

Neighborhood Allies

Financial Statements

Years Ended December 31, 2021 and 2020
with Independent Auditor's Report

MaherDuessel

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NEIGHBORHOOD ALLIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

**Board of Directors
Neighborhood Allies**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Neighborhood Allies (Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maher Duessel

Pittsburgh, Pennsylvania
April 26, 2022

NEIGHBORHOOD ALLIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 6,713,111	\$ 6,873,951
Restricted cash and cash equivalents	700,000	700,000
Accounts receivable	12,300	250
Prepaid expenses	13,433	27,346
Grants receivable	790,118	645,512
	<hr/>	<hr/>
Total current assets	8,228,962	8,247,059
Noncurrent assets:		
Investments - endowment	9,670,922	8,979,001
Program-related note receivable	300,000	-
Security deposits	9,733	9,733
Fixed assets, net of accumulated depreciation of \$135,456 and \$133,650 in 2021 and 2020, respectively	6,767	8,573
	<hr/>	<hr/>
Total Assets	\$ 18,216,384	\$ 17,244,366
	<hr/>	<hr/>
Liabilities and Net Assets		
<hr/>		
Current Liabilities:		
Grants payable	\$ 123,750	\$ 62,600
Accounts payable and accrued expenses	138,163	143,201
	<hr/>	<hr/>
Total Liabilities	261,913	205,801
Net Assets:		
Without donor restrictions	1,100,777	641,825
With donor restrictions	16,853,694	16,396,740
	<hr/>	<hr/>
Total Net Assets	17,954,471	17,038,565
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 18,216,384	\$ 17,244,366
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See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

(With Comparative Totals for Year Ended December 31, 2020)

	2021					2020 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	\$ 1,503,590	\$ 2,820,196	\$ -	\$ 2,820,196	\$ 4,323,786	\$ 9,952,950
Government grants and contracts	369,850	-	-	-	369,850	536,746
Fee revenue	100,040	-	-	-	100,040	215,406
Interest	2,034	-	-	-	2,034	38,295
Investment income, net	-	-	1,140,870	1,140,870	1,140,870	774,433
Other income	25,042	-	-	-	25,042	22,414
Net assets released from restrictions	3,504,112	(3,055,163)	(448,949)	(3,504,112)	-	-
Total revenues and other support	5,504,668	(234,967)	691,921	456,954	5,961,622	11,540,244
Expenses:						
Community development activities:						
Grants approved	1,323,461	-	-	-	1,323,461	1,321,800
Program development and other program costs	2,911,000	-	-	-	2,911,000	2,277,761
Administrative expenses:						
Finance, governance, and administration	713,354	-	-	-	713,354	536,704
Fundraising	97,901	-	-	-	97,901	93,035
Total expenses	5,045,716	-	-	-	5,045,716	4,229,300
Change in Net Assets	458,952	(234,967)	691,921	456,954	915,906	7,310,944
Net Assets:						
Beginning of year	641,825	7,417,739	8,979,001	16,396,740	17,038,565	9,727,621
End of year	\$ 1,100,777	\$ 7,182,772	\$ 9,670,922	\$ 16,853,694	\$ 17,954,471	\$ 17,038,565

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	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	\$ 1,121,697	\$ 4,331,253	\$ 4,500,000	\$ 8,831,253	\$ 9,952,950
Government grants and contracts	536,746	-	-	-	536,746
Fee revenue	215,406	-	-	-	215,406
Interest	38,295	-	-	-	38,295
Investment income, net	-	-	774,433	774,433	774,433
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
Expenses:					
Community development activities:					
Grants approved	1,321,800	-	-	-	1,321,800
Program development and other program costs	2,277,761	-	-	-	2,277,761
Administrative expenses:					
Finance, governance, and administration	536,704	-	-	-	536,704
Fundraising	93,035	-	-	-	93,035
Total expenses	4,229,300	-	-	-	4,229,300
Change in Net Assets	(227,804)	2,264,315	5,274,433	7,538,748	7,310,944
Net Assets:					
Beginning of year	869,629	5,153,424	3,704,568	8,857,992	9,727,621
End of year	\$ 641,825	\$ 7,417,739	\$ 8,979,001	\$ 16,396,740	\$ 17,038,565

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Community Development Activities	Finance, Governance, and Administration	Fundraising	Total
Grants to other organizations	\$ 1,323,461	\$ -	\$ -	\$ 1,323,461
Sponsorships and technical assistance	1,195,044	1,800	-	1,196,844
Salaries and wages	1,186,886	315,654	76,386	1,578,926
Pension contributions	82,455	20,197	5,562	108,214
Other employee benefits	186,974	68,252	10,127	265,353
Payroll taxes	90,122	22,171	5,826	118,119
Accounting fees	4,360	19,353	-	23,713
Other professional fees	142,081	64,022	-	206,103
Advertising and promotion	1,613	2,055	-	3,668
Office expenses	2,367	20,131	-	22,498
Occupancy	-	66,816	-	66,816
Travel	1,632	7,694	-	9,326
Conferences, conventions, and meetings	475	1,546	-	2,021
Depreciation and amortization	-	1,806	-	1,806
Insurance	-	22,534	-	22,534
Printing and publications	550	8,385	-	8,935
Equipment	2,548	47,615	-	50,163
Membership dues	-	2,920	-	2,920
Miscellaneous	13,893	20,403	-	34,296
	<u>\$ 4,234,461</u>	<u>\$ 713,354</u>	<u>\$ 97,901</u>	<u>\$ 5,045,716</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
	<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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 915,906	\$ 7,310,944
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,806	1,807
Net (appreciation) depreciation in fair value of investments	(1,009,885)	(645,435)
Contributions restricted for long-term purposes	-	(4,500,000)
Change in:		
Accounts receivable	(12,050)	25,000
Grants receivable	(144,606)	(221,307)
Prepaid expenses	13,913	(583)
Grants payable	61,150	(141,886)
Accounts payable and accrued expenses	(5,038)	(123,772)
Total adjustments	<u>(1,094,710)</u>	<u>(5,606,176)</u>
Net cash provided by (used in) operating activities	<u>(178,804)</u>	<u>1,704,768</u>
Cash Flows From Investing Activities:		
Purchase of donor-restricted investments	(130,985)	(4,628,998)
Distribution of donor-restricted investments	448,949	-
Payment of program related note receivable	(300,000)	-
Net cash provided by (used in) investing activities	<u>17,964</u>	<u>(4,628,998)</u>
Cash Flows From Financing Activities:		
Collection of contributions restricted for long-term purposes:		
Endowment	-	4,500,000
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(160,840)</u>	<u>1,575,770</u>
Cash, Cash Equivalents, and Restricted Cash		
Beginning of year	<u>7,573,951</u>	<u>5,998,181</u>
End of year	<u>\$ 7,413,111</u>	<u>\$ 7,573,951</u>
Cash and cash equivalents	\$ 6,713,111	\$ 6,873,951
Restricted cash and cash equivalents	<u>700,000</u>	<u>700,000</u>
	<u>\$ 7,413,111</u>	<u>\$ 7,573,951</u>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 2021, the Organization approved the integration of Steel Smiling as an Organization in Residence under a three-year term. Steel Smiling will function as a program of the Organization.

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 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.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021, book balance and bank balance of all deposits totaled \$7,413,111 and \$7,410,907 respectively. At December 31, 2020, book balance and bank balance of all deposits totaled \$7,573,951 and \$7,578,811, respectively. Of the bank balance at December 31, 2021 and 2020, \$6,351,269 and \$6,519,274, 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.

Program-Related Note Receivable

The program-related note receivable at December 31, 2021 consists of a project loan to local organizations in the Pittsburgh area. The note receivable is evaluated annually by management to determine whether they are performing, that is, whether payments are being received or are expected to be received in accordance with the terms of the agreement. If it is determined that a note is not performing, management will estimate the allowance for uncollectible note receivable based upon past history with the borrowing organizations and the Organization's expectations of future payments. At this time, management has determined no allowance is deemed necessary.

Paycheck Protection Program (PPP) Loan

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 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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 the year ended December 31, 2020, the Organization derecognized the PPP Loan liability of \$200,200, and recorded 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 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:

	<u>2021</u>	<u>2020</u>
Amounts due in one year	<u>\$ 790,118</u>	<u>\$ 645,512</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, 2021 and 2020.

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, 2021 and 2020.

Government grants and contracts revenue consist of exchange transactions with government agencies and relate to the Equitable Development and grantmaking programs. Government grants and contracts revenue is recognized in the period in which the related services are provided.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

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.

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.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, expected to be available within one year to meet the cash needs for general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end	\$ 17,886,451	\$ 17,198,714
Plus: those available for general expenditures within one year, due to:		
Endowment disbursement	315,537	448,949
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted cash	(700,000)	(700,000)
Restricted by donor in perpetuity	(9,670,922)	(8,979,001)
Restricted by donor purpose restrictions	<u>(6,467,899)</u>	<u>(6,822,739)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,363,167</u>	<u>\$ 1,145,923</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 nine-month operating reserve.

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

ASU 2020-07, “Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets,” is effective for reporting periods beginning after June 15, 2021. The amendments in this update address presentation and disclosure of contributed nonfinancial assets.

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, 2021 and 2020 are as follows:

Description	12/31/2021	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	\$ 300,316	\$ 300,316	\$ -	\$ -
Mutual funds - fixed income	2,303,366	-	2,303,366	-
Stocks:				
Financial	362,035	362,035	-	-
Information technology	604,150	604,150	-	-
Industrials	360,545	360,545	-	-
Health care	518,428	518,428	-	-
Consumer discretionary	326,407	326,407	-	-
Consumer staples	203,265	203,265	-	-
Other	369,084	369,084	-	-
ETF - equity	3,407,301	3,407,301	-	-
ETF - alternate investments	4,430	4,430	-	-
Mutual funds - equities	911,595	911,595	-	-
Totals	<u>\$ 9,670,922</u>	<u>\$ 7,367,556</u>	<u>\$ 2,303,366</u>	<u>\$ -</u>

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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>

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:

	2021	2020
Interest and dividends	\$ 182,205	\$ 154,118
Investment fees	(51,220)	(25,120)
Net realized and unrealized gain (loss)	1,009,885	645,435
Total	<u>\$ 1,140,870</u>	<u>\$ 774,433</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

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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 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.

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During 2021 and 2020, the Organization had the following donor-restricted endowment-related activities:

	<u>2021</u>	<u>2020</u>
Investment Return:		
Investment income	\$ 182,205	\$ 154,118
Net (depreciation) appreciation	1,009,885	645,435
Investment fees	<u>(51,220)</u>	<u>(25,120)</u>
Total investment return	<u>1,140,870</u>	<u>774,433</u>
Contributions	-	4,500,000
Distribution	<u>(448,949)</u>	-
Total change in endowment funds	<u>691,921</u>	<u>5,274,433</u>
Endowment assets:		
Beginning of year	<u>8,979,001</u>	<u>3,704,568</u>
End of year	<u>\$ 9,670,922</u>	<u>\$ 8,979,001</u>

5. Program Related Note Receivable

During the year ended December 31, 2021, the Organization disbursed \$300,000 for commitments to Fifth & Dinwiddie East LLC, a Pennsylvania limited liability company. On December 31, 2021, the amount outstanding from Fifth & Dinwiddie is \$300,000. The purpose of the funds is to provide substantial benefit to the low-income Hill District community by redeveloping several vacant lots and an underutilized municipal building and by providing commercial rental space to tenants who will create job opportunities and workforce development opportunities to local residents. The note receivable is due upon any of the following repayment events:

1. The Borrower is no longer willing or able to use the Investment for the Project purpose.
2. The Borrower breaches the Program Related Investment Agreement.
3. The Borrower has earned Sufficient Proceeds to repay the Investment.

The Organization has determined that the note receivable is considered to be fully collectable and therefore, no allowance for uncollectable accounts has been recorded.

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6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Restricted for purpose:		
Temporary Public Art program	\$ 17,550	\$ 167,148
Beyond the Laptops	23,776	-
Real Estate Accelerator	2,819,912	2,555,376
Economic Opportunity Programs	554,279	340,000
Steel Smiling	116,591	440,616
Verizon Community Initiative	2,935,791	3,389,599
Restricted for subsequent years' operations	714,873	525,000
Endowment - held in perpetuity	<u>9,670,922</u>	<u>8,979,001</u>
	<u>\$ 16,853,694</u>	<u>\$ 16,396,740</u>

Net assets with donor restrictions were released during 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions	\$ 2,325,036	\$ 1,093,202
Satisfaction of time restrictions	730,127	973,736
Endowment distributions	448,949	-
	<u>\$ 3,504,112</u>	<u>\$ 2,066,938</u>

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7. 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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
<u>Without Donor Restrictions:</u>		
The Pittsburgh Foundation	\$ 12,000	\$ -
Other foundations	1,081,137	692,397
Corporations	209,850	119,360
Miscellaneous contributions	<u>200,603</u>	<u>309,940</u>
Total without donor restrictions	<u>\$ 1,503,590</u>	<u>\$ 1,121,697</u>
<u>With Donor Restrictions:</u>		
The Pittsburgh Foundation	\$ 200,000	\$ 225,000
Other foundations	2,407,696	8,556,253
Corporations	<u>212,500</u>	<u>50,000</u>
Total with donor restrictions	<u>\$ 2,820,196</u>	<u>\$ 8,831,253</u>

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8. Grants Approved, Paid and Payable

Grants approved, paid and payable for the year ended December 31, 2021 are as follows:

	Payable at 12/31/2020	Approved (net of cancellations)	Paid	Payable at 12/31/2021
Black Equity Coalition	\$ -	\$ 15,000	\$ (12,000)	\$ 3,000
Catapult Greater Pittsburgh	-	75,000	(60,000)	15,000
City of Bridges Community Land Trust	-	8,750	(7,000)	1,750
Civically	10,000	-	(10,000)	-
Center that CARES	-	75,000	(50,000)	25,000
Community Empowerment Association	-	75,000	(60,000)	15,000
Greater Pittsburgh Arts Council	-	15,000	(12,000)	3,000
Greater Wilkinsburg Community Advancement Association	-	15,000	(12,000)	3,000
Hill CDC	9,600	-	(9,600)	-
Hill District FCU	-	75,000	(60,000)	15,000
Mission Commission	3,000	-	(3,000)	-
Rebuilding Together Pittsburgh	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
SYLA PGH (The Greenwood Plan)	-	15,000	-	15,000
Wilkinsburg CDC	-	75,000	(60,000)	15,000
	<u>62,600</u>	<u>443,750</u>	<u>(382,600)</u>	<u>123,750</u>
Plus: Grants awarded and paid during the year	-	<u>879,711</u>	-	-
	<u>\$ 62,600</u>	<u>\$ 1,323,461</u>	<u>\$ (382,600)</u>	<u>\$ 123,750</u>

9. 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. Rental expense for the years ended December 31, 2021 and 2020 was \$66,816 and \$62,340, respectively.

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The following is the future rent expense:

<u>Year</u>	<u>Amount</u>
2022	\$ 60,768
2023	61,984
2024	<u>10,539</u>
Total	<u>\$ 133,291</u>

10. 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 7, The Pittsburgh Foundation provides other administrative support to the Organization, including the processing of all payroll and benefits payments.

11. 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 2021 and 2020, the Organization contributed \$108,214 and \$76,571, respectively, to the plan on behalf of its employees.

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.