

Neighborhood Alliance
Agency Statement of Activity
FY 2020 as of 11-30-20

	<u>Actual as of</u> <u>11-30-20</u>
REVENUE	
<u>Government and Foundation Support</u>	
Government Support (ODSA, PATH, Part C, HV DOD, Title III, Avon)	\$2,417,845
Foundation Support (Comm Fdn Lorain, Comm West, LCCAA)	\$541,762
Total Government & Foundation Support	\$2,959,607
Program Service Fees	\$39,350
<u>Private Support-General Contributions</u>	
General Operating Fund Contributions	\$124,450
Special Events	\$62,171
Legacies & Bequests	\$11,622
Total Private Support-General Contributions	\$198,244
United Way (UCAN, Rising Titans)	\$102,952
Other Income (Misc. & Investment Income)	\$51,801
TOTAL REVENUE:	<u>\$3,351,954</u>
EXPENSE	
<u>Human Resource Expense</u>	
<u>Salaries, Employment Taxes & Benefits</u>	
Gross Wages	\$1,953,019
Taxes (FICA, Medicare, UEI, BWC)	\$160,941
Health Insurance	\$80,868
Total Salaries, Taxes & Benefits	\$2,194,828
Employment Costs (Finger, Drug, Bckgrnd)	\$7,981
Staff Development (Training, Incentives)	\$17,029
Total Human Resource Expense	\$2,219,838
<u>Client Program Expense</u>	
Program Supplies	\$178,838
Food & Kitchen Supplies	\$139,102
Program Eqpt. (Cell, Copier, Computers)	\$80,800
Total Client Program Expense	\$398,740
<u>Facility Expense</u>	
Utilities (Phone, Electric, Gas, Water)	\$98,833
Grounds - Maintenance & Supplies	\$30,559
Buildings - Rep., Maint. & Suppl.	\$104,360
Vehicles - Repair & Maintenance	\$39,948
Total Facility Expense	\$273,700
<u>Administrative Expense</u>	
Liability Insurance	\$61,094
Advertising, Promotion & Events	\$30,133
Professional Services, Membership Dues & Fees ***	\$54,265
Interest Expense, Bank Fees	\$35,736
Misc. Admin - Meals, Meeting Expense, Travel	\$414
Total Administrative Expense	\$181,642
TOTAL EXPENSE (Before Depreciation)	<u>\$3,073,920</u>
TOTAL INCREASE (DECREASE) NET ASSETS (Before Dep.)	<u>\$278,033</u>
Depreciation Expense	\$75,655
TOTAL EXPENSE (Including Depreciation)	\$3,149,576
TOTAL INCREASE (DECREASE) NET ASSETS (Incl. Dep.)	<u>\$202,378</u>



**AUDITED
FINANCIAL STATEMENTS
YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Alliance as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Neighborhood Alliance's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters*Other Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019 on our consideration of Neighborhood Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neighborhood Alliance's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Alliance's internal control over financial reporting and compliance.

Barnes Wendling CPAs
Sheffield Village, Ohio
September 23, 2019

NEIGHBORHOOD ALLIANCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND DECEMBER 31, 2017

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 207,587	\$ 234,289
Grants receivable	246,277	166,306
Prepaid expenses	1,705	359
Total current assets	455,569	400,954
Property and Equipment	2,728,826	2,492,808
Less accumulated depreciation	1,881,731	1,790,802
	847,095	702,006
Investments	-0-	155,425
Beneficial interest in perpetual trusts	92,976	104,477
Total assets	<u>\$ 1,395,640</u>	<u>\$ 1,362,862</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of notes payable	\$ 61,168	\$ 46,048
Line of credit	147,586	149,586
Accounts payable	105,951	168,892
Accrued expenses	58,532	53,859
Total current liabilities	373,237	418,385
Long-Term Debt:		
Notes payable, net of current portion and unamortized loan fees	536,611	557,237
Total liabilities	909,848	975,622
NET ASSETS		
Without donor restriction	156,570	(6,224)
With donor restriction	329,222	393,464
Total net assets	485,792	387,240
Total liabilities and net assets	<u>\$ 1,395,640</u>	<u>\$ 1,362,862</u>

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	Without Donor Restriction	With Donor Restriction	2018 Total	2017 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Government agencies	\$ 1,971,467	\$ -0-	\$ 1,971,467	\$ 2,441,686
Program fees	319,028	-0-	319,028	59,949
Contributions	304,419	87,150	391,569	222,733
Donated property and equipment	182,880	-0-	182,880	-0-
Foundations	141,740	132,810	274,550	214,155
Investment income (loss)	19,184	(11,551)	7,633	57,249
Other income	42,363	-0-	42,363	25,216
	<u>2,981,081</u>	<u>208,409</u>	<u>3,189,490</u>	<u>3,020,988</u>
Net assets released from restrictions	218,909	(218,909)	-0-	-0-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>3,199,990</u>	<u>(10,500)</u>	<u>3,189,490</u>	<u>3,020,988</u>
EXPENSES				
Program services:				
Child enrichment services	847,287	-0-	847,287	871,208
Family support services	815,499	-0-	815,499	856,749
Emergency service	515,654	-0-	515,654	388,938
Senior enrichment services	458,576	-0-	458,576	487,011
Supporting services:				
Management and general	267,407	-0-	267,407	381,278
Fundraising	186,515	-0-	186,515	124,617
TOTAL EXPENSES	<u>3,090,938</u>	<u>-0-</u>	<u>3,090,938</u>	<u>3,109,801</u>
CHANGES IN NET ASSETS	<u>109,052</u>	<u>(10,500)</u>	<u>98,552</u>	<u>(88,813)</u>
NET ASSETS - beginning of year as previously reported	<u>(6,224)</u>	<u>393,464</u>	<u>387,240</u>	<u>476,053</u>
Reclassifications	53,742	(53,742)	-0-	-0-
NET ASSETS - beginning of year as restated	<u>47,518</u>	<u>339,722</u>	<u>387,240</u>	<u>476,053</u>
NET ASSETS AT END OF YEAR	<u>\$ 156,570</u>	<u>\$ 329,222</u>	<u>\$ 485,792</u>	<u>\$ 387,240</u>

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017

	2017 Total	2018 Total	Program Services				Support Services	
			Child Enrichment Services	Family Support Services	Emergency Services	Senior Enrichment Services	Management and General	Fund Raising
Total salaries and related expenses	\$ 1,951,893	\$ 2,015,945	\$ 557,899	\$ 681,723	\$ 276,462	\$ 238,055	\$ 111,004	\$ 150,802
Professional fees and contracts	172,130	61,179	7,560	-0-	3,375	11,637	27,907	10,700
Supplies	257,698	202,639	93,083	7,317	10,950	80,785	7,757	2,747
Telephone	38,468	39,275	7,715	13,557	9,220	4,305	3,502	976
Postage and shipping	2,753	2,842	335	1,722	82	111	451	141
Occupancy	270,105	268,182	79,565	33,057	76,870	46,488	24,936	7,266
Rental and maintenance of equipment	90,691	106,645	18,250	22,757	23,942	19,659	15,837	6,200
Printing and publications	8,035	9,035	1,634	1,410	1,019	1,333	2,655	984
Mileage/operational travel	66,348	78,473	18,840	27,644	5,942	23,537	1,761	749
Conferences, conventions, and meetings	7,847	8,255	5,255	174	1,362	572	753	139
Specific assistance to individuals	5,314	79,750	25	-0-	79,725	-0-	-0-	-0-
Membership dues	8,531	9,942	137	3,300	1,375	564	3,337	1,229
Interest and fees	34,720	31,415	-0-	-0-	-0-	-0-	31,415	-0-
Insurance	62,320	50,296	14,144	11,176	6,477	7,972	9,002	1,525
Miscellaneous	26,594	24,150	4,340	387	5,677	1,851	9,499	2,396
Depreciation	106,354	89,730	32,361	10,238	12,576	19,403	14,491	661
Purchased services	-0-	13,185	6,144	1,037	600	2,304	3,100	-0-
Total expenses	<u>\$ 3,109,801</u>	<u>\$ 3,090,938</u>	<u>\$ 847,287</u>	<u>\$ 815,499</u>	<u>\$ 515,654</u>	<u>\$ 458,576</u>	<u>\$ 267,407</u>	<u>\$ 186,515</u>

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

	2018	2017
OPERATING ACTIVITIES		
Changes in net assets	\$ 98,552	(\$ 88,813)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	89,730	106,354
Donated property and equipment	(182,880)	-0-
(Gain) loss on investments and perpetual trusts	11,560	(29,028)
Non-cash interest expense - loan fees amortization	126	761
(Increase) decrease in assets:		
Grants receivable	(79,971)	188,304
Prepaid expenses	(1,346)	(170)
Increase (decrease) in liabilities:		
Accounts payable	(62,941)	50,308
Accrued expenses	4,673	(14,732)
Net cash (used in) provided by operating activities	<u>(122,497)</u>	<u>212,984</u>
INVESTING ACTIVITIES		
Proceeds from note receivable	-0-	25,000
Proceeds from sale of investments	155,366	-0-
Purchase of property and equipment	(51,939)	(21,842)
Net cash provided by investing activities	<u>103,427</u>	<u>3,158</u>
FINANCING ACTIVITIES		
Borrowings from long-term debt	50,000	-0-
Repayments of long-term debt	(55,632)	(55,061)
Net (repayments) borrowings from line of credit	(2,000)	25,486
Net cash used in by financing activities	<u>(7,632)</u>	<u>(29,575)</u>
NET (DECREASE) INCREASE IN CASH	<u>(26,702)</u>	<u>186,567</u>
CASH – BEGINNING OF YEAR	<u>234,289</u>	<u>47,722</u>
CASH – END OF YEAR	<u><u>\$ 207,587</u></u>	<u><u>\$ 234,289</u></u>

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1. Agency Description and Summary of Significant Accounting Policies

- A. Agency Description – Neighborhood Alliance (the "Agency") is a nonprofit social service agency with program operations throughout Lorain County, Ohio. The Agency receives funding support for its programs from a variety of public and private sources.
- B. Reporting – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

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

Net assets with donor restrictions include net assets where use by the Agency is limited by donor-imposed restrictions either expiring by the passage of time or fulfilled and removed by actions of the Agency pursuant to the stipulations.

The Agency reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of 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 support without donor restriction.

- C. Change in Accounting Principle – In 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification; deficiencies in information about liquidity and availability of resources, and the lack of consistency in type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 on a retrospective basis except for the disclosures related to liquidity and availability of resources. The retrospective application has the effect of presenting net assets previously reported as unrestricted net assets as net assets without donor restriction and temporarily restricted and permanently restricted net assets as net assets with donor restriction.

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017. Bad debt expense for the years ended December 31, 2018 and 2017 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:

	Years Ended December 31,	
	2018	2017
Interest and dividends	\$ 19,193	\$ 14,201
Net unrealized gains (losses)	(11,560)	43,048
	<u>\$ 7,633</u>	<u>\$ 57,249</u>

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. Property and Equipment – These assets are stated at cost at the date of purchase or fair market value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets further described in Note 2. The Agency capitalized all expenditures for property and equipment in excess of \$500. Maintenance and repairs of property and equipment are charged to expense when incurred and major additions are capitalized. Depreciation expense was \$89,730 and \$106,354 for the years ended December 31, 2018 and 2017, 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. Amortization expense charged to operations amounted to \$127 and \$761 for the years ended December 31, 2018 and 2017, respectively. The Organization expects non-cash interest expense to be \$-0- for 2019.

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.

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

- 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.

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 Total
Beneficial interest JP Morgan Chase	\$ -	\$ 87,220	\$ 87,220
Beneficial interest Community Foundation of Lorain County	-	5,756	5,756
Equities	-	-	-
Money market	-	-	-
Fixed income	-	-	-
	<u>\$ -0-</u>	<u>\$ 92,976</u>	<u>\$ 92,976</u>
Description	Level 1	Level 2	December 31, 2017 Total
Beneficial interest JP Morgan Chase	\$ -	\$ 98,015	\$ 98,015
Beneficial interest Community Foundation of Lorain County	-	6,462	6,462
Equities	126,751	-	126,751
Money market	4,195	-	4,195
Fixed income	24,479	-	24,479
	<u>\$ 155,425</u>	<u>\$ 104,477</u>	<u>\$ 259,902</u>

The assets held by JP Morgan Trust reflected above are valued at the fair value of the units held by JP Morgan of which the Agency receives 50% of its annual earnings in perpetuity which is estimated to approximate the present value of expected future distributions from the trusts.

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 donor restricted revenue in the Statement of Activities.

A portion of the assets held at the Community Foundation of Greater Lorain County (Foundation) reflected above were provided by the Agency to be invested in perpetuity and the Agency named itself as the beneficiary. The assets are valued at the fair value of the Agency's share of the Foundation's master pooled investments. 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.

- 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, 2017, from which the summarized information was derived.
- M. Functional Allocation of Expenses – The cost of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, salaries and related expenses and occupancy costs have been allocated among programs and supporting services benefited.
- N. Subsequent events have been evaluated through September 23, 2019, the date these financial statements were available to be issued.

Note 2. Property and Equipment

Property and equipment as of December 31, 2018 and 2017 consisted of the following:

	2018	2017	Useful Life (years)
Land	\$ 118,531	\$ 80,831	
Land improvements	108,322	106,722	20 – 30
Buildings	641,068	515,388	40
Building and improvements	1,085,342	1,083,442	5 – 40
Equipment/furniture	727,712	658,574	5 – 10
Playground equipment	6,760	6,760	10
Leasehold improvements	41,091	41,091	5 – 10
	<u>2,728,826</u>	<u>2,492,808</u>	
Less accumulated depreciation	<u>1,881,731</u>	<u>1,790,802</u>	
	<u>\$ 847,095</u>	<u>\$ 702,006</u>	

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 3. Long-Term Debt

Long-term debt is reported net of applicable unamortized debt issuance cost and consisted of the following at December 31, 2018 and 2017:

	<u>Due Date</u>	<u>2018</u>	<u>2017</u>
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	-0-	6,138
Note payable with PNC Bank. The note is payable in monthly installments of \$1,197 including interest of 6.88% and is secured by substantially all assets of the Agency	March 2022	41,662	-0-
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 2028	556,117	597,274
Total Long-Term Debt		597,779	603,412
Unamortized debt issuance costs		-0-	(127)
		597,779	603,285
Less: Current Portion		61,168	46,048
Long-Term Portion		<u>\$ 536,611</u>	<u>\$ 557,237</u>

NEIGHBORHOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 3. Long-Term Debt (Continued)

Principal payments required to be made are as follows:

Years Ending December 31,	Amount
2019	\$ 61,168
2020	64,411
2021	67,972
2022	60,537
2023	59,936
Thereafter	283,755
	<u>\$ 597,779</u>

Interest expense for all indebtedness for the years ended December 31, 2018 and 2017 was \$31,415 and \$34,720, respectively.

Note 4. Line of Credit

The Agency has a demand line of credit from a bank with a maximum borrowing of \$150,000 with interest at prime (5.50% as of December 31, 2018) plus 1.01%. The line is secured by substantially all assets of the Agency. At December 31, 2018 and 2017, \$147,586 and \$149,586, respectively, had been borrowed against the line of credit.

Note 5. Donation of Buildings and Equipment

During the year ended December 31, 2018, a building, land, and equipment from Family Promise were donated to the Agency. The building and equipment were determined to have a fair market value of \$182,880. These assets were included in property and equipment as of December 31, 2018, but were not placed into service until 2019.

Note 6. Net Assets with Donor Restrictions

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

	December 31,	
	2018	2017
Program restrictions:		
Child enrichment services	\$ 17,560	\$ 28,653
Senior enrichment services	55,000	94,000
Rising Titans	81,479	30,335
Endowment	175,183	186,734
	<u>\$ 329,222</u>	<u>\$ 339,722</u>

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7. Endowment

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

Interpretation of Relevant Law

The Management and Board of Directors of the Agency have interpreted the Unified Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Ohio, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as donor-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

To satisfy its investment objective, the Agency relies on a low risk long-term strategy in which investment returns are achieved through current yield (interest) through money market funds and equity securities.

Spending Policy and How the Investment Objectives Relate to Spending Policy

At December 31st of each calendar year, a spending rate of 5% is applied to the fair market value of the endowment in accordance with the donor's terms. This is applicable to the funds under the Agency's control. Endowed funds held outside of the Agency are managed externally.

NEIGHBORHOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 7. Endowment (Continued)

Endowment net asset composition by type of fund as of December 31, 2018 and 2017:

	Donor Restricted 2018	Donor Restricted 2017
Donor-restricted endowment funds	\$ 175,183	\$ 186,734

Changes in endowment net assets for the years ended December 31, 2018 and 2017:

	Donor Restricted 2018		Donor Restricted 2017
Endowment net assets, January 1, 2018	\$ 186,734	Endowment net assets, January 1, 2017	\$ 214,203
		Reclassification	(46,942)
			<u>167,261</u>
Investment return	(11,551)	Investment return	26,273
		Appropriation	(6,800)
			<u>(6,800)</u>
Endowment net assets, December 31, 2018	\$ 175,183	Endowment net assets, December 31, 2017	\$ 186,734

Reclassifications represent prior year appropriations from the endowment not previously reported.

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, 2018 and 2017 was \$402,402 and \$450,875, respectively. Earnings of \$18,090 and \$16,000 were distributed to the Agency during the years ended December 31, 2018 and 2017, respectively.

NEIGHBORHOOD ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 \$152 - \$3,000. The total amount charged to expense was \$135,048 and \$124,713, respectively during the years ended December 31, 2018 and 2017.

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

Years Ending December 31,	
2019	\$ 58,520
2020	26,262
2021	23,948
2022	22,732
2023	22,124
	<u>\$ 153,586</u>

Note 9. Contingencies

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

Note 10. Income Tax

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

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

The Agency evaluates at each balance sheet date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Agency's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2018 and 2017, the Agency had no accrued taxes, interest or penalties related to uncertain tax positions. The Agency estimates the unrecognized tax benefit will not change significantly within the next twelve months.

NEIGHBORHOOD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 11. Supplemental Cash Flow Information

Cash paid for interest was \$31,415 and \$34,888 for the years ended December 31, 2018 and 2017, respectively.

Note 12. Liquidity and Availability

The Agency regularly monitors the availability of resources required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing programs and support services to be general expenditures.

As of December 31, 2018, the following table show the total financial assets held by the Agency and the amounts of those financial assets which could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year end:	
Cash and cash equivalents	\$ 207,587
Less: Endowed cash and cash equivalents	(82,206)
Grants receivable	246,277
Total financial assets	<u>371,658</u>
Financial assets available to meet the cash	
needs for general expenditures within one year	<u>\$ 371,658</u>

The Agency generally operates with a balanced budget and anticipates collecting sufficient revenue to cover the portion of general expenditures not covered by the financial assets listed above.

NEIGHBORHOOD ALLIANCE

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, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
<u>MAJOR PROGRAM</u>				
United States Department of Health and Human Services passed through the Ohio Department of Developmental Disabilities passed through the Lorain County Board of Commissioners:				
Special Education - Grants for Infants and Families - Help Me Grow Early Intervention Part C	84.181			\$ 455,412
Total Major Programs			\$ -	\$ 455,412
<u>OTHER FEDERAL ASSISTANCE</u>				
Aging - Cluster:				
United States Department of Health and Human Services passed through Western Reserve Area Agency on Aging:				
Special Programs for the Aging - Title III:				
Part B - Grants for Supportive Services and Senior Citizens	93.044			\$ 6,813
Part C - Early Intervention - Family Supportive Services	93.045			144,636
Part C - Early Intervention - Family Supportive Services	93.045			2,838
Part C - Early Intervention - Family Supportive Services	93.045			20,841
Total Aging Cluster			-	175,128
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			100,203
TANF - Cluster:				
Temporary Assistance for Needy Families	93.558			87,422
Total Department of Health and Human Services			-	187,625
U.S. Department of Housing & Urban Development passed through the Ohio Department Services Agency - Office of Housing and Community Partnerships:				
Emergency Solutions Grant Program	14.231			2,775
U.S. Department of Housing & Urban Development passed through the Ohio Department of Development and the Board of Lorain County Commissioners				
Emergency Solutions Grant Program	14.231			73,207
Total Department of Housing & Urban Development			-	75,982
U.S. Department of Agriculture passed through the Ohio Department of Education:				
Child and Adult Care Food Program	10.558			73,848
Total Department of Agriculture			-	73,848
Department of Homeland Security passed through the Federal Emergency Management Agency passed through the United Way (as a fiscal agent):				
Projects for Assistance in Transition from Homelessness (PATH)	93.150			119,058
Emergency Management Food and Shelter National Board Program	97.024			1,300
Total Department of Homeland Security			-	120,358
Total Other Federal Assistance			-	632,941
Total Expenditures of Federal Awards			\$ -	\$ 1,088,353

See Notes to Financial Statements

NEIGHBORHOOD ALLIANCE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Neighborhood Alliance under the programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title U.S. Code of Federal Regulations (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Agency has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

The Board of Directors
Neighborhood Alliance
Elyria, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neighborhood Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Alliance's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Barnes Wendling CPAs

Sheffield Village, Ohio
September 23, 2019

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, 2018. Neighborhood Alliance's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Neighborhood Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Barnes Wendling CPAs

Sheffield Village, Ohio
September 23, 2019

THE NEIGHBORHOOD ALLIANCE
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issues:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	___x___no
Significant deficiency(s) identified not considered to be material weaknesses	_____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:	<u>Unmodified</u>	
Any audit findings disclosed required to be Reported in accordance with Federal Register 2 CFR Part 200, Subpart F?	_____yes	___x___no

CFDA Numbers

Name of Federal Program or Cluster

84.181

Help Me Grow Early Intervention
Part C

Dollar threshold used to distinguish Type A and type B programs:	\$ 750,000
Auditee qualified as a low risk auditee?	___x___yes _____no

Section II - Financial Statement Findings

No findings were noted.

Section III - Federal Award Findings and Questioned Costs

No findings were noted.