	450,293	90,059	99,064	108,070	112,573	22,515	18,012
Rental and maintenance of equipment	185,672	170,524	34,105	37,515	40,926	42,631	8,526	6,821
Advertising	42,640	55,350	11,070	12,177	13,284	13,838	2,768	2,214
Mileage/operational travel	66,713	83,343	16,669	18,335	20,002	20,836	4,167	3,334
Conferences, conventions, and meetings	21,117	34,113	6,823	7,505	8,187	8,528	1,706	1,365
Specific assistance to individuals	107,043	272,296	54,459	59,905	65,351	68,074	13,615	10,892
Membership dues	5,641	39,192	7,838	8,622	9,406	9,798	1,960	1,568
Interest and fees	20,342	22,317	4,463	4,910	5,356	5,579	1,116	893
Insurance	76,047	80,258	16,052	17,657	19,262	20,065	4,013	3,210
Purchased services	38,775	34,028	6,806	7,486	8,167	8,507	1,701	1,361
Miscellaneous	25,013	34,441	6,888	7,577	8,266	8,610	1,722	1,378
Depreciation	186,491	237,570	47,514	52,265	57,017	59,393	11,879	9,503
Capital Campaign	50,264	-	-	-	-	-	-	-
Total expenses	<u>\$ 5,082,588</u>	<u>\$ 5,735,519</u>	<u>\$ 1,147,104</u>	<u>\$ 1,261,814</u>	<u>\$ 1,376,525</u>	<u>\$ 1,433,881</u>	<u>\$ 286,778</u>	<u>\$ 229,423</u>

See Notes to Consolidated Financial Statements

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	\$ 2,649,299	\$ 436,745
Adjustments to reconcile changes in net assets to net cash, cash equivalents, and restricted cash provided by operating activities:		
Depreciation	237,570	186,491
Amortization of right-of-use assets	52,583	33,558
(Gain) loss on interest in perpetual trusts	(13,066)	22,803
Gain on sale of property and equipment	(147,165)	-
Noncash from contributions received	(1,500,000)	(144,466)
(Increase) decrease in assets:		
Grants receivable	55,164	(320,566)
Prepaid expenses	32,996	(14,970)
Increase (decrease) in liabilities:		
Accounts payable	36,075	432,285
Accrued expenses	(39,462)	33,561
Operating lease liabilities	(52,583)	(33,558)
Deferred support	-	-
Net cash, cash equivalents, and restricted cash provided by operating activities	1,311,411	631,883
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	203,763	-
Purchase of property and equipment	(929,530)	(1,260,107)
Net cash, cash equivalents, and restricted cash used in investing activities	(725,767)	(1,260,107)
Cash Flows from Financing Activities		
Repayments of long-term debt	(61,929)	(60,383)
Net (repayments) borrowings from line of credit	(24,357)	150,000
Proceeds from contributions received for long-term purposes	136,165	-
Net cash, cash equivalents, and restricted cash (used in) provided by financing activities	49,879	89,617
Net increase (decrease) incash, cash equivalents, and restricted cash	635,523	(538,607)
Cash, cash equivalents, and restricted cash at beginning of the year	643,705	1,182,312
Cash, cash equivalents, and restricted cash at end of the year	\$ 1,279,228	\$ 643,705

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 1 - AGENCY DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Agency Description

Neighborhood Alliance is a nonprofit social service agency with program operations throughout Lorain County, Ohio. Neighborhood Alliance receives funding support for its programs from a variety of public and private sources.

Neighborhood Alliance Holdings (NHA) is a wholly owned subsidiary of Neighborhood Alliance. NHA holds all real estate Neighborhood Alliance utilizes in its operations.

Consolidation

The consolidated financial statements of Neighborhood Alliance and Subsidiary (the Agency) include the accounts of Neighborhood Alliance and its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Agency have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Agency are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Entities* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

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 Restrictions

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

Net Assets with Donor Restrictions

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.

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 1 - AGENCY DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all unrestricted, highly liquid investments with an initial maturity date of three months or less to be cash equivalents. Cash, cash equivalents, and restricted cash exclude any cash or cash equivalents maintained in a professionally managed investment account.

The Organization has received cash limited in use to payment of costs of constructing and operating a new facility, related to the Organization's capital campaign.

The Agency's cash balance consists of the following:

	December 31,	
	2023	2022
Cash and cash equivalents	\$ 363,200	\$ 443,930
Endowed cash	60,430	63,610
Cash restricted to capital campaign	855,598	136,165
Total cash, cash equivalents, and restricted cash in the consolidated statements of cash flows	<u>\$ 1,279,228</u>	<u>\$ 643,705</u>

Grants Receivable

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.

Property and Equipment

These assets are stated at cost at the date of purchase or fair market value at the 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 \$2,500. Maintenance and repairs of property and equipment are charged to expense when incurred and major additions are capitalized.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 1 - AGENCY DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 1 - AGENCY DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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

Description	Level 1	Level 2	December 31, 2023 Total
Beneficial interest			
JP Morgan Chase	\$ -	\$ 109,727	\$ 109,727
Beneficial interest			
Community Foundation of Lorain County	-	9,624	9,624
	\$ -	\$ 119,351	\$ 119,351
Description	Level 1	Level 2	December 31, 2022 Total
Beneficial interest			
JP Morgan Chase	\$ -	\$ 97,388	\$ 97,388
Beneficial interest			
Community Foundation of Lorain County	-	8,897	8,897
	\$ -	\$ 106,285	\$ 106,285

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 AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 1 - AGENCY DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues from the Organization's program and grants revenue is derived from cost-reimbursable federal, state, and local grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Contributions from foundations and capital campaigns 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.

In-kind donations are recorded as donated services at the estimated fair value on the date received. During the years ended December 31, 2023 and 2022, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was \$-0- and \$14,750. The Agency recognizes contributed services at fair value if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Leases

The Agency determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The Agency has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities is further disclosed in Note 7.

Operating lease expense is recognized on a straight-line basis over the lease term. The Agency does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease and non-lease components of lease agreements are accounted as a single combined lease component for all asset classes.

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 1 - AGENCY DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Consolidated Financial Statements

The consolidated 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 consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

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, all expenses, with the exception of bad debt expense, have been allocated based on an analysis by management of employee time spent within each functional area.

Subsequent Events

The Agency has evaluated subsequent events through February 5, 2025, the date which the consolidated financial statements were available to be issued.

Reclassification

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 consolidated financial statement presentation. There were no changes in total assets, liabilities, or change in net assets.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2023 and 2022 consisted of the following:

	2023	2022	Useful Life (Years)
Land	\$ 45,931	\$ 70,831	
Land improvements	63,009	75,254	5 - 30
Buildings	2,007,807	2,315,388	20 - 40
Building improvements	1,768,896	778,507	5 - 40
Equipment	526,070	335,517	3 - 20
Playground equipment	22,559	-	10
Vehicles	650,319	547,472	3 - 10
Leasehold improvements	-	37,333	5 - 15
	<u>5,084,591</u>	<u>4,160,302</u>	
Less accumulated depreciation	<u>1,604,591</u>	<u>1,784,114</u>	
	<u>3,480,000</u>	<u>2,376,188</u>	
Construction in progress	<u>730,621</u>	<u>1,199,071</u>	
	<u>\$ 4,210,621</u>	<u>\$ 3,575,259</u>	

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 3 - LONG-TERM DEBT

The Agency has a note payable to PNC Bank in monthly installments of \$5,900 including interest at 3.33% and is secured by substantially all assets of the Agency. The note payable matures in June 2028. The outstanding balance as of December 31, 2023 and 2022 was \$287,692 and \$349,621, respectively.

Principal payments required to be made are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 60,404
2025	62,822
2026	65,306
2027	67,887
2028	31,273
	<u>\$ 287,692</u>

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 (8.50% as of December 31, 2023) plus 1.14%. The line is secured by substantially all assets of the Agency. At December 31, 2023 and 2022, \$125,643 and \$150,000, respectively, had been borrowed against the line of credit. The line of credit renews on an annual basis.

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,	
	2023	2022
Program restrictions:		
Child enrichment services	\$ -	\$ 98,503
Senior enrichment services	-	97,150
Lorain county for Ukraine refugee	4,897	-
Family Strong	-	15,000
Capital Campaign	2,388,168	136,165
Endowment:		
Endowed cash	60,430	63,610
Beneficial interest	119,351	106,285
	<u>\$ 2,572,846</u>	<u>\$ 516,713</u>

NOTE 6 - 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 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 intended to preserve and build corpus to a sufficient level that allows for a diversified investment strategy.

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 6 - ENDOWMENT (CONTINUED)

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,	
	2023	2022
Donor-restricted endowment funds	<u>\$ 179,781</u>	<u>\$ 196,046</u>

Changes in endowment net assets

	Years ended December 31,	
	2023	2022
Endowment net assets, January 1, 2023	\$ 169,895	\$ 196,046
Investment return (loss)	13,067	(22,803)
Appropriation	<u>(3,181)</u>	<u>(3,348)</u>
Endowment net assets, end of year	<u>\$ 179,781</u>	<u>\$ 169,895</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 consolidated financial statements. The value of the funds at December 31, 2023 and 2022 was \$462,396 and \$424,861, respectively. Earnings of \$4,000 and \$20,194, included in contributions on the statement of activities, were distributed to the Agency during the years ended December 31, 2023 and 2022, respectively.

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 7 - LEASES

The Agency leases office equipment under noncancelable operating leases with payments ranging from \$169 to \$2,820 per month, with maturities between January 2024 and August 2027. The Agency also leases office space under a month-to-month arrangement for \$3,000 per month.

The composition of lease costs reported in the consolidated statement of activities and changes in net assets for the year ended December 31, 2023 and 2022 is as follows:

Lease Expense	December 31,	
	2023	2022
Operating lease expense (costs resulting from lease payments)	\$ 58,028	\$ 35,432
Short-term lease expense	36,000	36,608
	<u>\$ 94,028</u>	<u>\$ 72,040</u>

Supplemental cash flow information from leasing transactions for the year ended December 31, 2023 is as follows:

Other Information	December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 52,583	\$ 33,558
ROU assets obtained in exchange for new operating lease liabilities	-	208,996
Weighted-average remaining lease term in years for operating leases	3.58	4.12
Weighted-average discount rate for operating leases	3.83%	3.45%

The following operating lease payments are expected to be paid for each of the following years ended December 31:

Maturity Analysis	
2024	\$ 37,712
2025	35,868
2026	35,530
2027	22,666
Total undiscounted cash flow	131,776
Present value discount	(8,921)
Total lease liabilities	<u>\$ 122,855</u>

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 8 - 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 9 - 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, 2023 and 2022, 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 10 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was \$22,317 and \$20,342 for the years ended December 31, 2023 and 2022, respectively.

NOTE 11 - 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 AND SUBSIDIARY

Notes to Consolidated Financial Statements Years Ended December 31, 2023 and 2022

NOTE 11 - LIQUIDITY AND AVAILABILITY (CONTINUED)

The following table shows 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,	
	<u>2023</u>	<u>2022</u>
Cash	\$ 1,279,228	\$ 643,705
Less: Endowed cash	(60,430)	(63,610)
Less: Capital campaign restricted cash	(855,598)	(136,165)
Grants receivable	2,180,921	872,250
Less: Capital campaign grants receivable	<u>(1,500,000)</u>	<u>(144,466)</u>
Financial assets available to meet the cash needs for general expenditure within one year	<u>\$ 1,044,121</u>	<u>\$ 1,171,714</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.

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

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Schedule of Expenditures of Federal Awards Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Education			
Pass through from the Lorain County Board of Commissioners:			
Special Education - Individuals with Disabilities Act			
Special Education - Grants for Infants and Families -			
Help Me Grow Early Intervention Part C	84.181	\$ 785,243	-
<i>Total U.S. Department of Education</i>		<u>785,243</u>	<u>-</u>
U.S. Department of Agriculture			
Pass through from the Ohio Department of Education:			
Child and Adult Care Food Program (CACFP)	10.558	72,372	-
<i>Total U.S. Department of Agriculture</i>		<u>72,372</u>	<u>-</u>
U.S. Department of Homeland Security			
Federal Emergency Management Agency passed through the United Way (as a fiscal agent):			
Federal Emergency Management Food and Shelter Program		59,000	-
<i>Total U.S. Department of Homeland Security</i>	97.024	<u>59,000</u>	<u>-</u>
U.S. Department of Housing & Urban Development			
Pass through from the County and City of Lorain, Building, Housing & Planning Dept., Community Development Block Grant			
<i>Total U.S. Department of Housing & Urban Development and CDBG Cluster</i>	14.218	<u>40,700</u>	<u>-</u>
U.S. Department of Health and Human Services			
Pass through from the Lorain County Board of Commissioners:			
Special Programs for the Aging, Title III, Part C	93.045	306,637	-
Special Programs for the Aging, Title III, Part B	93.044	82,509	-
<i>Total Aging Cluster</i>		<u>389,146</u>	<u>-</u>
Pass through from the Lorain County Board of Commissioners:			
National Family Caregiver Support, Title III, Part E	93.052	1,841	-
Temporary Assistance for Needy Families			
Emergency Shelter	93.558	135,100	-
<i>Total Temporary Assistance for Needy Families</i>		<u>135,100</u>	<u>-</u>
Pass through from Lorain County Department of Job and Family Services:			
Social Service Block Grant	93.667	207,783	-
Pass through from the Lorain County Job and Family Services			
Elder Abuse Prevention Interventions	93.747	48,038	-
Pass through from the Lorain County Board of Commissioners:			
State Opioid Response and Medicaid Cluster	93.788	159,928	-
<i>Total U.S. Department of Health and Human Services</i>		<u>941,836</u>	<u>-</u>
U.S. Department of Transportation			
Pass through from the State General Revenue Fund and Federal Award Project			
Public Transportation Research, Technical Assistance, and Training	20.514	25,000	-
<i>Total U.S. Department of Transportation</i>		<u>25,000</u>	<u>-</u>
Total Expenditures of Federal Awards:		<u>\$ 1,924,151</u>	<u>\$ -</u>

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Neighborhood Alliance and Subsidiary (the Agency) under the programs of the federal government for the year ended December 31, 2023. 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 CONSOLIDATED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Neighborhood Alliance and Subsidiary
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 consolidated financial statements of Neighborhood Alliance and Subsidiary (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 consolidated financial statements, and have issued our report thereon dated February 5, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Neighborhood Alliance and Subsidiary's (the Agency) internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control. Described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be a significant deficiency.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's consolidated 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*.

The Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes Wendling CPAs

Sheffield Village, Ohio
February 5, 2025

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 and Subsidiary
Elyria, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Neighborhood Alliance and Subsidiary's (the Agency) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2023. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Sheffield Village, Ohio
February 5, 2025

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Consolidated financial statements

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to consolidated financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Federal Register 2 CFR Part 200, Subpart F?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

CFDA Numbers

84.181

93.667

Dollar threshold used to distinguish Type A and Type B programs:

Auditee qualified as a low risk auditee?

Name of Federal Program or Cluster

Help Me Grow Early Intervention
Part C
Social Services Block Grant

\$ 750,000

yes no

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Schedule of Findings and Questioned Costs (Continued)

Section II - Financial Statement Findings

Reference Number: 2023-001 **Recognition of Conditional Grant Revenue**

Criteria:

Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. U.S GAAP requires unconditional promises to give to be recognized in the period received revenue and an asset in the period received.

Context:

During our audit of the 2023 financial statements, it was identified the Agency had not established a system of internal control to ensure unconditional promises to give were properly identified and recorded within the financial records in accordance with U.S GAAP.

Cause/Condition:

Inadequate review of donor agreements along with revenue recognition of capital campaign revenue.

Effect:

Significant audit adjustment was identified. Prior to audit adjustment, grants receivable and capital campaign revenue were understated by approximately \$1.5 million.

Recommendation:

We recommended Neighborhood Alliance and Subsidiary continue to review transactions as they are being recorded for proper revenue recognition. As part of the year-end close process, we recommend an individual with the appropriate knowledge and oversight review the listing of all grants to ensure they are properly recognized.

Views of Responsible Officials:

Management agrees with the finding and has provided the corrective action plan following the Single Audit Report.

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Schedule of Findings and Questioned Costs (Continued)

Section III - Findings and Questioned Costs for Federal Awards

Reference Number:	2023-002	Uniform Guidance Reporting
Criteria:	Pursuant to 2 CFR Section 200.512(a) of the Uniform Guidance, the auditee is responsible for submitting its data collection form and reporting package, including the auditor's reports within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period to the Federal Audit Clearinghouse.	
Context:	The Uniform Guidance audit of the Agency's federal awards for the year ended December 31, 2023 was not completed within nine months following the period-end and as a result, the Agency did not submit its Uniform Guidance audit reporting package within the required timeframe.	
Cause/Condition:	The delay in the issuance of the Uniform Guidance audit report for the year ended December 31, 2023 was due to staff turnover in the Agency's finance department.	
Effect:	The Agency did not comply with the aforementioned regulatory requirements.	
Recommendation:	We recommend that the Agency enhance its closing and reporting process to ensure the Uniform Guidance audit procedures will be completed by the aforementioned deadline.	