

Neighborhood Allies

Financial Statements

Years Ended December 31, 2019 and 2018
with Independent Auditor's Report

MaherDuessel

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NEIGHBORHOOD ALLIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

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Independent Auditor's Report

Board of Directors Neighborhood Allies

We have audited the accompanying financial statements of Neighborhood Allies (Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mahe Duessel

Pittsburgh, Pennsylvania
April 20, 2020

NEIGHBORHOOD ALLIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 5,998,181	\$ 4,032,520
Investments - endowment	3,704,568	-
Accounts receivable	25,250	12,250
Prepaid expenses	26,763	21,966
Grants receivable - current portion	424,205	709,862
Total current assets	<u>10,178,967</u>	<u>4,776,598</u>
Noncurrent assets:		
Grants receivable - long-term portion	-	20,000
Security deposits	9,733	10,918
Fixed assets, net of accumulated depreciation of \$131,843 and \$130,239 in 2019 and 2018, respectively	<u>10,380</u>	<u>187</u>
Total Assets	<u>\$ 10,199,080</u>	<u>\$ 4,807,703</u>
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Liabilities and Net Assets		
<hr/>		
Current Liabilities:		
Grants payable	\$ 204,486	\$ 88,500
Accounts payable and accrued expenses	<u>266,973</u>	<u>138,511</u>
Total Liabilities	<u>471,459</u>	<u>227,011</u>
Net Assets:		
Without donor restrictions	869,629	1,117,334
With donor restrictions	<u>8,857,992</u>	<u>3,463,358</u>
Total Net Assets	<u>9,727,621</u>	<u>4,580,692</u>
Total Liabilities and Net Assets	<u>\$ 10,199,080</u>	<u>\$ 4,807,703</u>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals for Year Ended December 31, 2018)

	2019					2018 Total
	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	Total	
		Purpose and Time Restrictions	Perpetual in Nature			
Revenues and Other Support:						
Gifts and grants	\$ 200,000	\$ 4,955,000	\$ 3,500,000	\$ 8,455,000	\$ 8,655,000	\$ 2,405,000
Government grants and contracts	224,224	-	-	-	224,224	255,571
Fee revenue	285,670	-	-	-	285,670	126,447
Interest	24,620	-	-	-	24,620	16,686
Investment income, net	-	-	204,568	204,568	204,568	-
Other income	-	-	-	-	-	3,184
Net assets released from restrictions	2,264,934	(2,264,934)	-	(2,264,934)	-	-
Total revenues and other support	<u>2,999,448</u>	<u>2,690,066</u>	<u>3,704,568</u>	<u>6,394,634</u>	<u>9,394,082</u>	<u>2,806,888</u>
Expenses:						
Community development activities:						
Grants approved, net of cancellations of \$0 and refunds of paid grants of \$0	1,226,586	-	-	-	1,226,586	542,739
Program development and other program costs	1,569,974	-	-	-	1,569,974	1,189,856
Administrative expenses:						
Finance, governance, and administration	385,116	-	-	-	385,116	305,800
Fundraising	65,477	-	-	-	65,477	90,986
Total expenses	<u>3,247,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,247,153</u>	<u>2,129,381</u>
Change in Net Assets from Operations	(247,705)	2,690,066	3,704,568	6,394,634	6,146,929	677,507
Discontinuance of program	-	(1,000,000)	-	(1,000,000)	(1,000,000)	-
Change in Net Assets	(247,705)	1,690,066	3,704,568	5,394,634	5,146,929	677,507
Net Assets:						
Beginning of year	1,117,334	3,463,358	-	3,463,358	4,580,692	3,903,185
End of year	<u>\$ 869,629</u>	<u>\$ 5,153,424</u>	<u>\$ 3,704,568</u>	<u>\$ 8,857,992</u>	<u>\$ 9,727,621</u>	<u>\$ 4,580,692</u>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	Totals
		Purpose and Time Restrictions	Perpetual in Nature		
Revenues and Other Support:					
Gifts and grants	\$ 202,500	\$ 2,202,500	\$ -	\$ 2,202,500	\$ 2,405,000
Government grants and contracts	255,571	-	-	-	255,571
Fee revenue	126,447	-	-	-	126,447
Interest	16,686	-	-	-	16,686
Investment income, net	-	-	-	-	-
Other income	3,184	-	-	-	3,184
Net assets released from restrictions	1,302,087	(1,302,087)	-	(1,302,087)	-
Total revenues and other support	1,906,475	900,413	-	900,413	2,806,888
Expenses:					
Community development activities:					
Grants approved, net of cancellations of \$18,334 and refunds of paid grants of \$200,000	542,739	-	-	-	542,739
Program development and other program costs	1,189,856	-	-	-	1,189,856
Administrative expenses:					
Finance, governance, and administration	305,800	-	-	-	305,800
Fundraising	90,986	-	-	-	90,986
Total expenses	2,129,381	-	-	-	2,129,381
Change in Net Assets from Operations					
Discontinuance of program	-	-	-	-	-
Change in Net Assets	(222,906)	900,413	-	900,413	677,507
Net Assets:					
Beginning of year	1,340,240	2,562,945	-	2,562,945	3,903,185
End of year	\$ 1,117,334	\$ 3,463,358	\$ -	\$ 3,463,358	\$ 4,580,692

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Community Development Activities	Finance, Governance, and Administration	Fundraising	Total
Grants to other organizations	\$ 1,226,586	\$ -	\$ -	\$ 1,226,586
Sponsorships and technical assistance	647,924	100	-	648,024
Salaries and wages	667,732	100,577	35,698	804,007
Pension contributions	16,604	10,658	633	27,895
Other employee benefits	117,983	26,467	4,467	148,917
Payroll taxes	45,462	10,374	2,779	58,615
Accounting fees	-	37,129	-	37,129
Other professional fees	24,445	34,766	21,900	81,111
Advertising and promotion	9,534	3,904	-	13,438
Office expenses	1,502	28,525	-	30,027
Occupancy	1,480	49,460	-	50,940
Travel	16,156	22,272	-	38,428
Conferences, conventions, and meetings	14,932	7,563	-	22,495
Depreciation and amortization	-	1,605	-	1,605
Insurance	-	4,646	-	4,646
Printing and publications	1,470	4,034	-	5,504
Equipment	4,750	7,737	-	12,487
Membership dues	-	6,054	-	6,054
Miscellaneous	-	29,245	-	29,245
Total expenses	<u>\$ 2,796,560</u>	<u>\$ 385,116</u>	<u>\$ 65,477</u>	<u>\$ 3,247,153</u>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Community Development Activities	Finance, Governance, and Administration	Fundraising	Total
Grants to other organizations	\$ 542,739	\$ -	\$ -	\$ 542,739
Sponsorships and technical assistance	482,083	-	-	482,083
Salaries and wages	471,310	89,791	72,719	633,820
Pension contributions	31,938	3,962	3,909	39,809
Other employee benefits	80,519	20,500	8,181	109,200
Payroll taxes	38,241	12,657	6,177	57,075
Accounting fees	-	37,441	-	37,441
Other professional fees	35,632	23,522	-	59,154
Advertising and promotion	9,392	2,981	-	12,373
Office expenses	965	21,933	-	22,898
Occupancy	4,075	24,028	-	28,103
Travel	21,967	19,013	-	40,980
Conferences, conventions, and meetings	4,192	10,873	-	15,065
Depreciation and amortization	-	2,519	-	2,519
Insurance	-	4,614	-	4,614
Printing and publications	4,946	3,580	-	8,526
Equipment	-	8,233	-	8,233
Membership dues	-	4,813	-	4,813
Miscellaneous	4,596	15,340	-	19,936
Total expenses	<u>\$ 1,732,595</u>	<u>\$ 305,800</u>	<u>\$ 90,986</u>	<u>\$ 2,129,381</u>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,146,929	\$ 677,507
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,605	2,519
Net (appreciation) depreciation in fair value of investments	(154,841)	-
Contributions restricted for long-term purposes	(3,500,000)	-
Change in:		
Accounts receivable	(13,000)	(12,250)
Grants receivable	305,657	(61,909)
Prepaid expenses	(4,797)	(15,783)
Security deposits	1,185	(9,733)
Grants payable	115,986	(61,367)
Accounts payable and accrued expenses	128,462	60,134
Total adjustments	(3,119,743)	(98,389)
Net cash provided by (used in) operating activities	2,027,186	579,118
Cash Flows From Investing Activities:		
Purchase of donor restricted investments	(3,549,727)	-
Purchases of fixed assets	(11,798)	-
Net cash provided by (used in) investing activities	(3,561,525)	-
Cash Flows From Financing Activities:		
Collection of contributions restricted for long-term purposes:		
Endowment	3,500,000	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,965,661	579,118
Cash and Cash Equivalents:		
Beginning of year	4,032,520	3,453,402
End of year	\$ 5,998,181	\$ 4,032,520

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization and Purpose

Neighborhood Allies (Organization), a supporting organization of The Pittsburgh Foundation, was established as the Pittsburgh Partnership for Neighborhood Development, Inc. in April 1988 to foster the economic development of households in distressed communities; to further the renovation, development, and revitalization of local neighborhoods within the City of Pittsburgh; and to promote and further the interest and purposes of The Pittsburgh Foundation. During 2018, the Organization formally changed its name to Neighborhood Allies with an effective date of January 1, 2019.

In January 2014, the Organization signed a Memorandum of Agreement with the Local Initiative Support Corporation (LISC), a New York based national community development intermediary, whereby the Organization was given access to LISC's financial and programmatic resources for use in its community development revitalization efforts. The Organization continued to maintain its autonomy as a separate legal entity while working in concert with LISC to provide community development resources to Southwestern Pennsylvania. During 2018, the Organization terminated the Memorandum of Agreement with LISC.

2. Summary of Significant Accounting Policies

Basis of Accounting

The records of the Organization are maintained on the accrual basis of accounting. Expenses are recorded when a liability is incurred, and revenues are recognized as they are earned.

Basis of Presentation

Net assets and revenues and gains are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Other

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions.

Cash and Cash Equivalent Investments

Cash and cash equivalent investments include highly liquid investments with original maturities of three months or less.

The Organization maintains cash accounts, which at times, may exceed federally insured limits. At December 31, 2019, book balance and bank balance of all deposits totaled \$5,998,181 and \$6,085,451, respectively. At December 31, 2018, book balance and bank balance of all deposits totaled \$4,032,520 and \$4,099,185, respectively. Of the bank balance at December 31, 2019 and 2018, \$5,276,511 and \$3,293,211, respectively, was not federally insured. The solvency of the financial institutions involved is not a concern to management at this time.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Organization's investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that significant changes in risks in the near-term may materially affect the amounts reported in the financial statements.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Gifts and Grants

Gifts and grants are received from various local foundations and corporations to support the purposes of the Organization. Unconditional gifts and grants receivable are reported at fair value at the date notified. Conditional promises to give are reported at fair value at the date the conditions are met.

Unconditional grants receivable consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Amounts due in one year	\$ 424,205	\$ 709,862
Amounts due in one to five years	-	20,000
Total	<u>\$ 424,205</u>	<u>\$ 729,862</u>

Due to the short-term nature of the expected collections, the net realizable value is considered a reasonable estimate of the fair value. Unconditional grants receivable that are expected to be collected in future years are not discounted, as a discount is deemed to be immaterial to the financial statements.

Uncollectible grants receivable are expected to be insignificant and, therefore, no allowance for uncollectible grants receivable is recorded as of December 31, 2019 and 2018.

As of December 31, 2019, the Organization had \$4,500,000 of conditional promises to give, which represents the second installment of a multi-year endowment grant from a single donor. The conditional promises to give are not recorded in the financial statements until the conditions are met. Conditions include the meeting of certain program and operational milestones. Since conditions have not yet been met, revenue was not recognized on the statement of activities during 2019.

At December 31, 2018, the Organization had \$100,000 of conditional promises to give, which represented the third installment on a multi-year grant from a single donor. The conditions of this promise to give were met, and therefore, recorded in 2019.

Grants Approved

Grants are recorded when they are approved by the Organization's Board of Directors (Board). Grant cancellations and refunds of paid grants are recorded as they occur.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

During 2016, pursuant to a \$1,250,000 grant from an anonymous donor to support a Real Estate Impact Fund, the Organization approved a conditional \$850,000 grant to the LISC Real Estate Impact Fund. The grant was conditioned upon LISC issuing loans to qualifying recipients and annual payments could not exceed \$425,000. During 2017, \$200,000 was paid based on conditions met and the grant expense was recognized. During 2018, the \$200,000 grant was returned to the Organization and the conditional \$850,000 grant was terminated. During 2019, \$1,000,000 that was restricted to establish the Real Estate Impact Funds was returned to the donor and is presented as discontinuance of program on the statement of activities.

Fee Revenue

The Organization performs a variety of services to other organizations ranging from administrative support to project management and coordination. Revenues are recorded and recognized in the period in which the services are provided.

Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are capitalized if the cost exceeds \$1,500 and depreciated or amortized over a three- to ten-year period using the straight-line method.

Income Taxes

The Organization was determined to be exempt from federal income tax under the provision of Section 501(c)(3) of the Internal Revenue Code of 1986 (Code) and has been classified as an organization which is not a private foundation as defined in section 509(a)(3) of the Code. The Organization meets the definition under the Code as a Type I supporting organization. The Organization annually files a Form 990.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses. Actual results could differ from those estimates.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Functional Allocation of Expenses

The costs of program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting activities. The Organization allocates its expenses based on time and effort. All costs are allocated to supporting activities except for grants to other organizations.

Liquidity and Availability

The Organization manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted. Additionally, the Organization maintains a minimum 9-month operating reserve.

The following reflects the Organization's financial assets (cash and cash equivalents, investments, accounts receivable, and grants receivable) as of December 31, 2019 and 2018, expected to be available within one year to meet the cash needs for general expenditures:

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 10,152,204	\$ 4,754,632
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor in perpetuity	(3,704,568)	-
Restricted by donor with time or purpose restrictions	<u>(5,153,424)</u>	<u>(3,463,358)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,294,212</u>	<u>\$ 1,291,274</u>

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Adopted Accounting Standards Updates

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606).”* The amendment provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures.

ASU 2016-18, *“Statement of Cash Flows (Topic 230): Restricted Cash.”* The amendment requires that the statement of cash flows explain the change during the period in the total cash and cash equivalents including the changes of those amounts generally described as restricted cash or restricted cash equivalents.

ASU 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).”* The amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these Updates on the Organization’s financial statements:

ASU 2016-02, *“Leases (Topic 842),”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2020. This amendment and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-13, *“Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. This amendment and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

ASU 2018-13, “Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),” is effective for the financial statements for the year beginning after December 15, 2019. The amendment removes and modifies certain fair value hierarchy leveling disclosures.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

3. Investments

Fair value of assets measured on a recurring basis of December 31, 2019 are as follows:

Description	12/31/2019	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 74,737	\$ 74,737	\$ -	\$ -
Mutual funds - fixed income	873,849	-	873,849	-
Stocks				
Financial	184,485	184,485	-	-
Information technology	173,174	173,174	-	-
Industrials	169,953	169,953	-	-
Health care	162,422	162,422	-	-
Consumer discretionary	126,873	126,873	-	-
Other	238,058	238,058	-	-
ETF - equity	1,104,462	1,104,462	-	-
ETF - alternate investments	1,668	1,668	-	-
Mutual funds - equities	594,887	594,887	-	-
Totals	<u>\$ 3,704,568</u>	<u>\$ 2,830,719</u>	<u>\$ 873,849</u>	<u>\$ -</u>

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Fair values for Level 1 financial instruments are determined by observable inputs such as quoted prices in the active market for identical instruments. Fair values for Level 2 financial investments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including fair value information received from a third-party trustee.

The following schedule summarizes investment income:

	2019	2018
Interest and dividends	\$ 52,164	\$ -
Investment fees	(2,437)	-
Net realized and unrealized gain (loss)	154,841	-
Total	<u>\$ 204,568</u>	<u>\$ -</u>

4. Endowment Assets

The Organization's endowment was awarded by a grantor for general operating purposes and is reported as net assets with donor restrictions on the statement of financial position. The grant is to be utilized as a permanent endowment and withdrawals are to be used for general expenditures. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Organization has interpreted Pennsylvania State Act 141 of 1998 (Act) 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 Organization classifies as net assets to be held in perpetuity (a) the original value of the first donation 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.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). The Organization has adopted policies and guidelines for endowment funds. The endowment objective is to earn an average annual total return of at least 5% per year above management fees, inflation, and replacement funds to maintain the endowment over the long-term.

The timing and amount of distributions from the endowment are determined by the Board annually. The Organization has a policy of appropriating for distribution each year 5% of the value of the endowment, including all interest, capital gains, dividends, and distributions realized over time. The value is determined by averaging the value of the endowment over a three-year period (or fewer if the expenditure is drawn within the first three years of the grant).

Distributions from the endowment will not be made to the operating budget of the Organization except to fulfill the purposes described in this policy. Distributions from the endowment shall be made using a "Total Return Policy" that incorporates a designated percentage of the corpus, which will be available for expenditure annually.

In an unanticipated event that the endowment falls below the initial gift value, the Organization would cease to draw on the fund until it reaches the initial value and will not impair the principal. Additionally, the Board may, from time-to-time, adjust the minimum endowment value that would trigger replenishment.

During 2019 and 2018, the Organization had the following Endowment-related activities:

	<u>2019</u>	<u>2018</u>
Investment Return:		
Investment income	\$ 52,164	\$ -
Net (depreciation) appreciation	154,841	-
Investment fees	(2,437)	-
Total investment return	<u>204,568</u>	<u>-</u>
Contributions	<u>3,500,000</u>	<u>-</u>
Total change in endowment funds	<u>3,704,568</u>	<u>-</u>
Endowment assets:		
Beginning of year	-	-
End of year	<u>\$ 3,704,568</u>	<u>\$ -</u>

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YEARS ENDED DECEMBER 31, 2019 AND 2018

5. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Restricted for purpose:		
Temporary Public Art program	\$ 190,000	\$ -
Model Block/Micro Market program	10,846	262,000
Real Estate Development Capacity support	-	1,098,358
P4 / Equitable Development	-	5,000
Financial Opportunity Centers	79,885	459,000
Homeownership Program	-	85,000
Larimer Consensus Project	78,957	200,000
Bedford Connect Project	-	9,000
Verizon Community Initiative	3,820,000	-
Restricted for subsequent years' operations	973,736	1,345,000
Endowment - held in perpetuity	3,704,568	-
	<u>\$ 8,857,992</u>	<u>\$ 3,463,358</u>

Net assets with donor restrictions were released for the satisfaction of purpose restrictions in the amount of \$1,444,934 and \$358,214 during 2019 and 2018, respectively. Net assets with donor restrictions were released due to the lapsing of time in the amount of \$820,000 and \$943,873 during 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

6. Gifts and Grants Received

As a supporting organization, the Organization receives grants from The Pittsburgh Foundation. The Organization also receives significant gifts and grants from other foundations and corporations. Gifts and grants for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
<u>Without Donor Restrictions:</u>		
Other foundations	\$ 130,000	\$ 72,500
Corporations	70,000	129,000
Governments	224,224	255,571
Miscellaneous contributions	-	1,000
Total without donor restrictions	<u>\$ 424,224</u>	<u>\$ 458,071</u>
<u>With Donor Restrictions:</u>		
The Pittsburgh Foundation	\$ 175,000	\$ 175,000
Other foundations	8,270,000	1,980,000
Corporations	10,000	47,500
Total with donor restrictions	<u>\$ 8,455,000</u>	<u>\$ 2,202,500</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

7. Grants Approved, Paid and Payable

Grants approved, paid and payable for the year ended December 31, 2019 are as follows:

	Payable at 12/31/2018	Approved (net of cancellations)	Paid	Payable at 12/31/2019
Bible Center Church	\$ 3,000	\$ 45,000	\$ (45,000)	\$ 3,000
Brashear Association	-	75,000	(60,000)	15,000
Civically	-	75,000	(60,000)	15,000
Circles of Greater Pittsburgh	-	75,000	(60,000)	15,000
Center for Civic Arts	3,000	-	(3,000)	-
East Liberty Development Corp.	3,000	-	(3,000)	-
Grow Pittsburgh	-	74,550	(59,640)	14,910
Habitat for Humanity	3,000	-	(3,000)	-
Hill Consensus Group	15,000	-	(15,000)	-
Hill CDC	-	60,000	(50,400)	9,600
Hill House Association	3,500	-	(3,500)	-
Hilltop Alliance	-	50,000	(40,000)	10,000
Homewood YMCA	-	14,500	(14,500)	-
Housing Alliance of PA	3,000	-	(3,000)	-
Larimer Consensus Group	3,500	-	(3,500)	-
LCG Building and Tech Assistance	-	51,837	(44,061)	7,776
Legacy Arts Project	3,500	-	(3,500)	-
Millvale Borough DC	5,000	-	(5,000)	-
Millvale Community Library	-	40,000	(40,000)	-
Mission Commission	-	15,000	(12,000)	3,000
Mon Valley Initiative (FOC)	-	35,000	(35,000)	-
New Sun Rising	3,500	-	(3,500)	-
Omicelo Cares	-	28,000	(28,000)	-
OPDC (FOC)	-	75,000	(57,500)	17,500
Rebuildings Together Pittsburgh	-	75,000	(60,000)	15,000
Riverside Center for Innovation	15,000	-	-	15,000
Schenley Heights ED	-	15,000	(12,000)	3,000
Schenley Heights ED - Focus PGH	-	45,000	(36,000)	9,000
Schenley Heights Collaborative	-	65,000	(52,000)	13,000
Steel Smiling	-	75,000	(54,300)	20,700
Trade Institute of Pittsburgh	5,000	-	-	5,000
WAVES	3,000	-	(3,000)	-
Wilkinsburg CDC	16,500	-	(3,500)	13,000
	<u>\$ 88,500</u>	<u>\$ 988,887</u>	<u>\$ (872,901)</u>	<u>\$ 204,486</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

8. Leases and Expense Sharing Agreement

During the year ended December 31, 2018, the Organization entered into an agreement to lease new office space. The lease is for five years plus two months commencing on January 1, 2019 and payments beginning on March 1, 2019. The following is the future rent expense:

<u>Year</u>	<u>Amount</u>
2020	\$ 58,404
2021	59,584
2022	60,768
2023	61,984
2024	<u>10,539</u>
Total	<u>\$ 251,279</u>

Rental expense for the years ended December 31, 2019 and 2018 was \$50,940 and \$28,103, respectively.

9. Related Party Transactions

As discussed in Note 1, the Organization is a supporting organization to The Pittsburgh Foundation. In addition to the grants given to the Organization as noted in Note 6, The Pittsburgh Foundation provides other administrative support to the Organization, including the processing of all payroll and benefits payments.

The Organization granted a \$75,000 grant to another organization, of which the Executive Director is on the Board of the Organization. The grant was approved by the Board with the organization's Executive Director absent.

10. Retirement Plan

Effective January 1, 2009, the Organization began a 401(k) contribution program (401(k)) for its employees. Under the terms of the 401(k), the Organization will make contributions equal to 5% of each employee's compensation, regardless of whether they participate in the plan. In addition, the Organization will provide matching funds up to 3% of each

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employee's compensation. During 2019 and 2018, the Organization contributed \$27,895 and \$39,809, respectively, to the plan on behalf of its employees.