

# Northside Achievement Zone

## Financial Statements Together with Independent Auditors' Report

June 30, 2019

# NORTHSIDE ACHIEVEMENT ZONE

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northside Achievement Zone  
Minneapolis, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Northside Achievement Zone (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statement of activities, cash flows and functional expenses for the years 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.

### Auditors' 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 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 Northside Achievement Zone as of June 30, 2019 and 2018, 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.

Roseville, Minnesota  
September 18, 2019

*Olsen Thielen & Co., LTD*

**NORTHSIDE ACHIEVEMENT ZONE**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

ASSETS		
	2019	2018
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,808,424	\$ 3,117,575
Grants and Contributions Receivable, net	2,407,031	3,458,337
Other Receivables	125,729	11,716
Prepaid Expenses	64,479	86,229
Total Current Assets	4,405,663	6,673,857
<b>INVESTMENTS</b>	6,780,685	6,348,904
<b>PROPERTY AND EQUIPMENT:</b>		
Furniture and Equipment	146,090	143,990
Less Accumulated Depreciation	136,431	133,355
Net Property and Equipment	9,659	10,635
<b>OTHER LONG-TERM ASSETS:</b>		
Grants and Contributions Receivable, Net	1,309,972	2,154,751
Security Deposits	1,540	1,540
Total Other Assets	1,311,512	2,156,291
<b>TOTAL ASSETS</b>	\$ 12,507,519	\$ 15,189,687
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 808,361	\$ 550,861
Accrued Expenses	259,417	302,707
Total Current Liabilities	1,067,778	853,568
<b>NET ASSETS:</b>		
Without Donor Restrictions	5,430,464	5,430,464
With Donor Restrictions	6,009,277	8,905,655
Total Net Assets	11,439,741	14,336,119
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 12,507,519	\$ 15,189,687

*The accompanying notes are an integral part of the financial statements.*

**NORTHSIDE ACHIEVEMENT ZONE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES:</b>						
Government Grants	\$ 1,702,038	\$ -	\$ 1,702,038	\$ 1,740,613	\$ -	\$ 1,740,613
Contributions:						
Individuals	748,006	372,693	1,120,699	728,411	2,274,250	3,002,661
Congregations			-	4,032		4,032
Corporations	238,626	34,500	273,126	302,758	15,000	317,758
Foundations	2,254,622	2,071,098	4,325,720	2,443,462	3,972,798	6,416,260
Investment Gain (Loss)	516,731	-	516,731	(66,748)	-	(66,748)
Miscellaneous	12,275	-	12,275	10,663	-	10,663
Contributed Services	9,558	-	9,558	26,864	-	26,864
Net Assets Released from Restrictions	5,374,669	(5,374,669)	-	5,205,346	(5,205,346)	-
Total Support and Revenues	<u>10,856,525</u>	<u>(2,896,378)</u>	<u>7,960,147</u>	<u>10,395,401</u>	<u>1,056,702</u>	<u>11,452,103</u>
<b>EXPENSES:</b>						
Program Services	8,722,711	-	8,722,711	8,312,990	-	8,312,990
Management and General	1,144,874	-	1,144,874	1,160,360	-	1,160,360
Fundraising	988,940	-	988,940	922,051	-	922,051
Total Expenses	<u>10,856,525</u>	<u>-</u>	<u>10,856,525</u>	<u>10,395,401</u>	<u>-</u>	<u>10,395,401</u>
CHANGE IN NET ASSETS	-	(2,896,378)	(2,896,378)	-	1,056,702	1,056,702
NET ASSETS, Beginning of Period	<u>5,430,464</u>	<u>8,905,655</u>	<u>14,336,119</u>	<u>5,430,464</u>	<u>7,848,953</u>	<u>13,279,417</u>
NET ASSETS, End of Period	<u>\$ 5,430,464</u>	<u>\$ 6,009,277</u>	<u>\$ 11,439,741</u>	<u>\$ 5,430,464</u>	<u>\$ 8,905,655</u>	<u>\$ 14,336,119</u>

*The accompanying notes are an integral part of the financial statements.*

## NORTHSIDE ACHIEVEMENT ZONE

### STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	<b>\$ (2,896,378)</b>	\$ 1,056,702
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	<b>3,076</b>	5,504
Realized/Unrealized (Gains) Losses on Investments, Net	<b>(298,395)</b>	153,985
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	<b>1,896,085</b>	(1,135,956)
Other Receivables	<b>(114,013)</b>	35,634
Prepaid Expenses	<b>21,750</b>	(6,762)
Accounts Payable	<b>257,500</b>	237,793
Accrued Expenses	<b>(43,290)</b>	7,657
Net Cash Flows From Operating Activities	<b><u>(1,173,665)</u></b>	<u>354,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	<b>(4,699,878)</b>	(9,518,150)
Sales of Investments	<b>4,566,492</b>	3,015,261
Purchases of Property and Equipment	<b>(2,100)</b>	(7,513)
Net Cash Flows From Investing Activities	<b><u>(135,486)</u></b>	<u>(6,510,402)</u>
NET CHANGE IN CASH	<b>(1,309,151)</b>	(6,155,845)
CASH at Beginning of Period	<b><u>3,117,575</u></b>	<u>9,273,420</u>
CASH at End of Period	<b><u><u>\$ 1,808,424</u></u></b>	<b><u><u>\$ 3,117,575</u></u></b>

*The accompanying notes are an integral part of the financial statements.*

**NORTHSIDE ACHIEVEMENT ZONE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019				2018			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel Costs:								
Salaries and Wages	\$ 2,792,079	\$ 515,014	\$ 428,065	\$ 3,735,158	\$ 3,099,908	\$ 507,128	\$ 428,885	\$ 4,035,921
Payroll Taxes and Benefits	807,234	171,578	83,941	1,062,753	982,207	192,749	82,450	1,257,406
Total Personnel Costs	<u>3,599,313</u>	<u>686,592</u>	<u>512,006</u>	<u>4,797,911</u>	4,082,115	699,877	511,335	5,293,327
Contracted Services	4,568,500	264,950	306,228	5,139,678	3,591,380	215,679	200,396	4,007,455
Occupancy	322,266	92,700	62,668	477,634	311,024	79,277	66,476	456,777
Program	160,086	—	—	160,086	201,464	—	—	201,464
Travel and Meetings	16,020	35,318	86,133	137,471	31,105	26,356	97,813	155,274
Marketing and Communications	—	12,135	—	12,135	—	19,799	—	19,799
Office Supplies	17,813	15,775	9,804	43,392	26,207	27,166	8,288	61,661
Miscellaneous	1,034	6,951	8,289	16,274	563	11,986	10,727	23,276
Bad Debt Expense	—	—	—	—	—	40,000	—	40,000
Staff Training and Development	16,821	8,784	584	26,189	29,425	7,807	1,100	38,332
Legal Services	—	9,558	—	9,558	15,585	21,372	22,000	58,957
Operations	<u>20,858</u>	<u>12,111</u>	<u>3,228</u>	<u>36,197</u>	24,122	11,041	3,916	39,079
<b>TOTAL EXPENSES</b>	<u><b>\$ 8,722,711</b></u>	<u><b>\$ 1,144,874</b></u>	<u><b>\$ 988,940</b></u>	<u><b>\$ 10,856,525</b></u>	<u><b>\$ 8,312,990</b></u>	<u><b>\$ 1,160,360</b></u>	<u><b>\$ 922,051</b></u>	<u><b>\$ 10,395,401</b></u>

*The accompanying notes are an integral part of the financial statements.*

# NORTHSIDE ACHIEVEMENT ZONE

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

The Northside Achievement Zone (NAZ) exists to end generational poverty and build a culture of achievement in North Minneapolis where all low-income children of color graduate from high school, college, and career-ready. We accomplish this through collaboration with parents, community organizations, and schools.

NAZ is a collaborative of more than 30 Northside nonprofits and five schools that are committed to building measurable and lasting change in the toughest of neighborhoods. In total there are 990 families with 2,180 children enrolled in NAZ.

Through NAZ, two generations of Northsiders are leading themselves out of poverty.

- Children focus on building their own academic goals, and they are supported both in school and outside of school.
- Parents are advocating for their children and actively leading them on a path to college, starting at birth.
- Families are surrounded by a team, including trained family coaches from North Minneapolis that provide the connections they need to reach their goals.

Results show that NAZ scholars in grades 3-8 are maintaining the levels of proficiency seen in previous years. NAZ scholars are achieving proficiency at rates higher than their Zone-wide peers, and scholars in the academic strategies are doing so at rates that are statistically significant. Our most recent set of data shows that:

- NAZ scholars in academic strategies one school year or more are significantly outperforming other comparable Northside students on MCA reading and math - third through eighth grade.
- NAZ scholars are twice as likely to be proficient in math and 45% more likely to be proficient in reading in anchor schools than comparable Northside students in non-anchor schools.
- More NAZ is better. NAZ scholars are more than twice as likely to be proficient in both reading and math with two layers of supports, compared to one.
- Scholars in NAZ partner high-quality early learning centers are more likely to be ready for kindergarten than those who were not.

In the NAZ collaborative nonprofits and schools are working together to provide families with streamlined resources. We continuously measure student and family outcomes to ensure that we are building the most effective system of supports to close the achievement gap permanently.

#### Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Net Asset without Donor Restrictions - Net assets without donor restrictions are resources available to support operations which the Board of Directors has discretionary control.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.



# NORTHSIDE ACHIEVEMENT ZONE

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting Estimates

The presentation of 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through September 18, 2019, the date the financial statements were available to be issued.

#### Grants and Contributions Receivable

Contributions receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history. The uncollectible allowance was \$40,000 at June 30, 2019 and 2018.

Grants and contributions receivable at June 30, 2019 consist of \$405,390 of reimbursable expenditures incurred under the Organization's government grant awards and \$3,311,613 from private donors. Grants and contributions receivable at June 30, 2018 consist of \$440,522 of reimbursable expenditures incurred under the Organization's government grant awards and \$5,172,566 from private donors.

#### Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in operations. Donated property and equipment are carried at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Computer Equipment	5 Years
Furniture	7 Years

## **NORTHSIDE ACHIEVEMENT ZONE**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Investments**

Investments in marketable securities are stated at fair value, which is determined by quoted market prices in active markets. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

##### **Revenue Recognition**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Government grants are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant are made. Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants, the Organization will record such disallowance at the time the final assessment is made.

##### **Contributed Services**

Donated services are recognized for services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals and organizations possessing those skills, and would ordinarily be purchased if not provided by donation. Contributed services, including promises to give, that do not meet these criteria are not recognized.

Many individuals have donated time and services to advance the Organization's programs and objectives. The value of these services has not been recorded in the financial statements because it does not meet the definition of recognition under generally accepted accounting principles.

The expense associated with the donated services consist of contributed legal and consulting services and supplies in the amount of \$9,558 in 2019 and \$26,864 in 2018.

##### **Income Taxes**

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the statements do not include a provision for income taxes.

## **NORTHSIDE ACHIEVEMENT ZONE**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Income Taxes**

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

##### **Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis among the various elements of its Promise Neighborhood program, and support services. Expenses that can be identified with a specific program element are allocated directly according to their natural expenditure classification. General and administrative that are common to several functions are allocated based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

##### **Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. As of June 30, 2019, the Organization had no significant concentrations of credit risk.

##### **Fair Value Measurements**

Under generally accepted accounting principles, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 - Financial assets and liabilities are valued using inputs that are quoted prices for similar assets, or inputs that are observable market data.

Level 3 - Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

The fair values of the Organization's investments were determined based on inputs as presented in Note 4.

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Change in Accounting Principle

In 2018, the Organization implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, applying the changes retrospectively. The new standard did not have a significant effect on previously reported net assets.

##### Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for organizations to use in accounting for revenue from contracts with customers. This ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

#### NOTE 2 - INVESTMENT CAMPAIGN

The Organization is currently in the silent phase of a \$35 million Investment Campaign entitled *NAZ is Working*. The purpose of these funds is to offset the loss of the Organization's \$27 million federal Promise Neighborhood Grant, which ended in December 2016, and allow the Organization to continue with its Northside partners the important work of ending multi-generational poverty in north Minneapolis. The revenue raised from the investment campaign is intended to be used in future fiscal years to replace the Promise Neighborhood Grant. The grants and contributions receivable and net assets with donor restrictions at June 30, 2019 and 2018 consist mostly of *NAZ is Working* Investment Campaign pledges.

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 3 - GRANTS AND CONTRIBUTIONS RECEIVABLE

	<b>2019</b>	2018
Grants and Contributions Receivable	<b><u>\$ 3,717,003</u></b>	<u>\$ 5,613,088</u>

Grants and contributions receivable are due as follows for the year ended June 30, 2019:

2020	\$ 2,407,031
2021	1,150,667
2022	206,000
2023	—
2024	—
	3,763,698
Less Discount at 3%	46,695
Total	<b><u>\$ 3,717,003</u></b>

#### NOTE 4 - INVESTMENTS

Investments consist of the following at June 30, 2019 and 2018:

	June 30, 2019		June 30, 2018	
	Cost	Market	Cost	Market
Government Securities	<b>\$ 1,960,908</b>	<b>\$ 2,024,186</b>	\$ 1,554,892	\$ 1,542,436
Corporate Bonds	<b>1,698,787</b>	<b>1,753,639</b>	2,027,197	2,008,723
Mutual Funds	<b>1,449,008</b>	<b>1,438,837</b>	1,254,917	1,224,889
Common Stocks	<b>1,312,675</b>	<b>1,457,459</b>	1,450,362	1,442,478
Mutual Funds - CEF's and ETF's	<b>102,309</b>	<b>106,564</b>	133,293	130,378
Total	<b><u>\$ 6,523,687</u></b>	<b><u>\$ 6,780,685</u></b>	<u>\$ 6,420,661</u>	<u>\$ 6,348,904</u>

Net investment gain (loss) consists of the following for the years ended June 30, 2019 and 2018:

	<b>2019</b>	2018
Interest and Dividends	<b>\$ 268,741</b>	\$ 115,072
Realized and Unrealized Investment Gains (Losses)	<b>298,395</b>	(153,986)
Fees	<b><u>(50,405)</u></b>	<u>(27,834)</u>
Total	<b><u>\$ 516,731</u></b>	<u>\$ (66,748)</u>

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 4 - INVESTMENTS (Continued)

The following table, as of June 30, 2019 and 2018, provides information by level for assets that are measured at fair value, on a recurring basis.

Description	Total Market	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>2019:</b>				
Government Securities	\$ 2,024,186	\$ -	\$ 2,024,186	\$ -
Corporate Bonds	1,753,639	-	1,753,639	-
Mutual Funds	1,438,837	1,438,837	-	-
Common Stocks	1,457,459	1,457,459	-	-
Mutual Funds - CEF's and ETF's	106,564	106,564	-	-
Totals	<u>\$ 6,780,685</u>	<u>\$ 3,002,860</u>	<u>\$ 3,777,825</u>	<u>\$ -</u>

Description	Total Market	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>2018:</b>				
Government Securities	\$ 1,542,436	\$ -	\$ 1,542,436	\$ -
Corporate Bonds	2,008,723	-	2,008,723	-
Mutual Funds	1,224,889	1,224,889	-	-
Common Stocks	1,442,478	1,442,478	-	-
Mutual Funds - CEF's and ETF's	130,378	130,378	-	-
Totals	<u>\$ 6,348,904</u>	<u>\$ 2,797,745</u>	<u>\$ 3,551,159</u>	<u>\$ -</u>

The fair value of the Organization's mutual funds and stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. These investments are classified within Level 1 of the valuation hierarchy.

The fair value of the Organization's government securities and corporate bonds were determined based on Level 2 inputs and are estimated as the present value of expected future cash inflows, taking into account (1) the type of security, its term, and any underlying collateral, (2) the seniority level of the debt security, and (3) quotes received from brokers and pricing services. In applying the valuation model, significant inputs including probability of default for debt securities, the estimated prepayment rate, and the projected yield based on estimated future market rates for similar securities.

The Organization holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and such changes could be material to the amounts reported in the statement of financial position.

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$3,000,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Investments consist of funds raised through the Investment Campaign, the purpose of which is to keep programming at current levels. These campaign funds are to be used to replace the Promise Neighborhood Grant. Investment earnings are typically re-invested in the investment portfolio. The board meets regularly to discuss whether appropriations are considered necessary.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2019 are as follows:

Financial Assets:	
Cash and Cash Equivalents	\$ 1,808,424
Accounts Receivable, Net	125,729
Contributions Receivable, Net	3,717,003
Long-Term Investments	6,780,685
Total Financial Assets	<u>12,431,841</u>
Less Financial Assets Held to Meet Donor Restrictions:	
Purpose Restricted-Net Assets	<u>6,009,277</u>
Less Financial Assets Held to Meet Donor Restrictions	<u>6,009,277</u>
Amounts Available for General Expenditure Within One Year	<u>\$ 6,422,564</u>

#### NOTE 6 - NET ASSETS

Net assets with donor restrictions at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Investment Campaign	\$ 4,575,447	\$ 6,619,000
Expanded Learning	–	1,033,921
Time Restriction	505,000	735,600
Health	55,000	166,986
Career & Finance	253,250	140,000
Family Engagement	184,775	120,000
Early Childhood	125,000	95,000
Family Academy	337,500	91,250
Education Pipeline	20,000	9,000
Contributions Receivable Discount	<u>(46,695)</u>	<u>(105,102)</u>
	<u>\$ 6,009,277</u>	<u>\$ 8,905,655</u>

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 6 - NET ASSETS (Continued)

Net assets with donor restrictions released from restriction were \$5,421,364 and \$5,205,346 in 2019 and 2018. Net assets with donor restrictions were released from restriction due to satisfaction of time and program restrictions.

#### NOTE 7 - RETIREMENT PLAN

The Organization has a defined contribution 403(b) plan. Eligible employees are automatically enrolled at 3% upon hire date with an “opt out” feature. Employees may make contributions up to 100% of their salaries subject to IRS limits. The Organization matches up to 3% of eligible compensation. Organization expense for the Plan was \$76,435 in 2019 and \$112,850 in 2018.

#### NOTE 8 - LEASE COMMITMENTS

The Organization rents its office space under a lease agreement which expires in September 2022. In addition to monthly rent payments, the Organization is required to pay its pro-rata share of building operating costs and real estate taxes. The Organization also rents certain equipment under terms that expires in October 2023.

The Organization’s rent expense and its share of the future minimum rental commitments under these operating leases (excluding operating costs and real estate taxes) are as follows:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
Expense:			
<b>2019</b>	<b>\$ 321,653</b>	<b>\$ 11,833</b>	<b>\$ 333,486</b>
2018	295,417	17,628	313,045
Commitments:			
2020	\$ 195,090	\$ 5,160	\$ 200,250
2021	201,015	5,160	206,175
2022	206,865	5,160	212,025
2023	52,080	4,300	56,380
2024	—	—	—