

Allegheny City Central Association

Financial Statements

May 31, 2014

ALLEGHENY CITY CENTRAL ASSOCIATION

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Independent Auditor's Report

Board of Directors
Allegheny City Central Association
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Allegheny City Central Association (a nonprofit organization), which comprise the statement of financial position as of May 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Allegheny City Central Association as of May 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Allegheny City Central Association's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pittsburgh, Pennsylvania
December 22, 2014

McLee Marwan & Associates, P.C.

ALLEGHENY CITY CENTRAL ASSOCIATION

Statements of Financial Position

May 31

	<u>Assets</u>	
	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 185,872	\$ 111,551
Accounts receivable	16,783	54,336
Prepaid insurance	1,107	1,021
Inventory	1,410	1,597
Total current assets	<u>205,172</u>	<u>168,505</u>
Property and equipment:		
Land	1,200	1,200
Equipment	18,738	22,403
Less accumulated depreciation	<u>(7,194)</u>	<u>(7,894)</u>
Net property and equipment	<u>12,744</u>	<u>15,709</u>
Other Assets:		
Real estate development property	4,237	1,200
Notes receivable	<u>48,548</u>	<u>99,500</u>
Total other assets	<u>52,785</u>	<u>100,700</u>
Total assets	<u>\$ 270,701</u>	<u>\$ 284,914</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 17,209	\$ 10,187
Deposits	<u>-</u>	<u>251</u>
Total current liabilities	<u>17,209</u>	<u>10,438</u>
Net assets:		
Unrestricted	252,242	268,226
Temporarily restricted	1,250	6,250
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>253,492</u>	<u>274,476</u>
Total liabilities and net assets	<u>\$ 270,701</u>	<u>\$ 284,914</u>

ALLEGHENY CITY CENTRAL ASSOCIATION

Statement of Activities

For the Year Ended May 31, 2014

With Comparative Totals for the Year Ended May 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Support and revenues:					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 642
Developer Fees	22,604	-	-	22,604	22,750
Donated goods and services	3,000	-	-	3,000	3,000
Gain (loss) on sale of property held for resale	(1,220)	-	-	(1,220)	634
Loss on disposal of property and equipment	(6,352)	-	-	(6,352)	-
Grant income	984	6,365	-	7,349	16,230
Government revenue:					
City of Pittsburgh - ACCBO	-	49,112	-	49,112	56,188
City of Pittsburgh - CDBG	-	7,500	-	7,500	10,000
The Redevelopment Authority of Allegheny County	-	200,000	-	200,000	-
Membership dues	518	-	-	518	663
Miscellaneous income	2,754	-	-	2,754	746
Net assets released from restrictions:					
Restrictions satisfied by payments	<u>267,977</u>	<u>(267,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>290,265</u>	<u>(5,000)</u>	<u>-</u>	<u>285,265</u>	<u>110,853</u>
Expenses:					
Program services	302,677	-	-	302,677	96,014
Management and general	2,525	-	-	2,525	1,363
Fundraising	1,047	-	-	1,047	826
Total expenses	<u>306,249</u>	<u>-</u>	<u>-</u>	<u>306,249</u>	<u>98,203</u>
Change in net assets	<u>(15,984)</u>	<u>(5,000)</u>	<u>-</u>	<u>(20,984)</u>	<u>12,650</u>
Net assets at beginning of year	<u>268,226</u>	<u>6,250</u>	<u>-</u>	<u>274,476</u>	<u>261,826</u>
Net assets at end of year	<u>\$ 252,242</u>	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ 253,492</u>	<u>\$ 274,476</u>

ALLEGHENY CITY CENTRAL ASSOCIATION

Statement of Functional Expenses

For the Year Ended May 31, 2014

With Comparative Totals for the Year Ended May 31, 2013

	Program Services	Supporting Services		2014 Total	2013 Total
		Management and General	Fundraising		
Administrative fees	\$ 1,863	\$ 207	\$ -	\$ 2,070	\$ -
Advertising	335	37	-	372	257
Community support activities	1,300	-	-	1,300	475
Conferences and meetings	-	265	-	265	354
Consultant	63,104	-	-	63,104	67,211
Insurance	2,490	277	-	2,767	2,514
Jacksonia townhome project	198,000	-	-	198,000	-
Membership dues	171	19	-	190	150
Miscellaneous	1,229	136	-	1,365	335
Postage	8	1	-	9	328
Printing	482	53	-	535	298
Professional fees	6,053	672	-	6,725	4,275
Property Taxes	11	-	-	11	11
Rebranding	19,902	-	1,047	20,949	16,518
Staff and organization development	90	10	-	100	-
Storage	2,700	300	-	3,000	3,000
Telephone	731	81	-	812	-
Total expenses before depreciation	298,469	2,058	1,047	301,574	95,726
Depreciation	4,208	467	-	4,675	2,477
Total expenses	<u>\$ 302,677</u>	<u>\$ 2,525</u>	<u>\$ 1,047</u>	<u>\$ 306,249</u>	<u>\$ 98,203</u>

ALLEGHENY CITY CENTRAL ASSOCIATION

Statements of Cash Flows

For the Year Ended May 31

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (20,984)	\$ 12,650
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,675	2,477
Loss on equipment disposal	6,352	-
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivables	37,553	(12,697)
Increase in prepaid expenses	(86)	(43)
Decrease in inventory	187	269
Decrease in notes receivable	50,952	-
(Decrease) increase in deposits	(251)	251
Increase in accounts payable	7,022	3,612
	<u>85,420</u>	<u>6,519</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of fixed assets	(8,062)	(5,943)
Purchase of real estate development property	(3,037)	(50)
	<u>(11,099)</u>	<u>(5,993)</u>
Net cash used by investing activities		
Net increase in cash and cash equivalents	74,321	526
Cash at beginning of year	<u>111,551</u>	<u>111,025</u>
Cash at end of year	<u>\$ 185,872</u>	<u>\$ 111,551</u>
Supplemental disclosure:		
Cash paid during the year for interest expense	<u>\$ -</u>	<u>\$ -</u>

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements

May 31, 2014

(1) **Organization**

Allegheny City Central Association (ACCA) is a Pennsylvania non-profit corporation. The purpose of the Organization is to enhance the quality of life for all residents of Allegheny City Central, a neighborhood located in the heart of Pittsburgh, Pennsylvania's historic Northside. ACCA has a successful track record of developing housing, guiding public space and public safety improvements, initiating youth programs and leading historic preservation efforts.

(2) **Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred, regardless of dates of cash receipts or cash disbursements.

(b) **Basis of Presentation**

In accordance with the FASB Accounting Standards Codification, FASB ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) **Tax Status**

The Financial Accounting Standards Board has issued FASB ASC No. 740, which clarifies accounting principles generally accepted in the United States of America for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FASB ASC No. 740 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. ACCA evaluates uncertain tax positions in accordance with FASB ASC No. 740 and has determined there is no material impact on ACCA's financial position or results of operations for the year ended May 31, 2014.

The Internal Revenue Service has determined that Allegheny City Central Association is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

ACCA annually files a form 990 as applicable. The filed form is subject to examination by the Internal Revenue Service generally for 3 years after it is filed

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements, continued

May 31, 2014

(2) **Summary of Significant Accounting Policies, continued**

(d) **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) **Cash Equivalents**

For purposes of cash flows, ACCA considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(f) **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(g) **Restricted and Unrestricted Revenue and Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(h) **Property and Equipment**

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. ACCA assesses for impairment losses when conditions warrant. Depreciation is calculated using the straight-line method over the useful lives of the assets.

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements, continued

May 31, 2014

(2) **Summary of Significant Accounting Policies, continued**

(i) **Donated Goods and Services**

Individuals have donated their time and services to the Organization. In instances where an objective basis for valuing the services or goods contributed exists, the value is reflected in the financial statements as support and a related expense in the period the services are used. Goods or services for which it is impractical to estimate a fair market value are not reflected in the accompanying financial statements.

Donated services and goods are recorded as contributions at their estimated fair value at the date of receipt. The donated goods are used to maintain the Organization's program activities. During 2014, the value of these materials was as follows:

Storage space	\$ <u>3,000</u>
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(j) **Donated Assets**

Donations of property and equipment and other noncash donations are recorded as support at their estimated fair value at the date of donation. The Organization did not receive any donated assets during the year ended May 31, 2014.

(k) **Fair Value**

The Financial Accounting Standards Board has issued FASB ASC No. 820, "Fair Value Measurements", which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This pronouncement does not require any new fair value measurements, but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. The carrying amount of Allegheny City Central Association's cash, accounts receivable, prepaid insurance, accounts payable and deposits approximates fair value primarily because of the short maturity of these instruments.

The Board of Directors reviews and approves the Organization's fair value measurement policies and procedures annually. At least annually, the Board determines if the valuation techniques used in fair value measurements are still appropriate.

(l) **Gain or Loss on the Sale of Real Estate**

The gain or loss on the sale of real estate is the difference between the proceeds of the sale less the selling expenses and the holding cost capitalized, if any. It does not include the project's allocable share of indirect supervisory management and general expenses.

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements, continued

May 31, 2014

(3) **Real Estate Development Property**

ACCA purchases property for development and resale in the Northside Section of Pittsburgh, Pennsylvania. Real estate development consists of the direct cost incurred in acquisition and renovation of projects undertaken and owned by ACCA. Indirect costs for the supervision and management and other general activities related to the projects are expensed in the year incurred.

Real estate development property at May 31, 2014 consisted of properties located at 227 Alpine, 257 Alpine, 1108 Federal Street, 1423 Boyle, 108 Carrington, 206 Carrington, 115 E. Jefferson, 401 Avendale, Firehouse at Arch & Jack and various block lots.

(4) **Notes Receivable**

Mortgage Receivable

ACCA loaned October Real Estate Holdings, LLC \$73,000 on June 13, 2011 to be used to pay for part of the acquisition, design and related costs incurred in connection with the predevelopment of 6 single-family townhouses located on Jacksonia Street. The note shall bear interest at 0% per annum. The outstanding principal balance shall be due in December 2014. The balance of the note as of May 31, 2014 is:

\$23,548

Promissory Note Receivable

ACCA issued two promissory notes to October Real Estate Holdings, LLC on August 8, 2011, totaling \$6,500 to aid in the purchase of properties located on Jacksonia Street in the Northside of Pittsburgh. The notes will bear interest at 0% per annum and will be due in full at closing upon the sale of the properties. The balance of these notes as of May 31, 2014 is:

5,000

Equity Receivable

ACCA issued an equity note receivable to William Barron in June 2011 in the amount of \$20,000 to help finance the renovation of 1108 Federal Street. The equity note will bear no interest and repayment is due upon sale of the property or the tenth anniversary of the date of closing on the project, whichever is sooner. The balance of the note as of May 31, 2014 is:

20,000

Total notes receivable

\$48,548

(5) **Significant Concentration of Credit Risk**

The Organization maintains its cash balance at First Niagara Bank. Accounts at a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash balance is not in excess of this limit at May 31, 2014.

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements, continued

May 31, 2014

(6) **Contingencies**

ACCA receives a substantial amount of its support from the City of Pittsburgh. A significant reduction in the level of support, if this were to occur, may have an effect on the Organization's programs and activities.

(7) **Restrictions on Net Assets**

Temporarily restricted net assets released in fiscal year 2014 consist of the following:

Neighborhood Development (Consulting)	\$ 67,977
Jacksonia Townhome Project	<u>200,000</u>
Total	<u>\$267,977</u>

Temporarily restricted net assets at May 31, 2014 consist of the following:

Neighborhood Development (Consulting)	<u>\$1,250</u>
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(8) **Promises to Give**

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. As of May 31, 2014, there were no unconditional promises to give.

Conditional promises to give are recognized when the condition on which they depend are substantially met. The Association had no conditional promises to give existing as of May 31, 2014.

(9) **Inventory**

Inventory is composed of promotional flags and banners. Inventory is stated at cost determined by the first-in, first-out method.

(10) **Name Change**

The Central Northside Neighborhood Council formally changed its name to Allegheny City Central Association by virtue of a filing to amend its Articles of Incorporation on March 24, 2014.

(11) **Subsequent Events**

Subsequent events were evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued. No subsequent events were noted.