NEIGHBORHOOD ALLIANCE

AUDITED
FINANCIAL STATEMENTS

YEARS ENDED
DECEMBER 31, 2015 AND 2014

NEIGHBORHOOD ALLIANCE

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Neighborhood Alliance
Elyria, Ohio

Report on Financial Statements

We have audited the accompanying financial statements of Neighborhood Alliance (an Ohio nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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.

Barnes Wendling CPAs INC.
BUILDING AND MAINTAINING YOUR NET WORTH

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, 2015, 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 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated TBD on our consideration of Neighborhood Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Sheffield Village, Ohio
September 7, 2016

NEIGHBORHOOD ALLIANCE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND DECEMBER 31, 2014

	2015	2014
ASSETS		
Current Assets:		
Cash	$ 82,702	$ 91,819
Grants receivable, net	228,563	180,629
Current portion of note receivable	25,000	-
Promises to give	-	36,138
Prepaid expenses	8,907	16,637
Total current assets	345,172	325,223
Property and Equipment	2,419,446	2,632,229
Less accumulated depreciation	1,583,146	1,638,742
	836,300	993,487
Investments	124,750	124,121
Loan fees, net	1,648	2,409
Beneficial interest in perpetual trusts	97,935	108,236
Note receivable, net of current portion	25,000	-
Deposits	600	1,600
Total assets	$ 1,431,405	$ 1,555,076
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of notes payable	$ 53,539	$ 51,498
Line of credit	23,084	-
Accounts payable	56,320	65,273
Accrued expenses	58,324	47,474
Deferred revenue	10,250	1,254
Total current liabilities	201,517	165,499
Long-Term Debt:		
Notes payable, net of current portion	657,701	741,483
Total liabilities	859,218	906,982
NET ASSETS		
Unrestricted	164,249	228,614
Temporarily restricted	199,637	201,506
Permanently restricted	208,301	217,974
Total net assets	572,187	648,094
Total liabilities and net assets	$ 1,431,405	$ 1,555,076

NEIGHBORHOOD ALLIANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
REVENUES, GAINS AND OTHER SUPPORT					
Government agencies	$ 2,058,070	$ 14,600	$ -	$ 2,072,670	$ 1,955,254
United Way	31,629	27,556	-	59,185	105,084
Program fees	67,246	-	-	67,246	79,916
Contributions:					
- cash	68,226	32,110	-	100,336	125,242
- donated services	5,050	-	-	5,050	10,940
Foundations	162,187	202,842	-	365,029	298,284
Investment income	28,869	-	(9,673)	19,196	33,782
Legacies and bequests	-	-	-	-	18,250
Special events, net	75,893	-	-	75,893	84,819
Sales	240	-	-	240	1,048
Other (loss) income	(7,777)	-	-	(7,777)	30,788
	2,489,633	277,108	(9,673)	2,757,068	2,743,407
Net assets released from restrictions	278,977	(278,977)	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,768,610	(1,869)	(9,673)	2,757,068	2,743,407
EXPENSES					
Program services:					
Child enrichment services	874,809	-	-	874,809	874,192
Family support services	744,602	-	-	744,602	514,674
Emergency service	389,452	-	-	389,452	410,566
Senior enrichment services	502,796	-	-	502,796	591,223
Supporting services:					
Management and general	152,777	-	-	152,777	146,988
Fundraising	168,539	-	-	168,539	186,784
TOTAL EXPENSES	2,832,975	-	-	2,832,975	2,724,427
CHANGES IN NET ASSETS	(64,365)	(1,869)	(9,673)	(75,907)	18,980
NET ASSETS AT BEGINNING OF YEAR	228,614	201,506	217,974	648,094	629,114
NET ASSETS AT END OF YEAR	$ 164,249	$ 199,637	$ 208,301	$ 572,187	$ 648,094

NEIGHBORHOOD ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2014

			Program Services				Support Services	
	2014 Total	2015 Total	Child Enrichment Services	Family Support Services	Emergency Services	Senior Enrichment Services	Management and General	Fund Raising
Salaries	$ 1,562,047	$ 1,659,377	$ 517,260	$ 541,648	$ 192,280	$ 233,384	$ 68,838	$ 105,966
Employee benefits	34,660	48,864	13,950	18,215	11,022	2,839	1,848	990
Payroll taxes	164,864	144,020	45,323	46,121	15,998	20,924	6,264	9,390
Total salaries and related expenses	1,761,571	1,852,261	576,533	605,984	219,300	257,147	76,950	116,346
Professional fees	91,590	106,664	52,543	8,650	14,667	9,169	14,088	7,547
Supplies	163,749	171,476	69,181	10,067	10,064	80,169	694	1,301
Telephone	52,889	56,824	15,193	15,473	7,811	9,630	3,214	5,502
Postage and shipping	3,791	6,528	452	2,400	234	695	530	2,217
Occupancy	211,815	247,654	82,103	30,993	65,798	49,492	12,678	6,589
Rental and maintenance of equipment	49,149	50,764	14,308	7,723	3,981	11,621	5,561	7,570
Equipment acquisition	9,752	4,271	1,703	2,209	156	203	-	-
Printing and publications	6,852	10,044	1,125	1,041	491	442	1,015	5,929
Mileage/operation travel	97,223	85,785	15,913	38,473	1,912	25,924	796	2,767
Conferences, conventions and meetings	21,773	13,989	3,197	3,382	752	1,491	512	4,654
Specific assistance to individuals	32,149	27,903	-	-	27,903	-	-	-
Membership dues	3,784	2,553	311	761	110	254	259	859
Interest	36,110	33,839	583	488	-	5	32,763	-
Insurance	49,541	55,731	18,739	12,655	6,810	12,262	2,221	3,043
Miscellaneous	7,703	4,813	1,356	244	436	978	426	1,374
Depreciation & amortization	124,986	101,878	21,570	4,056	29,027	43,315	1,069	2,841
Total expenses	$ 2,724,427	$ 2,832,975	$ 874,809	$ 744,602	$ 389,452	$ 502,796	$ 152,777	$ 168,539

NEIGHBORHOOD ALLIANCE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014

	2015	2014
OPERATING ACTIVITIES		
Changes in net assets	$ (75,907)	$ 18,980
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	101,878	124,986
Unrealized loss (gain) on investments	9,673	(13,795)
Loss on sale of property and equipment	10,313	-
(Increase) decrease in assets:		
Grants receivable	(47,934)	43,736
Promises to give	36,138	106,137
Prepaid expenses	7,730	(10,087)
Deposits	1,000	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(8,953)	(2,395)
Accrued expenses	10,850	(17,870)
Deferred revenue	8,996	1,254
Net cash provided by operating activities	53,784	250,946
INVESTING ACTIVITIES		
Purchase of property and equipment	(44,243)	(138,499)
Proceeds from sale of property and equipment	9,629	-
Net cash used in investing activities	(34,614)	(138,499)
FINANCING ACTIVITIES		
Repayments of long-term debt	(51,371)	(53,569)
Net change in line of credit	23,084	(12,023)
Net cash used in financing activities	(28,287)	(65,592)
NET (DECREASE) INCREASE IN CASH	(9,117)	46,855
CASH – BEGINNING OF YEAR	91,819	44,964
CASH – END OF YEAR	$ 82,702	$ 91,819

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 statements 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, 2015 and 2014, 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 for doubtful pledges is not deemed necessary as of December 31, 2015 and 2014. 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, 2015 and 2014. Bad debt expense for the years ended December 31, 2015 and 2014 was $0.

E. Investments – The Agency reports all investments in marketable securities with readily determinable values at fair value. The following schedule summarizes the investment income during the years ended December 31, 2015 and 2014:

	Years Ended December 31,	
	2015	2014
Interest and dividends	$ 39,254	$ 19,987
Net unrealized gains (losses)	(20,058)	13,795
	$ 19,196	$ 33,782

F. 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.

G. Notes Receivable – Notes receivable are evaluated for collectability based on credit history of the borrower and their current financial condition. Provisions for losses on notes receivable are determined on the basis of loss experience, the estimated value of the underlying collateral, and current economic conditions. No provision for loss was considered necessary by management at December 31, 2015 and 2014.

H. 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 $101,117 and $124,225 for the years ended December 31, 2015 and 2014, respectively.

I. 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. Amortization expense charged to operations amounted to $761 for both years ended December 31, 2015 and 2014. The Organization expects amortization expense to be $760 for 2016 and 2017 and $128 in 2018.

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

J. 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.

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

L. 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, 2015 Total
Beneficial interest JP Morgan Chase	$ -	$ 92,025	$ 92,025
Beneficial interest Community Foundation of Lorain County	-	5,910	5,910
Corporate stock	15,720	-	15,720
Equities	88,575	-	88,575
Money market	3,164	-	3,164
Fixed income	17,291	-	17,291
	$ 124,750	$ 97,935	$ 222,685

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

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 corporate stock, equities, money market, and fixed income investments are valued at the fair value of units held by the Agency at year end.

M. 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, 2014, from which the summarized information was derived.

N. 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, certain costs have been allocated among programs and supporting services benefited.

Note 2. Property and Equipment

Property and equipment as of December 31, 2015 and 2014 consisted of the following:

	2015	2014	Useful Life (years)
Land	$ 80,831	$ 95,831	
Land improvements	103,515	112,180	20 – 30
Buildings	516,588	622,823	40
Building and improvements	1,153,172	1,267,656	5 – 40
Equipment/furniture	237,092	215,287	5 – 10
Playground equipment	6,760	6,760	10
Leasehold improvements	36,970	36,970	10 – 20
Senior nutrition equipment	284,518	274,722	5 – 10
	2,419,446	2,632,229	
Less accumulated depreciation	1,583,146	1,638,742	
	$ 836,300	$ 993,487	

Note 3. Long-Term Debt

Long-term debt consisted of the following at December 31, 2015 and 2014:

	Due Date	2015	2014
Note Payable to Ford Motor Credit. The note was payable in monthly installments of $594 including interest at 1.90%. The note was secured by a vehicle.	April 2015	$ -	$ 1,811
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	15,410	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	695,830	771,364
Total Long-Term Debt		711,240	792,981
Less: Current Portion		53,539	51,498
Long-Term Portion		$ 657,701	$ 741,483

Principal payments required to be made are as follows:

Years Ending December 31,	Amount
2016	$ 53,539
2017	55,098
2018	601,371
2019	1,232
	$ 711,240

Note 4. Notes Receivable

Notes receivable consist of a non-interest bearing mortgage note receivable from the sale of the Elyria building, secured by a mortgage lien on real estate. The note is due in two annual installments of $25,000 on November 2016 and November 2017. The balance was $50,000 and $-0- at December 31, 2015 and 2014, respectively.

Note 5. 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 (3.50% as of December 31, 2015) plus 1.00%. The line is secured by substantially all assets of the Agency. At December 31, 2015 and 2014, $23,084 and $-0-, respectively, had been borrowed against the line of credit.

Note 6. 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 7. Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes:

	December 31,	
	2015	2014
Program restrictions:		
Child enrichment services	$ 108,167	$ 66,643
Family support services	-	153
Emergency services	35,969	28,072
Senior enrichment services	55,501	70,500
Time restrictions:		
General operations	-	36,138
	$ 199,637	$ 201,506

Note 8. Endowment

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

Interpretation of Relevant Law

The Management and Board of Directors of the Agency 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.

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.

Note 8. Endowment (Continued)

Endowment net asset composition by type of fund as of December 31, 2015 and 2014:

	Permanently Restricted 2015	Permanently Restricted 2014
Donor-restricted endowment funds	$ 208,301	$ 217,974

Changes in endowment net assets for the years ended December 31, 2015 and 2014:

	Permanently Restricted 2015		Permanently Restricted 2014
Endowment net assets, January 1, 2015	$ 217,974	Endowment net assets, January 1, 2014	$ 214,541
Investment return:		Investment return:	
Investment loss	(9,673)	Investment income	3,433
Endowment net assets, December 31, 2015	$ 208,301	Endowment net assets, December 31, 2014	$ 217,974

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, 2015 and 2014 was $412,061 and $448,144, respectively. Earnings of $17,397 and $19,943 were distributed to the Agency during the years ended 2015 and 2014, respectively.

Note 9. Lease Commitments

The Agency leases office space and equipment under non-cancelable operating leases. The Agency's total monthly lease payments range from $106 - $3,000. The total amount charged to expense was $96,720 and $89,666, respectively during the years ended December 31, 2015 and 2014.

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

Years Ending December 31,	
2016	$ 65,506
2017	52,082
2018	33,947
2019	27,768
2020	2,314
	$ 181,617

Note 10. Contingencies

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

Note 11. Income Tax

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

The Agency is no longer subject to tax examinations for years before 2012 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, 2015 and 2014, 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 12. Supplemental Cash Flow Information

During the year ended December 31, 2015, the Agency sold property in a partial exchange for a mortgage note receivable of $50,000 and a payment of $30,370 applied toward the Agency's mortgage note payable.

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.

Cash paid for interest was $33,839 and $36,110 for the years ended December 31, 2015 and 2014, respectively.

Note 13. Subsequent Event

Subsequent events have been evaluated through September 23, 2016, the date these financial statements were available to be issued.

NEIGHBORHOOD ALLIANCE

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

NEIGHBORHOOD ALLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through CFDA Number	Total Expenditures
MAJOR PROGRAM		
United States Department of Health and Human Services passed through the Lorain County Board of Commissioners:		
Special Education - Individuals with Disabilities Act Part C Services (Help Me Grow)	84.181	$ 483,128
Total Major Programs		$ 483,128
OTHER FEDERAL ASSISTANCE		
Senior Nutrition Services - Cluster: United States Department of Health and Human Services passed through Western Reserve Area Agency on Aging:		
Title IIIC Nutrition Services	93.045	$ 146,651
Title IIIB Supportive Services	93.044	9,162
Title IIIE Caregiver Services	93.045	3,712
Total Senior Services Cluster		159,525
United States Department of Health and Human Services passed through the Lorain County Department of Jobs and Family Services:		
Social Service Block Grant	93.667	94,270
Temporary Assistance for Needy Families Emergency Shelter	93.558	54,727
Total Department of Health and Human Services		308,522
U.S. Department of Housing & Urban Development passed through the Ohio Department Services Agency - Office of Housing and Community Partnerships:		
Homeless Assistance Grant Program	14.231	190,239
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		230,239
U.S. Department of Agriculture passed through the Ohio Department of Education:		
Child and Adult Care Food Program	10.558	73,380
Total Department of Agriculture		73,380
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	85.523	22,287
Total Department of Homeland Security		22,287
Total Other Federal Assistance		634,428
Total Expenditures of Federal Awards		$ 1,117,556

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 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. Pass-through entity identifying numbers are presented where available. The Agency has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

The Board of Directors
Neighborhood Alliance
Elyria, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood Alliance, which comprise the statement of financial position as of December 31, 2015, 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 September 23, 2016.

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.

Sheffield Village, Ohio
September 23, 2016

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

The Board of Directors
Neighborhood Alliance
Elyria, Ohio

Report on Compliance for Each Major Federal Program

We have audited Neighborhood Alliance's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Neighborhood Alliance's major federal programs for the year ended December 31, 2015. Neighborhood Alliance's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

1350 Euclid Ave., Ste. 1400
Cleveland, OH 44115-1830
p 216.566.9000 f 216.566.9321

5050 Waterford Drive
Sheffield Village, OH 44035-1497
p 440.934.3850 f 440.934.3950

toll free 800.369.6375 barneswendling.com

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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, 2015.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Alliance's internal control over compliance.

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

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

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

Barnes Wendling CPAs, Inc.

Sheffield Village, Ohio
September 23, 2016

NEIGHBORHOOD ALLIANCE

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 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

Dollar threshold used to distinguish Type A programs:	$ 750,000	
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, 2014

Section II - Financial Statement Findings

No findings were reported.

Section III - Federal Award Findings and Questioned Costs

No findings were reported.