

Neighborhood Allies

Financial Statements

Years Ended December 31, 2020 and 2019
with Independent Auditor's Report

MaherDuessel

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NEIGHBORHOOD ALLIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Maher Duessel

Pittsburgh, Pennsylvania
April 19, 2021

NEIGHBORHOOD ALLIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 6,873,951	\$ 5,998,181
Restricted cash	700,000	-
Accounts receivable	250	25,250
Prepaid expenses	27,346	26,763
Grants receivable	645,512	424,205
	<hr/>	<hr/>
Total current assets	8,247,059	6,474,399
Noncurrent assets:		
Investments - endowment	8,979,001	3,704,568
Security deposits	9,733	9,733
Fixed assets, net of accumulated depreciation of \$133,650 and \$131,843 in 2020 and 2019, respectively	8,573	10,380
	<hr/>	<hr/>
Total Assets	\$ 17,244,366	\$ 10,199,080
	<hr/>	<hr/>
Liabilities and Net Assets		
<hr/>		
Current Liabilities:		
Grants payable	\$ 62,600	\$ 204,486
Accounts payable and accrued expenses	143,201	266,973
	<hr/>	<hr/>
Total Liabilities	205,801	471,459
Net Assets:		
Without donor restrictions	641,825	869,629
With donor restrictions	16,396,740	8,857,992
	<hr/>	<hr/>
Total Net Assets	17,038,565	9,727,621
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 17,244,366	\$ 10,199,080
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See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

(With Comparative Totals for Year Ended December 31, 2019)

	2020					
	Without Donor Restrictions	With Donor Restrictions		Total With Donor Restrictions	Total	2019 Total
		Purpose and Time Restrictions	Perpetual in Nature			
Revenues and Other Support:						
Gifts and grants	\$ 1,121,697	\$ 4,331,253	\$ 4,500,000	\$ 8,831,253	\$ 9,952,950	\$ 8,655,000
Government grants and contracts	536,746	-	-	-	536,746	224,224
Fee revenue	215,406	-	-	-	215,406	285,670
Interest	38,295	-	-	-	38,295	24,620
Investment income, net	-	-	774,433	774,433	774,433	204,568
Other income	22,414	-	-	-	22,414	-
Net assets released from restrictions	2,066,938	(2,066,938)	-	(2,066,938)	-	-
Total revenues and other support	4,001,496	2,264,315	5,274,433	7,538,748	11,540,244	9,394,082
Expenses:						
Community development activities:						
Grants approved	1,321,800	-	-	-	1,321,800	1,226,586
Program development and other program costs	2,277,761	-	-	-	2,277,761	1,569,974
Administrative expenses:						
Finance, governance, and administration	536,704	-	-	-	536,704	385,116
Fundraising	93,035	-	-	-	93,035	65,477
Total expenses	4,229,300	-	-	-	4,229,300	3,247,153
Change in Net Assets from Operations	(227,804)	2,264,315	5,274,433	7,538,748	7,310,944	6,146,929
Discontinuance of program	-	-	-	-	-	(1,000,000)
Change in Net Assets	(227,804)	2,264,315	5,274,433	7,538,748	7,310,944	5,146,929
Net Assets:						
Beginning of year	869,629	5,153,424	3,704,568	8,857,992	9,727,621	4,580,692
End of year	\$ 641,825	\$ 7,417,739	\$ 8,979,001	\$ 16,396,740	\$ 17,038,565	\$ 9,727,621

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	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	\$ 200,000	\$ 4,955,000	\$ 3,500,000	\$ 8,455,000	\$ 8,655,000
Government grants and contracts	224,224	-	-	-	224,224
Fee revenue	285,670	-	-	-	285,670
Interest	24,620	-	-	-	24,620
Investment income, net	-	-	204,568	204,568	204,568
Other income	-	-	-	-	-
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>
Expenses:					
Community development activities:					
Grants approved	1,226,586	-	-	-	1,226,586
Program development and other program costs	1,569,974	-	-	-	1,569,974
Administrative expenses:					
Finance, governance, and administration	385,116	-	-	-	385,116
Fundraising	65,477	-	-	-	65,477
Total expenses	<u>3,247,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,247,153</u>
Change in Net Assets from Operations	(247,705)	2,690,066	3,704,568	6,394,634	6,146,929
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
Net Assets:					
Beginning of year	1,117,334	3,463,358	-	3,463,358	4,580,692
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>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Community Development Activities	Finance, Governance, and Administration	Fundraising	Total
Grants to other organizations	\$ 1,321,800	\$ -	\$ -	\$ 1,321,800
Sponsorships and technical assistance	1,034,833	-	-	1,034,833
Salaries and wages	862,888	221,551	68,716	1,153,155
Pension contributions	52,121	19,354	5,096	76,571
Other employee benefits	128,238	49,355	8,915	186,508
Payroll taxes	71,243	11,941	5,691	88,875
Accounting fees	-	39,654	-	39,654
Other professional fees	107,175	32,112	4,600	143,887
Advertising and promotion	4,678	3,332	-	8,010
Office expenses	435	23,706	-	24,141
Occupancy	-	62,340	-	62,340
Travel	4,199	7,749	-	11,948
Conferences, conventions, and meetings	-	1,207	-	1,207
Depreciation and amortization	-	1,807	-	1,807
Insurance	64	9,291	-	9,355
Printing and publications	283	4,779	-	5,062
Equipment	5,215	36,601	-	41,816
Membership dues	284	3,778	-	4,062
Miscellaneous	6,105	8,147	17	14,269
Total expenses	<u>\$ 3,599,561</u>	<u>\$ 536,704</u>	<u>\$ 93,035</u>	<u>\$ 4,229,300</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 7,310,944	\$ 5,146,929
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,807	1,605
Net (appreciation) depreciation in fair value of investments	(645,435)	(154,841)
Contributions restricted for long-term purposes	(4,500,000)	(3,500,000)
Change in:		
Accounts receivable	25,000	(13,000)
Grants receivable	(221,307)	305,657
Prepaid expenses	(583)	(4,797)
Security deposits	-	1,185
Grants payable	(141,886)	115,986
Accounts payable and accrued expenses	(123,772)	128,462
Total adjustments	(5,606,176)	(3,119,743)
Net cash provided by (used in) operating activities	1,704,768	2,027,186
Cash Flows From Investing Activities:		
Purchase of donor-restricted investments	(4,628,998)	(3,549,727)
Purchases of fixed assets	-	(11,798)
Net cash provided by (used in) investing activities	(4,628,998)	(3,561,525)
Cash Flows From Financing Activities:		
Collection of contributions restricted for long-term purposes: Endowment	4,500,000	3,500,000
Net Increase (Decrease) in Cash and Cash Equivalents	1,575,770	1,965,661
Cash, Cash Equivalents, and Restricted Cash		
Beginning of year	5,998,181	4,032,520
End of year	\$ 7,573,951	\$ 5,998,181
Cash and cash equivalents	\$ 6,873,951	\$ 5,998,181
Restricted cash and cash equivalents	700,000	-
	\$ 7,573,951	\$ 5,998,181

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

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 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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020, book balance and bank balance of all deposits totaled \$7,573,951 and \$7,578,811, respectively. At December 31, 2019, book balance and bank balance of all deposits totaled \$5,998,181 and \$6,085,451, respectively. Of the bank balance at December 31, 2020 and 2019, \$6,519,274 and \$5,276,511, 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.

Paycheck Protection Program (PPP) Loan

The Organization has elected to derecognize the PPP Loan liability of \$200,200, and record revenue on the statement of activities within government grants and contracts, as the conditions of the loan were met.

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

fair value at the date notified. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been substantially met.

Unconditional grants receivable consists of the following at December 31:

	2020	2019
Amounts due in one year	<u>\$ 645,512</u>	<u>\$ 424,205</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, 2020 and 2019.

As of December 31, 2019, the Organization had \$4,500,000 of conditional promises to give, which represented the second installment of a multi-year endowment grant from a single donor. These conditions included the meeting of certain program and operational milestones. These conditions were met during 2020, and the payments were received during 2020. There are no conditional promises to give as of December 31, 2020.

Government grants and contract revenue consists of exchange transactions with government agencies and is recognized when earned. Contracts relate to the Equitable Development and grantmaking programs. Contract revenue is recognized as the related services are performed as performance obligations are satisfied at this time. Additionally, \$200,200 related to the forgiveness of the PPP loan was reported within government grants.

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.

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control response, and such differences may be material.

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 following reflects the Organization's financial assets (cash and cash equivalents, investments, accounts receivable, and grants receivable) as of December 31, 2020 and 2019, expected to be available within one year to meet the cash needs for general expenditures:

	2020	2019
Financial assets, at year-end	\$ 17,198,714	\$ 10,152,204
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted cash	(700,000)	-
Restricted by donor in perpetuity	(8,979,001)	(3,704,568)
Restricted by donor purpose restrictions	(6,822,739)	(4,179,688)
Restricted by donor with time restrictions	(595,000)	(973,736)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 101,974</u>	<u>\$ 1,294,212</u>

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.

Adopted Accounting Standards

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

ASU 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)." The amendments remove and modify certain fair value hierarchy leveling disclosures. The implementation of these amendments was applied retrospectively to all periods presented.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 financial statements.

ASU 2016-02, "*Leases (Topic 842)*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments 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. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be 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.

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.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

3. Investments

Fair value of assets measured on a recurring basis of December 31, 2020 are as follows:

Description	12/31/2020	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	\$ 610,643	\$ 610,643	\$ -	\$ -
Mutual funds - fixed income	2,238,913	-	2,238,913	-
Stocks:				
Financial	346,540	346,540	-	-
Information technology	474,753	474,753	-	-
Industrials	352,193	352,193	-	-
Health care	429,039	429,039	-	-
Consumer discretionary	257,882	257,882	-	-
Consumer staples	180,219	180,219	-	-
Other	343,997	343,997	-	-
ETF - equity	2,772,671	2,772,671	-	-
ETF - alternate investments	3,850	3,850	-	-
Mutual funds - equities	968,301	968,301	-	-
Totals	<u>\$ 8,979,001</u>	<u>\$ 6,740,088</u>	<u>\$ 2,238,913</u>	<u>\$ -</u>

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>

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

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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:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 150,118	\$ 52,164
Investment fees	(25,120)	(2,437)
Net realized and unrealized gain (loss)	<u>649,435</u>	<u>154,841</u>
Total	<u>\$ 774,433</u>	<u>\$ 204,568</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 withdraws 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.

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 2020 and 2019, the Organization had the following donor-restricted endowment-related activities:

	2020	2019
Investment Return:		
Investment income	\$ 150,118	\$ 52,164
Net (depreciation) appreciation	649,435	154,841
Investment fees	(25,120)	(2,437)
Total investment return	774,433	204,568
Contributions	4,500,000	3,500,000
Total change in endowment funds	5,274,433	3,704,568
Endowment assets:		
Beginning of year	3,704,568	-
End of year	\$ 8,979,001	\$ 3,704,568

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5. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Restricted for purpose:		
Temporary Public Art program	\$ 167,148	\$ 190,000
Model Block/Micro Market program	-	10,846
Real Estate Accelerator	2,555,376	-
Economic Opportunity Programs	340,000	79,885
Steel Smiling	440,616	-
Larimer Consensus Project	-	78,957
Verizon Community Initiative	3,389,599	3,820,000
Restricted for subsequent years' operations	525,000	973,736
Endowment - held in perpetuity	<u>8,979,001</u>	<u>3,704,568</u>
	<u>\$ 16,396,740</u>	<u>\$ 8,857,992</u>

Net assets with donor restrictions were released for the satisfaction of purpose restrictions in the amount of \$1,093,202 and \$1,444,934 during 2020 and 2019, respectively. Net assets with donor restrictions were released due to the lapsing of time in the amount of \$973,736 and \$820,000 during 2020 and 2019, respectively.

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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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
<u>Without Donor Restrictions:</u>		
Other foundations	\$ 692,397	\$ 130,000
Corporations	119,360	70,000
Government grants	536,746	224,224
Miscellaneous contributions	309,940	-
Total without donor restrictions	<u>\$ 1,658,443</u>	<u>\$ 424,224</u>
<u>With Donor Restrictions:</u>		
The Pittsburgh Foundation	\$ 225,000	\$ 175,000
Other foundations	8,556,253	8,270,000
Corporations	50,000	10,000
Total with donor restrictions	<u>\$ 8,831,253</u>	<u>\$ 8,455,000</u>

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YEARS ENDED DECEMBER 31, 2020 AND 2019

7. Grants Approved, Paid and Payable

Grants approved, paid and payable for the year ended December 31, 2020 are as follows:

	Payable at 12/31/2019	Approved (net of cancellations)	Paid	Payable at 12/31/2020
A Peace of Mind	\$ -	\$ 30,000	\$ (30,000)	\$ -
Bible Center Church	3,000	-	(3,000)	-
Brashear Association	15,000	-	(15,000)	-
Civically	15,000	-	(5,000)	10,000
Circles of Greater Pittsburgh	15,000	-	(15,000)	-
Daisy Wilson Arts Community	-	50,000	(50,000)	-
Grow Pittsburgh	14,910	-	(14,910)	-
Hill CDC	9,600	-	-	9,600
Hilltop Alliance	10,000	-	(10,000)	-
Just Harvest	-	60,000	(60,000)	-
LCG Building and Tech Assistance	7,776	-	(7,776)	-
Mission Commission	3,000	-	-	3,000
Mon Valley Initiative (FOC)	-	75,000	(75,000)	-
OPDC (FOC)	17,500	-	(17,500)	-
OPDC	-	60,000	(60,000)	-
Rebuilding Together Pittsburgh	15,000	-	-	15,000
Riverside Center for Innovation	15,000	-	(15,000)	-
Schenley Heights ED	3,000	-	-	3,000
Schenley Heights ED - Focus PGH	9,000	-	-	9,000
Schenley Heights Collaborative	13,000	-	-	13,000
Steel Smiling	20,700	-	(20,700)	-
Trade Institute of Pittsburgh	5,000	-	(5,000)	-
WAVES	-	75,000	(75,000)	-
Wilkinsburg CDC	13,000	-	(13,000)	-
	<u>\$ 204,486</u>	<u>\$ 350,000</u>	<u>\$ (491,886)</u>	<u>\$ 62,600</u>

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8. Leases and Expense Sharing Agreement

During the year ended December 31, 2018, the Organization entered into an agreement to lease 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>
2021	\$ 59,584
2022	60,768
2023	61,984
2024	<u>10,539</u>
Total	<u>\$ 192,875</u>

Rental expense for the years ended December 31, 2020 and 2019 was \$62,340 and \$50,940, 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.

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 employee's compensation. During 2020 and 2019, the Organization contributed \$76,571 and \$27,895, respectively, to the plan on behalf of its employees.

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YEARS ENDED DECEMBER 31, 2020 AND 2019

11. Paycheck Protection Program

In April 2020, the Organization received loan proceeds in the amount of \$200,200 under the U.S. Small Business Administration's Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employees. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The Organization used the proceeds for purposes consistent with the PPP during an eight-week period during fiscal year 2020. In accordance with applicable guidance, this forgivable loan was accounted for as a conditional promise to give, barriers of which include the incurrence of eligible expenses and compliance with the workforce retention requirements during the program period. During November 2020, the PPP loan was forgiven. Accordingly, \$200,200 has been recognized as government grants and contracts on the statement of activities representing the amount for which these conditional barriers have been met.

12. Equitable Growth Guarantee Fund

During 2020, the Organization received a \$1.25 million grant and formed the Equitable Growth Guarantee Fund (Fund). The Fund was created to aid real estate developers of color, and community-based developers working in low-income neighborhoods of color, to raise private capital for their projects.

During December 2020, the Organization pledged \$700,000 of cash as collateral to aid in private lending of a developer. The pledged collateral is reported as restricted cash on the statement of financial position and will be released upon repayment of the private loan by the developer. The private loan matures in 2022.

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13. Risks and Uncertainties

The coronavirus pandemic remains a rapidly evolving situation. The extent of the impact of the coronavirus on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Organization operates.