

Allegheny City Central Association

Financial Statements

May 31, 2015

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, 2015, 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.

Board of Directors

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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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pittsburgh, Pennsylvania
January 27, 2016

McLes Morison & Associates, P.C.

ALLEGHENY CITY CENTRAL ASSOCIATION

Statements of Financial Position

May 31

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 148,586	\$ 185,872
Cash - custodial	1,750	-
Accounts receivable	6,720	16,783
Prepaid insurance	1,160	1,107
Inventory	3,925	1,410
Total current assets	<u>162,141</u>	<u>205,172</u>
Property and equipment:		
Land	1,200	1,200
Equipment	18,738	18,738
Less accumulated depreciation	<u>(9,995)</u>	<u>(7,194)</u>
Net property and equipment	<u>9,943</u>	<u>12,744</u>
Other Assets:		
Real estate development property	33,263	4,237
Notes receivable	<u>24,392</u>	<u>48,548</u>
Total other assets	<u>57,655</u>	<u>52,785</u>
Total assets	<u>\$ 229,739</u>	<u>\$ 270,701</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 4,570	\$ 17,209
Custodial liability	<u>1,750</u>	<u>-</u>
Total current liabilities	<u>6,320</u>	<u>17,209</u>
Net assets:		
Unrestricted	223,419	252,242
Temporarily restricted	-	1,250
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>223,419</u>	<u>253,492</u>
Total liabilities and net assets	<u>\$ 229,739</u>	<u>\$ 270,701</u>

ALLEGHENY CITY CENTRAL ASSOCIATION

Statement of Activities

For the Year Ended May 31, 2015

With Comparative Totals for the Year Ended May 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Support and revenues:					
Developer Fees	\$ 18,000	\$ -	\$ -	\$ 18,000	\$ 22,604
Donated goods and services	3,000	-	-	3,000	3,000
Gain (loss) on sale of property held for resale	4,835	-	-	4,835	(1,220)
Loss on disposal of property and equipment	-	-	-	-	(6,352)
Grant income	861	6,385	-	7,246	7,349
Government revenue:					
City of Pittsburgh - ACCBO	-	27,000	-	27,000	49,112
City of Pittsburgh - CDBG	-	2,500	-	2,500	7,500
The Redevelopment Authority of Allegheny County	-	-	-	-	200,000
Membership dues	422	-	-	422	518
Miscellaneous income	892	-	-	892	2,754
Net assets released from restrictions:					
Restrictions satisfied by payments	<u>37,135</u>	<u>(37,135)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>65,145</u>	<u>(1,250)</u>	<u>-</u>	<u>63,895</u>	<u>285,265</u>
Expenses:					
Program services	91,852	-	-	91,852	302,677
Management and general	1,948	-	-	1,948	2,525
Fundraising	168	-	-	168	1,047
Total expenses	<u>93,968</u>	<u>-</u>	<u>-</u>	<u>93,968</u>	<u>306,249</u>
Change in net assets	<u>(28,823)</u>	<u>(1,250)</u>	<u>-</u>	<u>(30,073)</u>	<u>(20,984)</u>
Net assets at beginning of year	<u>252,242</u>	<u>1,250</u>	<u>-</u>	<u>253,492</u>	<u>274,476</u>
Net assets at end of year	<u>\$ 223,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,419</u>	<u>\$ 253,492</u>

ALLEGHENY CITY CENTRAL ASSOCIATION

Statement of Functional Expenses

For the Year Ended May 31, 2015

With Comparative Totals for the Year Ended May 31, 2014

	Program Services	Supporting Services		2015 Total	2014 Total
		Management and General	Fundraising		
Administrative fees	\$ 13	\$ 2	\$ -	\$ 15	\$ 2,070
Advertising	1,281	142	-	1,423	372
Bank charges	63	7	-	70	-
Community support activities	-	-	-	-	1,300
Conferences and meetings	-	-	-	-	265
Consultant	71,105	-	-	71,105	63,104
Insurance	2,574	286	-	2,860	2,767
Jacksonia townhome project	-	-	-	-	198,000
Membership dues	756	84	-	840	190
Miscellaneous	2,673	297	-	2,970	1,365
Postage	36	4	-	40	9
Printing	-	-	-	-	535
Professional fees	4,830	537	-	5,367	6,725
Property Taxes	11	-	-	11	11
Rebranding	3,206	-	168	3,374	20,949
Staff and organization development	-	-	-	-	100
Storage	2,700	300	-	3,000	3,000
Telephone	83	9	-	92	812
Total expenses before depreciation	89,331	1,668	168	91,167	301,574
Depreciation	2,521	280	-	2,801	4,675
Total expenses	<u>\$ 91,852</u>	<u>\$ 1,948</u>	<u>\$ 168</u>	<u>\$ 93,968</u>	<u>\$ 306,249</u>

ALLEGHENY CITY CENTRAL ASSOCIATION

Statements of Cash Flows

For the Year Ended May 31

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (30,073)	\$ (20,984)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	2,801	4,675
Gain on sale of development property	(4,835)	-
Loss on equipment disposal	-	6,352
Changes in operating assets and liabilities:		
Decrease in accounts receivables	10,063	37,553
Increase in prepaid expenses	(53)	(86)
(Increase) decrease in inventory	(2,515)	187
Decrease in notes receivable	24,156	50,952
Decrease in deposits	-	(251)
(Decrease) increase in accounts payable	<u>(12,639)</u>	<u>7,022</u>
Net cash (used) provided by operating activities	<u>(13,095)</u>	<u>85,420</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(8,062)
Purchase of real estate development property	(40,846)	(3,037)
Proceeds from sale of development property	<u>16,655</u>	<u>-</u>
Net cash used by investing activities	<u>(24,191)</u>	<u>(11,099)</u>
Net (decrease) increase in cash and cash equivalents	(37,286)	74,321
Cash at beginning of year	<u>185,872</u>	<u>111,551</u>
Cash at end of year	<u>\$ 148,586</u>	<u>\$ 185,872</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, 2015

(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, 2015.

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 three years after it is filed.

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements, continued

May 31, 2015

(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, 2015

(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 2015, the values of these were 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, 2015.

(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, and accounts payable 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, 2015

(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, 2015 consisted of properties located at 209, 211, 213, 217, 227, 237, 238, 249, 251 and 257 Alpine Avenue, 1108 Federal Street, 1423 Boyle Street, 108 and 206 Carrington Street, 115 E. Jefferson Street, 401 Armandale Street, 1511 Arch Street, Firehouse at Arch and Jacksonia Streets and various block lots.

(4) **Notes Receivable**

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, 2015 is:

4,392

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, 2015 is:

20,000

Total notes receivable

\$24,392

(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, 2015.

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements, continued

May 31, 2015

(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.

The main funding received through the City of Pittsburgh is through the Advisory Commission on Community Based Organizations (ACCBO) who makes recommendations to the Department of City Planning regarding funding for community based organizations. Part way through the fiscal year, Allegheny City Central Association was no longer eligible to receive ACCBO funding. Essentially the neighborhood's median income had increased past the limitations. For the current year, the funding decreased by approximately 45% and for the next fiscal year, ACCA will not receive any ACCBO funding.

(7) **Restrictions on Net Assets**

Temporarily restricted net assets released in fiscal year 2015 consist of the following:

Neighborhood development (consulting) \$37,135

(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, 2015, 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, 2015.

(9) **Inventory**

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

(10) **Custodial Cash**

In the current year, ACCA acted as a conduit for Allegheny City Society (ACS) for a summer concert series. They received the funds, which were deposited into the checking account, and they disburse the funds based on the approval from ACS. The remaining balance of these custodial funds is shown under current assets as a separate cash account and also as a custodial liability under current liabilities.

ALLEGHENY CITY CENTRAL ASSOCIATION

Notes to the Financial Statements, continued

May 31, 2015

(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.

Allegheny City Central Association will no longer receive ACCBO funding from the City of Pittsburgh. Please refer to the details listed above under footnote #6 for contingencies. Based on this reduction in funding the Organization has strived to reduce their expenses accordingly including a reduction in the executive director's consultant fees by approximately 80%. The Organization is also making all efforts to apply for other types of funding.