

Neighborhood Allies

Financial Statements

Years Ended December 31, 2018 and 2017
with Independent Auditor's Report

MaherDuessel

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NEIGHBORHOOD ALLIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statement of Activities – December 31, 2018	2
Statement of Activities – December 31, 2017	3
Statement of Functional Expenses - December 31, 2018	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

Board of Directors Neighborhood Allies

We have audited the accompanying financial statements of Neighborhood Allies (Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements. Additionally, financial statements for the year ended December 31, 2018 include the statement of functional expenses.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization adopted ASU-2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,"* which amends the requirements for financial statements for nonprofit entities. The amendment changes how nonprofit organizations classify net assets and provide information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

Maher Duessel

Pittsburgh, Pennsylvania
April 12, 2019

NEIGHBORHOOD ALLIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,032,520	\$ 3,453,402
Accounts receivable	12,250	-
Prepaid expenses	21,966	6,183
Grants receivable - current portion	709,862	467,953
Total current assets	4,776,598	3,927,538
Noncurrent assets:		
Grants receivable - long-term portion	20,000	200,000
Security deposits	10,918	1,185
Fixed assets, net of accumulated depreciation of \$130,239 and \$127,720 in 2018 and 2017, respectively	187	2,706
Total Assets	\$ 4,807,703	\$ 4,131,429
Liabilities and Net Assets		
Current Liabilities:		
Grants payable	\$ 88,500	\$ 149,867
Accounts payable and accrued expenses	138,511	78,377
Total Liabilities	227,011	228,244
Net Assets:		
Without donor restrictions	1,117,334	1,340,240
With donor restrictions	3,463,358	2,562,945
Total Net Assets	4,580,692	3,903,185
Total Liabilities and Net Assets	\$ 4,807,703	\$ 4,131,429

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Other Support:				
Gifts and grants	\$ 458,071	\$ 2,202,500	\$ 2,660,571	\$ 2,490,159
Fee revenue	126,447	-	126,447	78,619
Interest, net of bank fees of \$1,054	16,686	-	16,686	4,347
Other income	3,184	-	3,184	825
Net assets released from restrictions	1,302,087	(1,302,087)	-	-
Total revenues and other support	1,906,475	900,413	2,806,888	2,573,950
Expenses:				
Community development activities:				
Grants approved, net of cancellations of \$18,334 and refunds of paid grants of \$200,000	542,739	-	542,739	809,408
Program development and other program costs	1,189,856	-	1,189,856	1,221,953
Administrative expenses:				
Finance, governance, and administration	305,800	-	305,800	258,313
Fundraising	90,986	-	90,986	78,689
Total expenses	2,129,381	-	2,129,381	2,368,363
Change in Net Assets	(222,906)	900,413	677,507	205,587
Net Assets:				
Beginning of year	1,340,240	2,562,945	3,903,185	3,697,598
End of year	\$ 1,117,334	\$ 3,463,358	\$ 4,580,692	\$ 3,903,185

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:			
Gifts and grants	\$ 495,159	\$ 1,995,000	\$ 2,490,159
Fee revenue	78,619	-	78,619
Interest, net of bank fees of \$935	4,347	-	4,347
Other income	825	-	825
Net assets released from restrictions	1,850,260	(1,850,260)	-
Total revenues and other support	<u>2,429,210</u>	<u>144,740</u>	<u>2,573,950</u>
Expenses:			
Community development activities:			
Grants approved, net of cancellations of \$5,000 and refunds of paid grants of \$0	809,408	-	809,408
Program development and other program costs	1,221,953	-	1,221,953
Administrative expenses:			
Finance, governance, and administration	258,313	-	258,313
Fundraising	78,689	-	78,689
Total expenses	<u>2,368,363</u>	<u>-</u>	<u>2,368,363</u>
Change in Net Assets	60,847	144,740	205,587
Net Assets:			
Beginning of year	<u>1,279,393</u>	<u>2,418,205</u>	<u>3,697,598</u>
End of year	<u>\$ 1,340,240</u>	<u>\$ 2,562,945</u>	<u>\$ 3,903,185</u>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

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

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 677,507	\$ 205,587
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,519	2,794
Change in:		
Accounts receivable	(12,250)	450
Grants receivable	(61,909)	(90,181)
Prepaid expenses	(15,783)	2,505
Security deposits	(9,733)	-
Grants payable	(61,367)	(364,450)
Accounts payable and accrued expenses	<u>60,134</u>	<u>(44,874)</u>
Total adjustments	<u>(98,389)</u>	<u>(493,756)</u>
Net cash provided by (used in) operating activities	<u>579,118</u>	<u>(288,169)</u>
Cash Flows From Investing Activities:		
Principal repaid on program-related notes receivable	<u>-</u>	<u>183,831</u>
Net Increase (Decrease) in Cash and Cash Equivalents	579,118	(104,338)
Cash and Cash Equivalents:		
Beginning of year	<u>3,453,402</u>	<u>3,557,740</u>
End of year	<u>\$ 4,032,520</u>	<u>\$ 3,453,402</u>

See accompanying notes to financial statements.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Organization and Purpose

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

In January 2014, the Organization signed a Memorandum of Agreement with the Local Initiative Support Corporation (LISC), a New York based national community development intermediary, whereby the Organization will have access to LISC's financial and programmatic resources for use in its community development revitalization efforts. These resources may be provided at a rate that is mutually determined by LISC and the Organization. The Organization will continue to maintain its autonomy as a separate legal entity while working in concert with LISC to provide community development resources to Southwestern Pennsylvania. In 2015, in accordance with the agreement, LISC hired a program person to identify, underwrite, and manage relationships with borrowers, equity partners, and to carry out duties associated with loans and equity investments. The Organization's agreement with LISC requires that the Organization fund the LISC staff position. The LISC program person is housed at the Organization offices, provided with office space and equipment, and will be funded by the Organization. During 2018, the Organization terminated the Memorandum of Agreement with LISC.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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.

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

Cash and Cash Equivalent Investments

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

The Organization maintains cash accounts, which at times, may exceed federally insured limits. At December 31, 2018, book balance and bank balance of all deposits totaled \$4,032,520 and \$4,099,185, respectively. At December 31, 2017, book balance and bank balance of all deposits totaled \$3,453,402 and \$3,522,069, respectively. Of the bank balance at December 31, 2018 and 2017, \$3,293,211 and \$2,718,154, respectively, was not federally insured. The solvency of the financial institutions involved is not a concern to management at this time.

Gifts and Grants

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

Unconditional grants receivable consists of the following at December 31:

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Amounts due in one year	\$ 709,862	\$ 467,953
Amounts due in one to five years	<u>20,000</u>	<u>200,000</u>
Total	<u>\$ 729,862</u>	<u>\$ 667,953</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, 2018 and 2017.

At December 31, 2018, the Organization had \$100,000 of conditional promises to give, which represents the third installment on a multi-year grant from a single donor. The conditional promises to give are not recorded in the financial statements until the conditions are met. Conditions to the gifts include the meeting of certain program and operational milestones.

At December 31, 2017, the Organization had \$250,000 of conditional promises to give. This represented the second and third installment on a multi-year grant from a single donor. The conditions of the second installment (\$150,000) on the multi-year grant were met in 2018 and the revenue was recorded in the statements of activities.

Grants Approved

Grants are recorded when they are approved by the Organization's Board of Directors (Board). The grants are approved with conditions; however, the probability of the grantee not meeting the conditions are deemed to be remote. Grant cancellations and refunds of paid grants are recorded as they occur.

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Fee Revenue

Fee revenues are recognized when earned. 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 for which it is earned.

Furniture, Equipment, and Leasehold Improvements

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

Income Taxes

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

Use of Estimates

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

Liquidity and Availability

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

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

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>
Financial assets, at year-end	\$ 4,807,516
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(2,643,358)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,164,158</u>

Adopted Accounting Standard

During the year ended December 31, 2018, the Organization adopted ASU No. 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”*. This amendment improves how a non-profit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The amendment changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions, composition of net assets with donor restrictions, qualitative and quantitative information on liquidity, methods to allocate costs among program and support functions, and underwater donor-restricted endowment.

Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued amendments to the FASB Accounting Standards Codification that will become effective in future years as shown below. Management has not yet determined the impact of these amendments on the Organization’s financial statements:

ASU No. 2014-09, *“Revenue from Contracts with Customers (Topic 606),”* is effective for Organization’s financial statements for the year ending December 31, 2019. This amendment provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

ASU No. 2016-02, "*Leases (Topic 842)*," is effective for Organization's financial statements for the year ending December 31, 2020. This amendment 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 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash*," is effective for the Organization's financial statements for the year ending December 31, 2019. This amendment requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

ASU 2018-08, "*Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*," is effective for the Organization's financial statements for the year ending December 31, 2019. This amendment updates current guidance about whether a transfer of assets — or the reduction, settlement, or cancellation of liabilities — should be accounted for as a contribution or an exchange transaction. Specifically, the ASU establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. That determination then dictates whether the organization follows contribution guidance or exchange transaction guidance found in the revenue recognition and other applicable standards. The ASU also provides guidance on when a contribution is conditional, which effect the timing of recognition.

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. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 are available for the following purposes:

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Temporary Public Art program	\$ -	\$ 26,545
Grass Roots Grantmaking program	-	20,000
Model Block/Micro Market program	262,000	300,000
Fund My Future program	-	25,000
Real Estate Development Capacity support	1,098,358	1,045,648
P4 / Equitable Development	5,000	112,856
Financial Opportunity Centers	459,000	18,250
Community Trauma Fellow	-	39,646
Homeownership Program	85,000	-
Larimer Consensus Project	200,000	-
Bedford Connect Project	9,000	-
Restricted for subsequent years' operations	<u>1,345,000</u>	<u>975,000</u>
	<u>\$ 3,463,358</u>	<u>\$ 2,562,945</u>

Net assets with donor restrictions were released for the satisfaction of purpose restrictions in the amount of \$358,214 and \$898,632 during 2018 and 2017, respectively. Net assets with donor restrictions were released due to the lapsing of time in the amount of \$943,873 and \$951,628 during 2018 and 2017, respectively.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

4. 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
<u>Without Donor Restrictions:</u>		
Other foundations	\$ 72,500	\$ 125,000
Corporations	129,000	89,500
Governments	255,571	280,009
Miscellaneous contributions	1,000	650
Total without donor restrictions	<u>\$ 458,071</u>	<u>\$ 495,159</u>
<u>With Donor Restrictions:</u>		
The Pittsburgh Foundation	\$ 175,000	\$ 225,000
Other foundations	1,980,000	1,345,000
Corporations	47,500	425,000
Total with donor restrictions	<u>\$ 2,202,500</u>	<u>\$ 1,995,000</u>

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

5. Grants Approved, Paid and Payable

Grants approved, paid and payable for the year ended December 31, 2018 are as follows:

	Payable at 12/31/2017	Approved (net of cancellations)	Paid	Payable at 12/31/2018
Allies and Ross	\$ 7,500	\$ -	\$ (7,500)	\$ -
Bible Center Church	-	15,000	(12,000)	3,000
Center for Civic Arts	-	15,000	(12,000)	3,000
East Liberty Development Corp.	-	15,000	(12,000)	3,000
Economic Development South	30,697	-	(30,697)	-
Habitat for Humanity	-	15,000	(12,000)	3,000
Hill Consensus Group	-	75,000	(60,000)	15,000
Hill CDC	7,500	-	(7,500)	-
Hill Community	3,000	-	(3,000)	-
Hill House Association	5,000	-	(1,500)	3,500
Hilltop Alliance	11,100	-	(11,100)	-
Housing Alliance of PA	-	15,000	(12,000)	3,000
Larimer Consensus Group	5,000	-	(1,500)	3,500
Lawrenceville Corp.	1,000	-	(1,000)	-
LISC - Real Estate Impact Fund	-	91,666	(91,666)	-
Leadership PGH	-	6,000	(6,000)	-
Legacy Arts Project	5,000	-	(1,500)	3,500
Millvale Borough DC	5,000	-	-	5,000
Mon Valley Initiative (FOC)	-	75,000	(75,000)	-
New Sun Rising	12,000	-	(8,500)	3,500
New Sun Rising - PCOC	1,500	-	(1,500)	-
Omicelo Cares	15,000	-	(15,000)	-
OPDC (FOC)	-	75,000	(75,000)	-
Operating Better Block	18,750	-	(18,750)	-
Pgh Conservation Corps (landforce)	13,000	-	(13,000)	-
Pgh Schweitzer	320	-	(320)	-
Pittsburgh Green Innovators	500	-	(500)	-
Riverside Center for Innovation	-	75,000	(60,000)	15,000
St. Paul AME Church	-	15,000	(15,000)	-
Trade Institute of Pittsburgh	-	75,000	(70,000)	5,000
Ujamaa Collective	3,000	-	(3,000)	-
WAVES	-	15,000	(12,000)	3,000
Wilkinsburg CDC	5,000	65,000	(53,500)	16,500
	<u>\$ 149,867</u>	<u>\$ 642,666</u>	<u>\$ (704,033)</u>	<u>\$ 88,500</u>

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

6. Leases and Expense Sharing Agreement

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

Year	Amount
2019	\$ 48,667
2020	58,404
2021	59,584
2022	60,768
2023	61,984
Thereafter	<u>10,539</u>
Total	<u>\$ 299,946</u>

Rental expense for the years ended December 31, 2018 and 2017 was \$28,103 and \$29,280, respectively.

7. Related Party

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 4, The Pittsburgh Foundation provides other administrative support to the Organization, including the processing of all payroll and benefits payments, at no cost to the Organization. These services are valued at approximately \$10,000 for the years ended December 31, 2018 and 2017.

8. 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 2018 and 2017, the Organization contributed \$39,809 and \$33,370, respectively, to the plan on behalf of its employees.

NEIGHBORHOOD ALLIES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

9. Subsequent Events

In February 2019, the Organization received a commitment to establish an endowment in the amount of \$8 million with \$4 million to be received in 2019 and a conditional \$4 million to be received once conditions are met. Funds received are to be maintained as long-term investments for the Organization. The Organization can spend up to 5% of the endowment investment portfolio per year.

10. Expenses

The following are the expenses, by natural classification, for the year ended December 31, 2017:

Grants to other organizations	\$ 809,408
Sponsorships and technical assistance	599,847
Salaries and wages	562,305
Pension contributions	33,370
Other employee benefits	110,384
Payroll taxes	46,269
Accounting fees	36,966
Other professional fees	30,029
Advertising and promotion	5,920
Office expenses	21,648
Occupancy	31,438
Travel	31,453
Conferences, conventions, and meetings	8,572
Depreciation and amortization	2,794
Insurance	6,188
Printing and publications	7,415
Equipment	6,288
Membership dues	2,747
Miscellaneous	15,322
Total expenses	<u>\$ 2,368,363</u>