NEIGHBORHOOD ALLIANCE

AUDITED
FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2014 AND 2013

NEIGHBORHOOD ALLIANCE

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Neighborhood Alliance
Elyria, Ohio

We have audited the accompanying financial statement of Neighborhood Alliance (an Ohio nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Alliance as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Neighborhood Alliance's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015 on our consideration of Neighborhood Alliance's internal control over financial reporting and our 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Alliance's internal control over financial reporting and compliance.

Barnes Wendling CPAs, Inc.

July 7, 2015
Sheffield Village, Ohio

NEIGHBORHOOD ALLIANCE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND DECEMBER 31, 2013

	2014	2013
ASSETS		
Current Assets:		
Cash	$ 91,819	$ 44,964
Grants receivable, net	180,629	224,365
Promises to give	36,138	142,275
Prepaid expenses	16,637	6,550
Total current assets	325,223	418,154
Property and Equipment	2,632,229	2,470,730
Less accumulated depreciation	1,638,742	1,514,517
	993,487	956,213
Investments	124,121	106,095
Loan fees, net	2,409	3,170
Beneficial interest in perpetual trust	108,236	112,467
Deposits	1,600	1,600
Total assets	$ 1,555,076	$ 1,597,699
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long-term debt	$ 51,498	$ 50,550
Line of credit	-	12,023
Accounts payable	65,273	67,668
Accrued expenses	47,474	65,344
Deferred revenue	1,254	-
Total current liabilities	165,499	195,585
Long-Term Debt:		
Notes payable	741,483	773,000
Total liabilities	906,982	968,585
NET ASSETS		
Unrestricted	228,614	91,052
Temporarily restricted	201,506	323,521
Permanently restricted	217,974	214,541
Total net assets	648,094	629,114
Total liabilities and net assets	$ 1,555,076	$ 1,597,699

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
REVENUES, GAINS AND OTHER SUPPORT					
Government agencies	$ 1,955,254	$ -	$ -	$ 1,955,254	$ 1,660,225
United Way	18,262	86,822	-	105,084	155,359
Program fees	79,916	-	-	79,916	51,373
Contributions:					
- cash	121,741	3,501	-	125,242	66,814
- donated supplies	10,940	-	-	10,940	22,905
Foundations	53,936	244,348	-	298,284	520,265
Investment income	30,349	-	3,433	33,782	25,939
Legacies & bequests	18,250	-	-	18,250	830
Special events, net	84,819	-	-	84,819	67,266
Sales	1,048	-	-	1,048	1,250
Other income	30,788	-	-	30,788	19,762
	2,405,303	334,671	3,433	2,743,407	2,591,988
Net assets released from restrictions	456,686	(456,686)	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,861,989	(122,015)	3,433	2,743,407	2,591,988
EXPENSES					
Program services:					
Child Enrichment Services	874,192	-	-	874,192	675,995
Family Support Services	514,674	-	-	514,674	401,063
Emergency Service	410,566	-	-	410,566	408,617
Senior Enrichment Services	591,223	-	-	591,223	585,875
Supporting services:			-		
Management and general	146,988	-	-	146,988	231,660
Fundraising	186,784	-	-	186,784	169,042
TOTAL EXPENSES	2,724,427	-	-	2,724,427	2,472,252
CHANGES IN NET ASSETS	137,562	(122,015)	3,433	18,980	119,736
NET ASSETS AT BEGINNING OF YEAR	91,052	323,521	214,541	629,114	509,378
NET ASSETS AT END OF YEAR	$ 228,614	$ 201,506	$ 217,974	$ 648,094	$ 629,114

See Notes to Financial Statement

NEIGHBORHOOD ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2013

			Program Services				Support Services	
	2013 Total	2014 Total	Child Enrichment Services	Family Support Services	Emergency Services	Senior Enrichment Services	Management and General	Fund Raising
Salaries	$ 1,377,830	$ 1,562,047	$ 533,646	$ 366,432	$ 197,492	$ 264,493	$ 76,210	$ 123,774
Employee benefits	29,619	34,660	8,910	6,853	11,039	5,429	1,690	739
Payroll taxes	154,700	164,864	56,632	37,773	20,059	28,730	8,386	13,284
Total salaries and related expenses	1,562,149	1,761,571	599,188	411,058	228,590	298,652	86,286	137,797
Professional fees	104,734	91,590	12,665	8,039	23,791	18,793	19,467	8,835
Supplies	167,317	163,749	77,422	5,626	12,440	65,497	1,272	1,492
Telephone	53,753	52,889	13,911	12,394	7,611	10,817	2,521	5,635
Postage and shipping	6,336	3,791	74	1,732	618	610	140	617
Occupancy	172,523	211,815	72,641	19,941	51,509	49,857	11,491	6,376
Rental and maintenance of equipment	45,941	49,149	9,008	6,038	6,260	14,180	6,603	7,060
Equipment acquisition	17,494	9,752	1,430	115	1,101	7,106	-	-
Printing and publications	13,310	6,852	301	2,174	1,620	344	393	2,020
Mileage/operation travel	82,943	97,223	27,593	28,807	2,769	32,792	1,625	3,637
Conferences, conventions and meetings	11,912	21,773	7,413	4,798	1,956	2,943	2,269	2,394
Specific assistance to individuals	18,937	32,149	355	-	30,719	-	-	1,075
Membership dues	3,105	3,784	237	790	365	463	410	1,519
Interest	33,012	36,110	12,798	752	6,930	6,647	8,983	-
Insurance	46,986	49,541	17,018	8,602	6,305	11,834	2,293	3,489
Miscellaneous	2,261	7,703	1,063	466	838	1,799	1,658	1,879
Depreciation & amortization	129,539	124,986	21,075	3,342	27,144	68,889	1,577	2,959
Total expenses	$ 2,472,252	$ 2,724,427	$ 874,192	$ 514,674	$ 410,566	$ 591,223	$ 146,988	$ 186,784

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ 18,980	$ 119,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	124,986	129,539
Unrealized gain on investments	(13,795)	(6,498)
Donated land	-	(10,000)
(Increase) decrease in assets:		
Grants receivable	43,736	(52,870)
Promises to give	106,137	(44,682)
Prepaids expenses	(10,087)	(245)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(20,265)	(36,992)
Deferred revenue	1,254	-
Net cash provided by operating activities	250,946	97,988
INVESTING ACTIVITIES		
Purchase of property and equipment	(138,499)	(121,128)
Net cash used in investing activities	(138,499)	(121,128)
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	43,133
Repayments of long-term debt	(53,569)	(45,826)
Payments of loan fees	-	(3,804)
Net change in line of credit	(12,023)	12,023
Net cash (used in) provided by financing activities	(65,592)	5,526
NET (DECREASE) INCREASE IN CASH	46,855	(17,614)
CASH – BEGINNING OF YEAR	44,964	62,578
CASH – END OF YEAR	$ 91,819	$ 44,964

See Notes to Financial Statements

Note 1. Agency Description and Summary of Significant Accounting Policies

A. Agency Description – Neighborhood Alliance (the "Agency") is a nonprofit social service agency with program operations throughout Lorain County, Ohio. The Agency receives funding support for its programs from a variety of public and private sources.

B. Reporting – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represents net assets not restricted by donor-imposed stipulations.

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses. The Agency reports receipts of cash and other assets as restricted support if they are received with donor stipulations that limit the time of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized.

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 long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Agency records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

C. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. At December 31, 2014 and 2013, all promises to give are due within one year. Based on management’s assessment of pledge collection history with its donors and current relationships, it has concluded an allowance is not deemed necessary as of December 31, 2014 and 2013. Conditional promises to give are not included as support until the conditions are substantially met.

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

D. Grants receivable are due on the 30th day following the month of billing and bear no interest on the unpaid balance. Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Management reviews all outstanding grants receivable balances. Accounts are written off when deemed uncollectible. Management recorded an allowance for doubtful accounts of $0 as of December 31, 2014 and 2013. Bad debt expense for the year ended December 31, 2014 and 2013 was $0.

E. Investments – The Agency reports all investments in marketable securities with readily determinable fair values at fair value. The following schedule summarizes the investment income as of December 31, 2014 and 2013:

	December 31,	
	2014	2013
Interest and dividends	$ 19,987	$ 19,441
Net unrealized gains	13,795	6,498
	$ 33,782	$ 25,939

F. Concentration of Risk – Grants receivable are primarily due from governmental agencies. Deposits with the financial institution, including outstanding checks, occasionally exceed federally insured limits.

G. Property and Equipment – These assets are stated at cost at the date of purchase or fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets further described in Note 2. The Agency capitalized all expenditures for property and equipment in excess of $500. Maintenance and repairs of property and equipment are charged to expense when incurred and major additions are capitalized.

Depreciation and amortization expense was $124,225 and $114,943 for the years ended December 31, 2014 and 2013, respectively.

H. Loan Fees – Legal, accounting, and other expenses associated with the acquisition of the long-term financing loan are being amortized on the straight-line basis (which approximates the effective interest method) over five years. During 2013, a note payable was refinanced resulting in $13,962 of additional amortization expense. Amortization expense charged to operations amounted to $760 and $14,596 for the years ended December 31, 2014 and 2013, respectively. The Organization expects amortization expense to be $760 per year for each of the next three years through 2017 and $129 in 2018.

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

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

J. Donated Facilities – Donated facilities are reflected in the financial statements at the fair market value upon receipt.

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

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

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

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

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

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

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

Description	Level 1	Level 2	December 31, 2014 Total
Beneficial interest JP Morgan Chase	$ -	$ 101,805	$ 101,805
Beneficial interest Community Foundation of Lorain County	-	6,431	6,431
Corporate stock	14,514	-	14,514
Equities	71,866	-	71,866
Money market	2,856	-	2,856
Fixed income	34,885	-	34,885
	$ 124,121	$ 108,236	$ 232,357

Description	Level 1	Level 2	December 31, 2013 Total
Beneficial interest JP Morgan Chase	$ -	$ 105,906	$ 105,906
Beneficial interest Community Foundation of Lorain County	-	6,561	6,561
Corporate stock	4,019	-	4,019
Equities	66,318	-	66,318
Money market	3,835	-	3,835
Fixed income	31,923	-	31,923
	$ 106,095	$ 112,467	$ 218,562

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)

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

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 Foundation's master pooled investments, which the Agency holds .45% of the portfolio. The investments in marketable securities are valued at the fair value of units held by the Agency at year end.

L. Comparative Financial Statements – The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

M. Functional Allocation of Expenses – The cost of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Note 2. Property and Equipment

Property and equipment as of December 31, 2014 and 2013 consisted of the following:

	2014	2013	Useful Life (years)
Land	$ 95,831	$ 95,831	
Land improvements	112,180	91,470	20 – 30
Buildings	622,823	622,823	40
Building and improvements	1,267,656	1,189,152	5 – 40
Equipment/furniture	215,287	172,472	5 – 10
Playground equipment	6,760	6,760	10
Leasehold improvements	36,970	17,500	10 – 20
Senior nutrition equipment	274,722	274,722	5 – 10
	2,632,229	2,470,730	
Less accumulated depreciation	1,638,742	1,514,517	
	$ 993,487	$ 956,213	

Note 3. Line of Credit

The Agency has a demand line of credit with a bank with a maximum borrowing of $150,000 with interest at prime (3.25% as of December 31, 2014) plus 1.00%. The line is secured by substantially all assets of the Agency. At December 31, 2014 and 2013, $-0- and $12,023, respectively, had been borrowed against the line of credit.

Note 4. Long-Term Debt

Long-term debt consisted of the following at December 31, 2014 and 2013:

	Due Date	2014	2013
Note Payable to Ford Motor Credit. The note is payable in monthly installments of $594 including interest at 1.90%. The note is secured by a vehicle.	April 2015	$ 1,811	$ 8,835
Note payable to PNC Bank. The note is payable in monthly installments of $419 including interest at 3.50% and is secured by a vehicle.	March 2019	19,806	-
Note payable to PNC Bank. The note is payable in monthly installments of $6,333 including interest at 4.05% and is secured by substantially all assets of the Agency.	February 2018	771,364	814,715
Total Long-Term Debt		792,981	823,550
Less: Current Portion		51,498	50,550
Long-Term Portion		$ 741,483	$ 773,000

Note 4. Long-Term Debt (Continued)

Principal payments required to be made are as follows:

Years Ending December 31,	Amount
2015	$ 51,498
2016	51,713
2017	53,820
2018	634,696
2019	1,254
	$ 792,981

Note 5. Donation of Building

During 1991, the Jeanne Beattie Butts Home (Home) was donated to the Agency. The building was determined to have a fair market value of $167,100 by the donor who imposed the condition that in the event the building is sold between January 1, 1993 and December 31, 2018, the Agency will be required to pay 43% of the proceeds to the donor. Management considers the likelihood of a sale of the Home occurring prior to 2018 to be remote and therefore, a liability has not been recorded. Therefore, the Agency recognized the Home in unrestricted net assets.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net asset balances and amounts released from restrictions as of December 31, 2014 and 2013 are as follows:

	2013 Balance	Additions	Net Assets Released	2014 Balance
Program Restrictions:				
Capital improvements	$ 56,500	$ 6,500	$ 63,000	$ -
Child enrichment services	88,217	105,847	127,421	66,643
Family support services	257	-	104	153
Emergency services	15,557	39,547	27,033	28,071
Senior enrichment services	90,714	100,500	120,714	70,500
Time restrictions:				
General operations	72,276	82,277	118,414	36,139
	$ 323,521	$ 334,671	$ 456,686	$ 201,506

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net asset balances and amounts released from restrictions as of December 31, 2013 and 2012 are as follows:

	2012 Balance	Additions	Net Assets Released	2013 Balance
Program Restrictions:				
Capital improvements	$ 9,800	$ 104,500	$ 57,800	$ 56,500
Child enrichment services	17,814	169,728	99,323	88,217
Family support services	506	-	249	257
Emergency services	36,175	25,000	45,618	15,557
Senior enrichment services	40,000	160,325	109,612	90,714
Time restrictions:				
General operations	80,093	160,450	168,268	72,276
	$ 184,388	$ 620,003	$ 480,870	$ 323,521

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 has 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return Objectives and Risk Parameters

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

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
The Agency has a policy of retaining the total return of its endowment until the endowment grows to an undetermined amount at which time, a spending policy will be developed. The spending policy will allow its endowment to grow at an established percent annually that would exceed the funds appropriated for distribution. This is consistent with the Agency's objective to build the endowed corpus held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2014 and 2013:

	Permanently Restricted 2014	Permanently Restricted 2013
Donor-restricted endowment funds	$ 217,974	$ 214,541

Changes in endowment net assets for the years ended December 31, 2014 and 2013:

	Permanently Restricted 2014
Endowment net assets, January 1, 2014	$ 214,541
Investment return:	
Investment income	3,433
Endowment net assets, December 31, 2014	$ 217,974

	Permanently Restricted 2013
Endowment net assets, January 1, 2013	$ 208,043
Investment return:	
Investment income	6,498
Endowment net assets, December 31, 2013	$ 214,541

The Agency is also a beneficiary of funds directly provided to and held by the Community Foundation of Lorain County. Based on the funding of these accounts, the Agency does not record them on its financial statements. The value of the funds at December 31, 2014 and 2013 was $448,144 and $456,795, respectively. Earnings of $19,943 and $19,409 were distributed to the Agency during 2014 and 2013, respectively.

Note 8. Lease Commitments

The Agency leases office space and equipment under non-cancelable operating leases. The Agency's total monthly lease payments range from $106 - $3,169. The total amount charged to expense was $89,666 and $70,265, respectively during the years ended December 31, 2014 and 2013.

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

Years Ending December 31,	
2015	$ 52,560
2016	53,506
2017	52,082
2018	33,947
2019	27,768
Thereafter	2,314
	$ 222,177

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 that 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 is no longer subject to tax examinations for years before 2011 by taxing authorities in jurisdictions where the Agency has filed returns. 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, 2014 and 2013, 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

During the year ended December 31, 2014, the Agency purchased a vehicle in exchange for a note payable with a financial institution for $23,000.

During the year ended December 31, 2013, the Agency received donated land in the amount of $10,000.

Cash paid for interest was $36,110 and $33,012 for December 31, 2014 and 2013, respectively.

Note 12. Subsequent Event

In May 2015, the Agency put certain property up for sale for approximately $159,000. The property as of December 31, 2014 had a net book value of approximately $101,000.

Subsequent events have been evaluated through July 7, 2015, the date these financial statements were available to be issued.

NEIGHBORHOOD ALLIANCE

OMB CIRCULAR A-133 AUDIT REQUIREMENTS

NEIGHBORHOOD ALLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through CFDA Number	Total Expenditures
MAJOR PROGRAMS		
United States Department of Education passed through the Lorain County Board of Commissioners:		
Special Education - Grants for Infants and Families Recovery Act		
Help Me Grow Initiative	84.181	$ 362,483
Total Major Programs		$ 362,483
OTHER FEDERAL ASSISTANCE		
Senior Nutrition Services - Cluster:		
United States Department of Health and Human Services passed through Western Reserve Area Agency on Aging:		
Title IIIE		
Caregiver Services	93.045	$ 9,149
Title IIIB		
Supportive Services	93.044	3,712
Title IIIC		
Nutrition Services	93.045	145,886
United States Department of Health and Human Services passed through the Lorain County Department of Jobs and Family Services:		
Social Services Block Grant	93.667	50,430
Temporary Assistance for Needy Families		
Emergency Shelter	93.558	131,281
Total Department of Health and Human Services		340,458
U.S. Department of Housing & Urban Development passed through the Ohio Department of Development - Office of Housing and Community Partnerships:		
Homeless Assistance Grant Program	14.231	187,161
U.S. Department of Housing & Urban Development passed through the Ohio Department of Development and the Board of Lorain County Commissioners		
Emergency Shelter Grants Program	14.231	40,000
Total Department of Housing & Urban Development		227,161
U.S. Department of Agriculture passed through the Ohio Department of Education:		
Child and Adult Care Food Program	10.558	86,923
Total Department of Agriculture		86,923
Department of Homeland Security passed through the Federal Emergency Management Agency passed through the United Way (as a fiscal agent):		
Federal Emergency Management Food and Shelter Program	97.024	19,073
Total Department of Homeland Security		19,073
Total Other Federal Assistance		673,615
Total Expenditures of Federal Awards		$ 1,036,098

See Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Neighborhood Alliance and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

The Board of Directors
Neighborhood Alliance
Elyria, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood Alliance, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neighborhood Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

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

Barnes Wendling CPAs, Inc.

July 7, 2015
Sheffield Village, Ohio

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE BY OMB CIRCULAR A-133

The Board of Directors
Neighborhood Alliance
Elyria, Ohio

Report on Compliance for Each Major Federal Program

We have audited Neighborhood Alliance's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Neighborhood Alliance's major federal program for the year ended December 31, 2014. Neighborhood Alliance's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Neighborhood Alliance's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Neighborhood Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Neighborhood Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neighborhood Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Alliance's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Barnes Wendling CPAs, Inc.

July 7, 2015
Sheffield Village, Ohio

NEIGHBORHOOD ALLIANCE

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issues:	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 financial statements noted?	_____yes	__x__no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____yes	__x__no
Significant deficiency(s) identified not considered to be material weaknesses	_____yes	__x__none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	_____yes	__x__no

CFDA Numbers	Name of Federal Program or Cluster
84.181	Help Me Grow

Dollar threshold used to distinguish Type A programs:	$ 300,000	
Auditee qualified as a low risk auditee?	__x__yes	_____no

Section II - Financial Statement Findings

No findings were reported.

Section III - Federal Award Findings and Questioned Costs

No findings were reported.

THE NEIGHBORHOOD ALLIANCE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

Section II - Financial Statement Findings

No findings were reported.

Section III - Federal Award Findings and Questioned Costs

No findings were reported.