Neighborhood Alliance
HELPING COMMUNITIES GROW STRONGER

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

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Barnes Wendling CPAs Since 1946

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, 2022, 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, 2022, 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.

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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 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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.

Barnes Wendling CPAs
Since 1946

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 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
March 28, 2024

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	$ 643,705	$ 1,182,312
Grants receivable	872,250	407,218
Prepaid expenses	36,210	21,240
TOTAL CURRENT ASSETS	1,552,165	1,610,770
Property and equipment, net	3,575,259	2,501,643
Other Assets		
Right-of-use operating assets	175,438	-0-
Beneficial interest in perpetual trusts	106,285	129,088
	281,723	129,088
TOTAL ASSETS	**$ 5,409,147**	**$ 4,241,501**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of notes payable	$ 58,261	$ 60,507
Current portion of operating lease liability	52,553	-0-
Line of credit	150,000	-0-
Accounts payable	521,273	88,988
Accrued expenses	104,299	70,738
TOTAL CURRENT LIABILITIES	886,386	220,233
Long-Term Debt		
Notes payable, net of current portion	291,360	349,497
Operaing lease liability, net of current portion	122,885	-0-
	414,245	349,497
TOTAL LIABILITIES	1,300,631	569,730
Net Assets		
Without donor restriction	3,591,803	2,821,278
With donor restriction	516,713	850,493
TOTAL NET ASSETS	4,108,516	3,671,771
TOTAL LIABILITIES AND NET ASSETS	**$ 5,409,147**	**$ 4,241,501**

See Notes to Financial Statements

Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2022 with Summarized Financial Information for the Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	2022 Total	2021 Total
Revenues, gains, and other support				
Government agencies	$ 3,554,157	$ 133,098	$ 3,687,255	$ 3,092,040
Program fees	500,142	-0-	500,142	281,918
Contributions	326,843	-0-	326,843	506,675
Donated services	14,750	-0-	14,750	11,757
Foundations	428,219	77,555	505,774	306,756
Capital campaign	-0-	357,512	357,512	517,415
Investment (loss) income	5,169	(22,803)	(17,634)	28,908
Gain on sale of property and equipment	-0-	-0-	-0-	121,046
Other income	144,691	-0-	144,691	460,387
	4,973,971	545,362	5,519,333	5,326,902
Net assets released from restrictions	879,142	(879,142)	-0-	-0-
Total revenues, gains, and other support	5,853,113	(333,780)	5,519,333	5,326,902
Expenses				
Program services:				
Child enrichment services	1,016,518	-0-	1,016,518	980,363
Family support services	1,118,169	-0-	1,118,169	1,103,681
Emergency service	1,219,821	-0-	1,219,821	1,312,625
Senior enrichment services	1,270,647	-0-	1,270,647	683,078
Supporting services:				
Management and general	254,129	-0-	254,129	406,955
Fundraising	203,304	-0-	203,304	135,249
Total expenses	5,082,588	-0-	5,082,588	4,621,951
Changes in net assets	770,525	(333,780)	436,745	704,951
Net assets, beginning of the year	2,821,278	850,493	3,671,771	2,966,820
NET ASSETS, end of the year	**$ 3,591,803**	**$ 516,713**	**$ 4,108,516**	**$ 3,671,771**

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Consolidated Statements of Functional Expenses
Year Ended December 31, 2022 with Summarized Financial Information for the Year Ended December 31, 2021

	2021 Total	2022 Total	Program Services: Child Enrichment Services	Program Services: Family Support Services	Program Services: Emergency Services	Program Services: Senior Enrichment Services	Support Services: Management and General	Support Services: Fund Raising
Total salaries and related expenses	$ 2,734,074	$ 3,195,848	$ 639,170	$ 703,086	$ 767,004	$ 798,962	$ 159,792	$ 127,834
Professional fees and contracts	218,092	155,370	31,074	34,181	37,288	38,843	7,769	6,215
Supplies	366,036	517,327	103,465	113,812	124,159	129,332	25,866	20,693
Telephone	41,814	39,793	7,959	8,754	9,550	9,948	1,990	1,592
Postage and shipping	2,876	2,844	569	626	683	710	142	114
Occupancy	272,806	345,648	69,130	76,043	82,956	86,412	17,281	13,826
Rental and maintenance of equipment	64,261	185,672	37,134	40,848	44,561	46,418	9,284	7,427
Printing and publications	47,437	42,640	8,528	9,381	10,234	10,660	2,132	1,705
Mileage/operational travel	44,047	66,713	13,343	14,677	16,011	16,678	3,336	2,668
Conferences, conventions, and meetings	18,590	21,117	4,223	4,646	5,068	5,279	1,056	845
Specific assistance to individuals	421,121	107,043	21,409	23,549	25,690	26,761	5,352	4,282
Membership dues	10,576	5,641	1,128	1,241	1,354	1,410	282	226
Interest and fees	50,125	20,342	4,068	4,475	4,882	5,086	1,017	814
Insurance	60,580	76,047	15,209	16,730	18,251	19,012	3,802	3,043
Purchased services	10,273	38,775	7,755	8,531	9,306	9,694	1,939	1,550
Miscellaneous	16,276	25,013	5,003	5,503	6,003	6,253	1,251	1,000
Depreciation	163,225	186,491	37,298	41,028	44,758	46,623	9,325	7,459
Capital Campaign	-0-	50,264	10,053	11,058	12,063	12,566	2,513	2,011
Bad debts	79,742	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total expenses	$ 4,621,951	$ 5,082,588	$ 1,016,518	$ 1,118,169	$ 1,219,821	$ 1,270,647	$ 254,129	$ 203,304

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Years Ended December 31, 2022	2021
Cash Flows from Operating Activities		
Changes in net assets	$ 436,745	$ 704,951
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	186,491	163,225
Amortization of right-of-use assets	33,558	-0-
(Gain) loss on interest in perpetual trusts	22,803	(11,183)
Gain on sale of property and equipment	-0-	(121,046)
Paycheck Protection Loan forgiveness	-0-	(451,864)
(Increase) decrease in assets:		
Grants receivable	(465,032)	83,677
Prepaid expenses	(14,970)	(13,429)
Increase (decrease) in liabilities:		
Accounts payable	432,285	(3,227)
Accrued expenses	33,561	14,518
Operating lease liabilities	(33,558)	-0-
Net cash provided by operating activities	631,883	365,622
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-0-	277,095
Purchase of property and equipment	(1,260,107)	(193,368)
Net cash provided by (used in) investing activities	(1,260,107)	83,727
Cash Flows from Financing Activities		
Repayments of long-term debt	(60,383)	(45,120)
Net (repayments) borrowings from line of credit	150,000	(125,000)
Net cash provided by (used in) financing activities	89,617	(170,120)
Net increase (decrease) in cash	(538,607)	279,229
Cash at beginning of the year	1,182,312	903,083
Cash at end of the year	**$ 643,705**	**$ 1,182,312**

See Notes to Financial Statements

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 is a wholly owned subsidiary of Neighborhood Alliance. The entity 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 material 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.

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

Net Assets with Donor Restrictions (Continued)
The Agency records donor-restricted contributions whose restrictions are met in the same reporting period as support without donor restriction.

Recently Adopted Accounting Standards
In 2022, the Agency adopted ASU No. 2016-02, *Leases*, which requires lessees to recognize leases on the consolidated balance sheet and disclose key information about leasing arrangements. The Agency elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Agency recognized right-of-use assets and lease liabilities totaling $55,318 in its consolidated balance sheet as of January 1, 2022.

Cash
The Agency's cash balance consists of the following:

	December 31, 2022	December 31, 2021
Cash	$ 443,930	$ 499,384
Endowed cash	63,610	66,958
Cash restricted to capital campaign	136,165	615,970
Total cash in the consolidated statements of cash flows	$ 643,705	$ 1,182,312

Grants Receivable
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 did not record an allowance for doubtful accounts as of December 31, 2022 and 2021. Bad debt expense (recoveries) for the years ended December 31, 2022 and 2021 was ($79,742) and $79,742, respectively.

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.

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

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. Depreciation expense was $186,491 and $163,225 for the years ended December 31, 2022 and 2021, respectively.

Paycheck Protection Program Loan

The Agency elected to account for the Paycheck Protection Program loan using the debt model. Under this method of accounting, the Agency recorded the loan from its bank as debt until the loan was formally forgiven, at which time the Agency recorded the debt forgiveness as other income.

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.

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.

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

Fair Value Measurement (Continued)

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.

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, 2022 Total
Beneficial interest JP Morgan Chase	$ -0-	$ 97,388	$ 97,388
Beneficial interest Community Foundation of Lorain County	-0-	8,897	8,897
	$ -0-	$ 106,285	$ 106,285

Description	Level 1	Level 2	December 31, 2021 Total
Beneficial interest JP Morgan Chase	$ -0-	$ 118,620	$ 118,620
Beneficial interest Community Foundation of Lorain County	-0-	10,468	10,468
	$ -0-	$ 129,088	$ 129,088

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.

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

Fair Value Measurement (Continued)
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.

Revenue Recognition
Revenues from government agencies and program fees are derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance obligations or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. Performance obligations are typically satisfied at a point in time.

Contributions from individuals, businesses, 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.

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. Contributed services are recognized when the services are received by the Agency.

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 8.

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.

Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

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, 2021, 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 March 28, 2024, the date which the consolidated financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 consisted of the following:

	2022	2021	Useful Life (Years)
Land	$ 70,831	$ 70,831	
Land improvements	75,254	108,322	5 - 30
Buildings	2,315,388	2,316,638	20 - 40
Building improvements	778,507	1,140,881	5 - 40
Equipment	335,517	591,176	3 - 20
Playground equipment	-0-	6,760	10
Vehicles	547,472	499,424	3 - 10
Leasehold improvements	37,333	41,135	5 - 15
	4,160,302	4,775,167	
Less accumulated depreciation	1,784,114	2,273,524	
	2,376,188	2,501,643	
Construction in progress	1,199,071	-0-	
	$ 3,575,259	$ 2,501,643	

NOTE 3 - LONG-TERM DEBT

The Agency had a note payable to PNC Bank in monthly installments of $6,333 including interest at 4.83% and was secured by substantially all assets of the Agency. The note payable was set to mature in February 2028. The Agency refinanced the loan during the year ended December 31, 2021. The outstanding balance as of December 31, 2022 and 2021 was $-0-.

The Agency has a note payable to PNC Bank in monthly installments of $5,900 including interest at 3.83% and is secured by substantially all assets of the Agency. The note payable matures in June 2028. The outstanding balance as of December 31, 2022 and 2021 was $349,621 and $410,004, respectively.

Principal payments required to be made are as follows:

Years Ending December 31,	Amount
2023	$ 58,261
2024	60,404
2025	62,822
2026	65,306
2027	67,887
Thereafter	34,941
	$ 349,621

Interest expense for all indebtedness for the years ended December 31, 2022 and 2021 was $20,342 and $39,274, respectively.

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 bore interest at 1.00%. The Agency applied for, 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 (7.50% as of December 31, 2022) plus 1.14%. The line is secured by substantially all assets of the Agency. At December 31, 2022 and 2021, $150,000 and $-0-, respectively, had been borrowed against the line of credit. The line of credit matures on November 11, 2024.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,	
	2022	2021
Program restrictions:		
Child enrichment services	$ 98,503	$ 8,336
Senior enrichment services	97,150	1,539
Rising Titans	-0-	30,141
Capital campaign	136,165	614,431
Family Strong	15,000	-0-
Endowment:		
Endowed cash	63,610	66,958
Beneficial interest	106,285	129,088
	$ 516,713	$ 850,493

NOTE 7 - ENDOWMENT

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

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.

NOTE 7 – 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, 2022 and 2021:

	Donor Restricted 2022	Donor Restricted 2021
Donor-restricted endowment funds	$ 169,895	$ 196,046

Changes in endowment net assets for the years ended December 31, 2022 and 2021:

	Donor Restricted 2022		Donor Restricted 2021
Endowment net assets, January 1, 2022	$ 196,046	Endowment net assets, January 1, 2021	$ 188,387
Investment loss	(22,803)	Investment return	11,183
Appropriation	(3,348)	Appropriation	(3,524)
Endowment net assets, December 31, 2022	$ 169,895	Endowment net assets, December 31, 2021	$ 196,046

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, 2022 and 2021 was $424,861 and $499,701, respectively. Earnings of $20,194 and $16,662 were distributed to the Agency during the years ended December 31, 2022 and 2021, respectively.

NOTE 8 - LEASE COMMITMENTS

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, 2022 is as follows:

Lease Expense	Amount
Operating lease expense (costs resulting from lease payments)	$ 35,432
Short-term lease expense	36,608
	$ 72,040

Supplemental cash flow information from leasing transactions for the year ended December 31, 2022 is as follows:

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

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

Maturity Analysis	
2023	$ 57,992
2024	37,712
2025	35,868
2026	35,699
2027	22,560
Total undiscounted cash flow	189,831
Present value discount	(14,393)
Total lease liabilities	$ 175,438

NOTE 9 - CONTINGENCIES

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

NOTE 10 - INCOME TAX

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

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

The Agency evaluates at each balance sheet date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Agency’s policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2022 and 2021, the Agency had no accrued taxes, interest or penalties related to uncertain tax positions. The Agency estimates the unrecognized tax benefit will not change significantly within the next twelve months.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was $20,342 and $39,274 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 - LIQUIDITY AND AVAILIBILITY

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.

NOTE 12 - LIQUIDITY AND AVAILIBILITY (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,	
	2022	2021
Cash	$ 643,705	$ 1,182,312
Less: Endowed cash	(63,610)	(66,958)
Less: Capital campaign restricted cash	(136,165)	(615,970)
Grants receivable	872,250	407,218
Less: Capital campaign grants receivable	(144,466)	-0-
Financial assets available to meet the cash needs for general expenditure within one year	$ 1,171,714	$ 906,602

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, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Current Year 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	$ 760,582	$ -
Total U.S. Department of Education		760,582	-
U.S. Department of Agriculture			
Pass through from the Lorain County Board of Commissioners:			
ARPA-R	10.561	49,726	-
Pass through from the Ohio Department of Education:			
Child and Adult Care Food Program (CACFP)	10.558	48,588	-
Federal Emergency Management Agency passed through			
the United Way (as a fiscal agent):			
Federal Emergency Management Food and Shelter Program	97.024	51,250	-
Total U.S. Department of Agriculture		149,564	-
U.S. Department of Housing & Urban Development			
Pass through from the Ohio Department Services Agency - Office of			
Housing and Community Partnerships:			
Homeless Assistance Grant Program	14.231	226,850	-
Emergency Solutions Grant (ESG) Program	14.231	265,935	-
Pass through from the City of Lorain, Building, Housing & Planning Dept.,			
CDBG-CV funds Community Development Block Grant	14.218	60,000	-
Total U.S. Department of Housing & Urban Development		552,785	-
Senior Nutrition Services Cluster:			
U.S. Department of Health and Human Services			
Pass through from the Lorain County Board of Commissioners:			
Title IIIC - Nutrition Services	93.045	298,923	-
Title IIIB - Supportive Services	93.044	30,991	-
Title IIIE - Caregiver Services	93.052	2,285	-
Senior Nutrition - Passport	93.045	8,222	-
Total Aging Cluster		340,421	-
Pass through from the Lorain County Board of Commissioners:			
Temporary Assistance for Needy Families			
Emergency Shelter	93.558	286,032	-
Social Service Block Grant	93.667	25,000	-
Total U.S. Department of Health and Human Services		651,453	-
Total Expenditures of Federal Awards:		$ 2,114,384	$ -

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

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, 2022. 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.

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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, 2022, 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 March 28, 2024.

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. However, material weaknesses or significant deficiencies may exist that were not identified.

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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*.

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
March 28, 2024

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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, 2022. 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, 2022.

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.

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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.

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
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 Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 28, 2024

NEIGHBORHOOD ALLIANCE AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Consolidated financial statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	__x__no
Significant deficiency(s) identified not considered to be material weaknesses?	_____yes	__x__none reported
Noncompliance material to consolidated 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 auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Federal Register 2 CFR Part 200, Subpart F?	_____yes	__x__no

CFDA Numbers	**Name of Federal Program or Cluster**
84.181	Help Me Grow Early Intervention Part C
	Aging Cluster:
93.045	Title IIIC – Nutrition Services
93.044	Title IIIB – Supportive Services
93.052	Title IIIE – Caregiver Services
93.045	Senior Nutrition - Passport

Dollar threshold used to distinguish Type A and Type B programs:	$ 750,000	
Auditee qualified as a low risk auditee?	_____yes	__x__no