

# **Neighborhood Allies**

## Financial Statements

Years Ended December 31, 2022 and 2021  
with Independent Auditor's Report

**MaherDuessel**

Pursuing the profession while promoting the public good©  
[www.md-cpas.com](http://www.md-cpas.com)

# NEIGHBORHOOD ALLIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

## TABLE OF CONTENTS

---

### **Independent Auditor's Report**

### **Financial Statements:**

|  |   |
|--|---|
| Statements of Financial Position                     | 1 |
| Statement of Activities – December 31, 2022          | 2 |
| Statement of Activities – December 31, 2021          | 3 |
| Statement of Functional Expenses – December 31, 2022 | 4 |
| Statement of Functional Expenses – December 31, 2021 | 5 |
| Statements of Cash Flows                             | 6 |
| Notes to Financial Statements                        | 7 |

## 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, 2022 and 2021, 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, 2022 and 2021, 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.

#### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Organization adopted ASU 2016-02, "*Leases (Topic 842)*," which requires 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. Our opinion is not modified with respect to this matter.

#### **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.

*Maker Duessel*

Pittsburgh, Pennsylvania  
April 19, 2023

# NEIGHBORHOOD ALLIES

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets:  |                      |                      |
| Cash and cash equivalents  | \$ 4,535,856         | \$ 6,713,111         |
| Restricted cash and cash equivalents   | 951,899              | 700,000              |
| Accounts receivable  | 210,090              | 12,300               |
| Prepaid expenses   | 41,572               | 13,433               |
| Grants receivable  | 1,942,697            | 790,118              |
| Total current assets   | 7,682,114            | 8,228,962            |
| Noncurrent assets:   |                      |                      |
| Investments - endowment  | 7,729,127            | 9,670,922            |
| Program-related note receivable  | 300,000              | 300,000              |
| Grants receivable  | 666,667              | -                    |
| Security deposits  | 9,733                | 9,733                |
| Operating lease right-of-use asset, net of accumulated amortization<br>of \$215,822 and \$159,521 in 2022 and 2021, respectively | 65,685               | 129,606              |
| Fixed assets, net of accumulated depreciation of \$137,262<br>and \$135,456 in 2022 and 2021, respectively                       | 4,961                | 6,767                |
| <b>Total Assets</b>  | <b>\$ 16,458,287</b> | <b>\$ 18,345,990</b> |
| <b>Liabilities and Net Assets</b>  |                      |                      |
| Current Liabilities:   |                      |                      |
| Grants payable   | \$ 85,500            | \$ 123,750           |
| Accounts payable and accrued expenses  | 185,618              | 138,163              |
| Current portion of operating lease liability   | 60,898               | 58,202               |
| Total current liabilities  | 332,016              | 320,115              |
| Long-term Liabilities:   |                      |                      |
| Noncurrent portion of operating lease liability  | 10,506               | 71,404               |
| Total Liabilities  | 342,522              | 391,519              |
| Net Assets:  |                      |                      |
| Without donor restrictions   | 963,827              | 1,100,777            |
| With donor restrictions  | 15,151,938           | 16,853,694           |
| Total Net Assets   | 16,115,765           | 17,954,471           |
| <b>Total Liabilities and Net Assets</b>  | <b>\$ 16,458,287</b> | <b>\$ 18,345,990</b> |

See accompanying notes to financial statements.

## NEIGHBORHOOD ALLIES

### STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

(With Comparative Totals for Year Ended December 31, 2021)

|   | 2022                          |                                  |                        |                                     |               | 2021<br>Total |
|---|-------------------------------|----------------------------------|------------------------|-------------------------------------|---------------|---------------|
|   | Without Donor<br>Restrictions | With Donor Restrictions          |                        | Total<br>With Donor<br>Restrictions | Total         |               |
|   |                               | Purpose and Time<br>Restrictions | Perpetual in<br>Nature |                                     |               |               |
| <b>Revenues and Other Support:</b>          |                               |                                  |                        |                                     |               |               |
| Gifts and grants                            | \$ 517,207                    | \$ 4,783,524                     | \$ -                   | \$ 4,783,524                        | \$ 5,300,731  | \$ 4,323,786  |
| Government grants and contracts             | 213,007                       | -                                | -                      | -                                   | 213,007       | 369,850       |
| Fee revenue                                 | 294,890                       | -                                | -                      | -                                   | 294,890       | 100,040       |
| Interest                                    | 9,875                         | -                                | -                      | -                                   | 9,875         | 2,034         |
| Investment income, net                      | -                             | -                                | (1,626,258)            | (1,626,258)                         | (1,626,258)   | 1,140,870     |
| Other income                                | 40,619                        | -                                | -                      | -                                   | 40,619        | 25,042        |
| Net assets released from restrictions       | 4,859,022                     | (4,543,485)                      | (315,537)              | (4,859,022)                         | -             | -             |
| Total revenues and other support            | 5,934,620                     | 240,039                          | (1,941,795)            | (1,701,756)                         | 4,232,864     | 5,961,622     |
| <b>Expenses:</b>                            |                               |                                  |                        |                                     |               |               |
| Community development activities:           |                               |                                  |                        |                                     |               |               |
| Grants approved                             | 1,233,353                     | -                                | -                      | -                                   | 1,233,353     | 1,323,461     |
| Program development and other program costs | 3,963,838                     | -                                | -                      | -                                   | 3,963,838     | 2,911,000     |
| Administrative expenses:                    |                               |                                  |                        |                                     |               |               |
| Finance, governance, and administration     | 688,105                       | -                                | -                      | -                                   | 688,105       | 713,354       |
| Fundraising                                 | 186,274                       | -                                | -                      | -                                   | 186,274       | 97,901        |
| Total expenses                              | 6,071,570                     | -                                | -                      | -                                   | 6,071,570     | 5,045,716     |
| <b>Change in Net Assets</b>                 | (136,950)                     | 240,039                          | (1,941,795)            | (1,701,756)                         | (1,838,706)   | 915,906       |
| <b>Net Assets:</b>                          |                               |                                  |                        |                                     |               |               |
| Beginning of year                           | 1,100,777                     | 7,182,772                        | 9,670,922              | 16,853,694                          | 17,954,471    | 17,038,565    |
| End of year                                 | \$ 963,827                    | \$ 7,422,811                     | \$ 7,729,127           | \$ 15,151,938                       | \$ 16,115,765 | \$ 17,954,471 |

See accompanying notes to financial statements.

## NEIGHBORHOOD ALLIES

### STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

|   | Without Donor<br>Restrictions | With Donor Restrictions          |                        | Total<br>With Donor<br>Restrictions | Totals        |
|---|-------------------------------|----------------------------------|------------------------|-------------------------------------|---------------|
|   |                               | Purpose and Time<br>Restrictions | Perpetual in<br>Nature |                                     |               |
| <b>Revenues and Other Support:</b>          |                               |                                  |                        |                                     |               |
| Gifts and grants                            | \$ 1,503,590                  | \$ 2,820,196                     | \$ -                   | \$ 2,820,196                        | \$ 4,323,786  |
| Government grants and contracts             | 369,850                       | -                                | -                      | -                                   | 369,850       |
| Fee revenue                                 | 100,040                       | -                                | -                      | -                                   | 100,040       |
| Interest                                    | 2,034                         | -                                | -                      | -                                   | 2,034         |
| Investment income, net                      | -                             | -                                | 1,140,870              | 1,140,870                           | 1,140,870     |
| Other income                                | 25,042                        | -                                | -                      | -                                   | 25,042        |
| 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     |
| <b>Expenses:</b>                            |                               |                                  |                        |                                     |               |
| Community development activities:           |                               |                                  |                        |                                     |               |
| Grants approved                             | 1,323,461                     | -                                | -                      | -                                   | 1,323,461     |
| Program development and other program costs | 2,911,000                     | -                                | -                      | -                                   | 2,911,000     |
| Administrative expenses:                    |                               |                                  |                        |                                     |               |
| Finance, governance, and administration     | 713,354                       | -                                | -                      | -                                   | 713,354       |
| Fundraising                                 | 97,901                        | -                                | -                      | -                                   | 97,901        |
| Total expenses                              | 5,045,716                     | -                                | -                      | -                                   | 5,045,716     |
| <b>Change in Net Assets</b>                 | 458,952                       | (234,967)                        | 691,921                | 456,954                             | 915,906       |
| <b>Net Assets:</b>                          |                               |                                  |                        |                                     |               |
| Beginning of year                           | 641,825                       | 7,417,739                        | 8,979,001              | 16,396,740                          | 17,038,565    |
| End of year                                 | \$ 1,100,777                  | \$ 7,182,772                     | \$ 9,670,922           | \$ 16,853,694                       | \$ 17,954,471 |

See accompanying notes to financial statements.

## NEIGHBORHOOD ALLIES

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

|  | Community<br>Development<br>Activities | Finance,<br>Governance,<br>and Administration | Fundraising | Total        |
|--|--|---|-------------|--------------|
| Grants to other organizations          | \$ 1,233,353                           | \$ -  | \$ -        | \$ 1,233,353 |
| Sponsorships and technical assistance  | 1,841,896                              | 2,061   | -           | 1,843,957    |
| Salaries and wages                     | 1,504,613                              | 264,174                                       | 148,290     | 1,917,077    |
| Pension contributions                  | 109,367                                | 46,403  | 11,496      | 167,266      |
| Other employee benefits                | 284,538                                | 59,402  | 15,104      | 359,044      |
| Payroll taxes                          | 112,493                                | 17,231  | 11,384      | 141,108      |
| Accounting fees                        | 20                                     | 11,000  | -           | 11,020       |
| Other professional fees                | 68,935                                 | 60,224  | -           | 129,159      |
| Advertising and promotion              | 3,814                                  | 4,261   | -           | 8,075        |
| Office expenses                        | 2,000                                  | 21,494  | -           | 23,494       |
| Occupancy                              | 1,201                                  | 68,387  | -           | 69,588       |
| Travel                                 | 8,258                                  | 28,797  | -           | 37,055       |
| Conferences, conventions, and meetings | 8,381                                  | 6,565   | -           | 14,946       |
| Depreciation                           | -                                      | 1,806   | -           | 1,806        |
| Insurance                              | -                                      | 17,728  | -           | 17,728       |
| Printing and publications              | 257                                    | 9,043   | -           | 9,300        |
| Equipment                              | 10,373                                 | 51,513  | -           | 61,886       |
| Membership dues                        | 4,723                                  | 4,954   | -           | 9,677        |
| Miscellaneous                          | 2,969                                  | 13,062  | -           | 16,031       |
| Total expenses                         | \$ 5,197,191                           | \$ 688,105                                    | \$ 186,274  | \$ 6,071,570 |

See accompanying notes to financial statements.

## NEIGHBORHOOD ALLIES

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

|  | Community<br>Development<br>Activities | Finance,<br>Governance,<br>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                           | -                                      | 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> |
| Total expenses                         | <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

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>   |                     |                     |
| Change in net assets   | \$ (1,838,706)      | \$ 915,906          |
| Adjustments to reconcile change in net assets<br>to net cash provided by (used in) operating activities: |                     |                     |
| Depreciation   | 1,806               | 1,806               |
| Amortization of right-of-use asset   | 63,921              | 63,921              |
| Net (appreciation) depreciation in fair value of investments   | 1,760,996           | (1,009,885)         |
| Change in:   |                     |                     |
| Accounts receivable  | (197,790)           | (12,050)            |
| Grants receivable  | (1,819,246)         | (144,606)           |
| Prepaid expenses   | (28,139)            | 13,913              |
| Grants payable   | (38,250)            | 61,150              |
| Accounts payable and accrued expenses  | 47,455              | (5,038)             |
| Lease liability  | (58,202)            | (63,921)            |
| Total adjustments  | <u>(267,449)</u>    | <u>(1,094,710)</u>  |
| Net cash provided by (used in) operating activities  | <u>(2,106,155)</u>  | <u>(178,804)</u>    |
| <b>Cash Flows From Investing Activities:</b>   |                     |                     |
| Purchase of donor-restricted investments   | (134,738)           | (130,985)           |
| Distribution of donor-restricted investments   | 315,537             | 448,949             |
| Payment of program related note receivable   | -                   | (300,000)           |
| Net cash provided by (used in) investing activities  | <u>180,799</u>      | <u>17,964</u>       |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>(1,925,356)</b>  | <b>(160,840)</b>    |
| <b>Cash, Cash Equivalents, and Restricted Cash</b>   |                     |                     |
| Beginning of year  | <u>7,413,111</u>    | <u>7,573,951</u>    |
| End of year  | <u>\$ 5,487,755</u> | <u>\$ 7,413,111</u> |
| Cash and cash equivalents  | \$ 4,535,856        | \$ 6,713,111        |
| Restricted cash and cash equivalents   | <u>951,899</u>      | <u>700,000</u>      |
|  | <u>\$ 5,487,755</u> | <u>\$ 7,413,111</u> |
| <b>Schedule of Noncash Investing and Financing Activities:</b>   |                     |                     |
| Addition of right to use asset for operating leases  | <u>\$ -</u>         | <u>\$ 178,288</u>   |

See accompanying notes to financial statements.

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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 low to moderate income 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

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

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, 2022, book balance and bank balance of all deposits totaled \$5,487,755 and \$5,491,888, respectively. At December 31, 2021, book balance and bank balance of all deposits totaled \$7,413,111 and \$7,410,907, respectively. Of the bank balance at December 31, 2022 and 2021, \$4,431,224 and \$6,351,269, 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, 2022 and 2021 consists of a project loan to a local organization 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.

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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. There are no conditional promises to give as of December 31, 2022 and 2021.

Unconditional grants receivable consists of the following at December 31:

|                         | <u>2022</u>         | <u>2021</u>       |
|-------------------------|---------------------|-------------------|
| Amounts due in one year | <u>\$ 1,942,697</u> | <u>\$ 790,118</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, 2022 and 2021.

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.

### 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.

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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.

### Leases

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, and current and noncurrent operating lease liability on the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the incremental borrowing rate is used, which is based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease term may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

### 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.

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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.

### Liquidity and Availability

The following reflects the Organization's financial assets (cash and cash equivalents, investments, accounts receivable, and current grants receivable) as of December 31, 2022 and 2021, expected to be available within one year to meet the cash needs for general expenditures:

|   | <u>2022</u>        | <u>2021</u>         |
|---|--------------------|---------------------|
| Financial assets, at year-end   | \$ 15,369,669      | \$ 17,886,451       |
| Plus: those available for general expenditures<br>within one year, due to:                |                    |                     |
| Endowment disbursement  | 376,582            | 315,537             |
| Less: those unavailable for general expenditures<br>within one year, due to:              |                    |                     |
| Contractual or donor-imposed restrictions:  |                    |                     |
| Restricted cash   | (951,899)          | (700,000)           |
| Restricted by donor in perpetuity   | (7,729,127)        | (9,670,922)         |
| Restricted by donor purpose restrictions  | <u>(6,581,144)</u> | <u>(6,467,899)</u>  |
| Financial assets available to meet cash needs for general<br>expenditures within one year | <u>\$ 484,081</u>  | <u>\$ 1,363,167</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.

---

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### Adopted Accounting Standards

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

ASU 2016-02, *“Leases (Topic 842).”* These amendments and related amendments 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 are 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. The adoption of this standard resulted in the presentation of right-of-use lease assets and related lease liabilities on the statements of financial position, and additional footnote disclosure. The effects of this adoption were not material to beginning net asset balances and were adjusted through the statements of financial position.

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.”* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization. Implementation of this standard had no significant impact on the Organization’s financial statements.

### 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 2016-13, *“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.

ASU 2021-08, *“Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,”* is effective for reporting periods beginning after December 15, 2023. The amendments in this update require that an entity (acquirer) recognize

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606.

### 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, 2022 and 2021 are as follows:

| Description                 | 12/31/2022          | 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                | \$ 1,033,348        | \$ 1,033,348  | \$ -  | \$ -                                      |
| Mutual funds - fixed income | 1,728,012           | -   | 1,728,012                                     | -   |
| Stocks:                     |                     |   |   |   |
| Financial                   | 297,063             | 297,063   | -   | -   |
| Information technology      | 426,349             | 426,349   | -   | -   |
| Industrials                 | 328,124             | 328,124   | -   | -   |
| Health care                 | 434,812             | 434,812   | -   | -   |
| Consumer discretionary      | 227,560             | 227,560   | -   | -   |
| Consumer staples            | 170,750             | 170,750   | -   | -   |
| Other                       | 306,334             | 306,334   | -   | -   |
| ETF - equity                | 2,030,704           | 2,030,704   | -   | -   |
| ETF - alternate investments | -                   | -   | -   | -   |
| Mutual funds - equities     | 746,071             | 746,071   | -   | -   |
| Totals                      | <u>\$ 7,729,127</u> | <u>\$ 6,001,115</u>   | <u>\$ 1,728,012</u>                           | <u>\$ -</u>                               |

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

| 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>                               |

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:

|   | 2022                  | 2021                |
|---|-----------------------|---------------------|
| Interest and dividends                  | \$ 180,349            | \$ 182,205          |
| Investment fees                         | (45,611)              | (51,220)            |
| Net realized and unrealized gain (loss) | (1,760,996)           | 1,009,885           |
| Total                                   | <u>\$ (1,626,258)</u> | <u>\$ 1,140,870</u> |

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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.

#### 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.

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

In an event that the endowment falls below the initial gift value, the Organization's spending policy states the Organization is to cease draws on the fund until it reaches the initial value and not impair the principal. The policy is currently being reviewed to determine a corrective action for the draw processed in 2023. Additionally, the Board may, from time-to-time, adjust the minimum endowment value that would trigger replenishment.

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration or the original corpus of the permanent gift (underwater endowment). At December 31, 2022, funds with an original gift value of \$8,000,000, current fair value of \$7,729,127, and a deficiency of \$270,873 were reported in net assets with donor restrictions (perpetual). The deficiency resulted from unfavorable market fluctuations. There were no such deficiencies for the year ended December 31, 2021.

During 2022 and 2021, the Organization had the following donor-restricted endowment-related activities:

|                                 | <u>2022</u>         | <u>2021</u>         |
|---------------------------------|---------------------|---------------------|
| Investment Return:              |                     |                     |
| Investment income               | \$ 180,349          | \$ 182,205          |
| Net (depreciation) appreciation | (1,760,996)         | 1,009,885           |
| Investment fees                 | (45,611)            | (51,220)            |
| Total investment return         | <u>(1,626,258)</u>  | <u>1,140,870</u>    |
| Distribution                    | <u>(315,537)</u>    | <u>(448,949)</u>    |
| Total change in endowment funds | <u>(1,941,795)</u>  | <u>691,921</u>      |
| Endowment assets:               |                     |                     |
| Beginning of year               | <u>9,670,922</u>    | <u>8,979,001</u>    |
| End of year                     | <u>\$ 7,729,127</u> | <u>\$ 9,670,922</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

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

During 2023, the Organization entered into negotiations to obtain an equity interest in Fifth and Dinwiddie in lieu of repayment of the note receivable and to alleviate the \$700,000 of cash pledged as collateral for private lending (see Note 12).

### 6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 are available for the following purposes:

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| Restricted for purpose:                     |                      |                      |
| Temporary Public Art program                | \$ 6,516             | \$ 17,550            |
| Beyond the Laptops                          | 39,543               | 23,776               |
| Real Estate Accelerator                     | 3,865,786            | 2,819,912            |
| Economic Opportunity Programs               | 737,505              | 554,279              |
| Steel Smiling                               | 804,524              | 116,591              |
| Verizon Community Initiative                | 1,793,937            | 2,935,791            |
| Restricted for subsequent years' operations | 175,000              | 714,873              |
| Endowment - held in perpetuity              | 7,729,127            | 9,670,922            |
|   | <u>\$ 15,151,938</u> | <u>\$ 16,853,694</u> |

Net assets with donor restrictions were released during 2022 and 2021 as follows:

|                                      | 2022                | 2021                |
|--------------------------------------|---------------------|---------------------|
| Satisfaction of purpose restrictions | \$ 3,828,613        | \$ 2,325,036        |
| Satisfaction of time restrictions    | 714,872             | 730,127             |
| Endowment distributions              | 315,537             | 448,949             |
|                                      | <u>\$ 4,859,022</u> | <u>\$ 3,504,112</u> |

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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, 2022 and 2021 are as follows:

|                                    | <u>2022</u>         | <u>2021</u>         |
|------------------------------------|---------------------|---------------------|
| <u>Without Donor Restrictions:</u> |                     |                     |
| The Pittsburgh Foundation          | \$ 200              | \$ 12,000           |
| Other foundations                  | 258,643             | 1,081,137           |
| Corporations                       | 128,583             | 209,850             |
| Miscellaneous contributions        | 129,781             | 200,603             |
| Total without donor restrictions   | <u>\$ 517,207</u>   | <u>\$ 1,503,590</u> |
| <u>With Donor Restrictions:</u>    |                     |                     |
| The Pittsburgh Foundation          | \$ 225,000          | \$ 200,000          |
| Other foundations                  | 4,343,524           | 2,407,696           |
| Corporations                       | 215,000             | 212,500             |
| Total with donor restrictions      | <u>\$ 4,783,524</u> | <u>\$ 2,820,196</u> |

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 8. Grants Approved, Paid and Payable

Grants approved, paid and payable for the year ended December 31, 2022 are as follows:

|  | Payable at<br>12/31/2021 | Approved (net<br>of cancellations) | Paid                  | Payable at<br>12/31/2022 |
|--|--------------------------|------------------------------------|-----------------------|--------------------------|
| Bible Center Church                                      | \$ -                     | \$ 15,000                          | \$ (12,000)           | \$ 3,000                 |
| Black Equity Coalition                                   | 3,000                    | -                                  | (3,000)               | -                        |
| Catapult Greater Pittsburgh                              | 15,000                   | -                                  | (15,000)              | -                        |
| City of Bridges Community Land Trust                     | 1,750                    | -                                  | (1,750)               | -                        |
| Center that CARES  | 25,000                   | -                                  | (25,000)              | -                        |
| Common-Unity PGH   | -                        | 15,000                             | (12,000)              | 3,000                    |
| Community Empowerment Association                        | 15,000                   | -                                  | (15,000)              | -                        |
| Greater Pittsburgh Arts Council                          | 3,000                    | -                                  | (3,000)               | -                        |
| Greater Wilkinsburg Community Advancement<br>Association | 3,000                    | -                                  | (3,000)               | -                        |
| Hill District FCU  | 15,000                   | -                                  | (15,000)              | -                        |
| PWN  | -                        | 15,000                             | (12,000)              | 3,000                    |
| Radiant Hall   | -                        | 15,000                             | (12,000)              | 3,000                    |
| Rebuilding Together Pittsburgh                           | -                        | 75,000                             | (52,500)              | 22,500                   |
| Royally FIT  | -                        | 15,000                             | (12,000)              | 3,000                    |
| Schenley Heights Collaborative                           | 13,000                   | -                                  | (13,000)              | -                        |
| SYLA PGH (The Greenwood Plan)                            | 15,000                   | -                                  | (15,000)              | -                        |
| The Greenwood Plan                                       | -                        | 75,000                             | (52,500)              | 22,500                   |
| The Kingsley Association                                 | -                        | 75,000                             | (52,500)              | 22,500                   |
| Unshakeable Motherhood                                   | -                        | 3,000                              | -                     | 3,000                    |
| Wilkinsburg CDC  | 15,000                   | -                                  | (15,000)              | -                        |
|  | <u>123,750</u>           | <u>303,000</u>                     | <u>(341,250)</u>      | <u>85,500</u>            |
| Plus: Grants awarded and paid during the year            | -                        | 930,353                            | (930,353)             | -                        |
|  | <u>\$ 123,750</u>        | <u>\$ 1,233,353</u>                | <u>\$ (1,271,603)</u> | <u>\$ 85,500</u>         |

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 9. Leases

The Organization has an operating lease for office space. The lease has a remaining lease term of fourteen months. The components of lease expense were \$58,867 and \$60,281 as of December 31, 2022 and 2021, respectively.

Other information related to leases was as follows:

|   | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Supplemental Cash Flows information                                     |             |             |
| Cash paid for amounts included in the measurement of lease liabilities: |             |             |
| Operating cash flows from operating leases                              | \$ 58,867   | \$ 60,281   |
| Right-of-use assets obtained in exchange for lease obligations:         |             |             |
| Operating leases  | -           | 178,288     |
| Weighted average remaining lease term:                                  |             |             |
| Operating leases  | 1.17 years  | 2.17 years  |
| Weighted average discount rate:   |             |             |
| Operating leases  | 2.49%       | 2.49%       |

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

| Year Ending<br>December 31,         | Operating<br>Leases |
|-------------------------------------|---------------------|
| 2023                                | \$ 61,984           |
| 2024                                | 10,539              |
| Total future minimum lease payments | 72,523              |
| Less: interest                      | (1,119)             |
| Total                               | <u>\$ 71,404</u>    |

# NEIGHBORHOOD ALLIES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

---

### 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 2022 and 2021, the Organization contributed \$152,266 and \$108,214, respectively, to the plan on behalf of its employees.

Effective January 1, 2022, the Organization began a 457(b) Deferred Compensation Plan to provide deferred compensation for eligible employees of the Organization. The employer contribution for the plan was \$15,000 for the year ended December 31, 2022.

### 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. The private loan matures in 2023. In February 2023, the Organization entered into negotiations that will convert the pledged collateral to an equity interest in Fifth and Dinwiddie.

During 2022, the Organization pledged \$250,000 of cash as collateral to support predevelopment costs for renovations in the heart of the Hill District. 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.