

Northside Achievement Zone

Financial Statements Together with Independent Auditors' Report

June 30, 2022

NORTHSIDE ACHIEVEMENT ZONE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northside Achievement Zone
Minneapolis, Minnesota

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northside Achievement Zone as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northside Achievement Zone and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northside Achievement Zone's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northside Achievement Zone's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northside Achievement Zone's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Alsen Threlen + Co., LTD.

Roseville, Minnesota
October 5, 2022

NORTHSIDE ACHIEVEMENT ZONE

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS		
	2022	2021
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,559,411	\$ 2,561,174
Grants and Contributions Receivable, Net	3,323,634	2,528,935
Other Receivables	950,331	436,127
Prepaid Expenses	121,159	101,144
Total Current Assets	5,954,535	5,627,380
INVESTMENTS	13,436,227	14,997,672
PROPERTY AND EQUIPMENT:		
Construction in Progress	132,696	-
Furniture and Equipment	121,652	148,367
Less Accumulated Depreciation	(118,757)	(142,380)
Net Property and Equipment	135,591	5,987
OTHER LONG-TERM ASSETS:		
Grants and Contributions Receivable, Net	4,633,156	4,152,074
Total Other Assets	4,633,156	4,152,074
TOTAL ASSETS	\$ 24,159,509	\$ 24,783,113
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,042,685	\$ 807,895
Accrued Expenses	261,468	386,826
Total Current Liabilities	1,304,153	1,194,721
PAYROLL PROTECTION PROGRAM NOTE PAYABLE	-	890,900
TOTAL LIABILITIES	1,304,153	2,085,621
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	15,579,458	16,923,468
Board Designated Operating Reserve	3,000,000	3,000,000
Total Without Donor Restrictions	18,579,458	19,923,468
With Donor Restrictions	4,275,898	2,774,024
Total Net Assets	22,855,356	22,697,492
TOTAL LIABILITIES AND NET ASSETS	\$ 24,159,509	\$ 24,783,113

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

NORTHSIDE ACHIEVEMENT ZONE

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Government Grants	\$ 1,737,748	\$ -	\$ 1,737,748	\$ 1,466,786	\$ -	\$ 1,466,786
Contributions:						
Individuals	1,667,123	2,653,241	4,320,364	2,199,543	998,134	3,197,677
Government	-	-	-	39,050	-	39,050
Corporations	349,202	231,500	580,702	2,200,602	1,128,075	3,328,677
Foundations	1,454,131	2,067,620	3,521,751	8,508,178	3,405,054	11,913,232
Gala Event	3,788,850	-	3,788,850	-	-	-
Miscellaneous	11,210	-	11,210	16,525	-	16,525
Contributed Services	20,201	-	20,201	47,587	-	47,587
Net Assets Released from Restrictions	3,450,487	(3,450,487)	-	4,173,562	(4,173,562)	-
Total Support and Revenues	<u>12,478,952</u>	<u>1,501,874</u>	<u>13,980,826</u>	<u>18,651,833</u>	<u>1,357,701</u>	<u>20,009,534</u>
EXPENSES:						
Program Services	8,588,156	-	8,588,156	9,058,820	-	9,058,820
Management and General	1,747,048	-	1,747,048	1,586,525	-	1,586,525
Fundraising	1,284,658	-	1,284,658	1,137,376	-	1,137,376
Gala Event	1,450,081	-	1,450,081	-	-	-
Total Expenses	<u>13,069,943</u>	<u>-</u>	<u>13,069,943</u>	<u>11,782,721</u>	<u>-</u>	<u>11,782,721</u>
OPERATING GAIN (LOSS)	<u>(590,991)</u>	<u>1,501,874</u>	<u>910,883</u>	<u>6,869,112</u>	<u>1,357,701</u>	<u>8,226,813</u>
NON-OPERATING ITEMS:						
Gain on PPP Loan Forgiveness	847,630	-	847,630	-	-	-
Investment Gains (Losses)	(1,600,649)	-	(1,600,649)	1,144,435	-	1,144,435
Total Non-Operating Items	<u>(753,019)</u>	<u>-</u>	<u>(753,019)</u>	<u>1,144,435</u>	<u>-</u>	<u>1,144,435</u>
CHANGE IN NET ASSETS	<u>(1,344,010)</u>	<u>1,501,874</u>	<u>157,864</u>	<u>8,013,547</u>	<u>1,357,701</u>	<u>9,371,248</u>
NET ASSETS, Beginning of Period	<u>19,923,468</u>	<u>2,774,024</u>	<u>22,697,492</u>	<u>11,909,921</u>	<u>1,416,323</u>	<u>13,326,244</u>
NET ASSETS, End of Period	<u>\$ 18,579,458</u>	<u>\$ 4,275,898</u>	<u>\$ 22,855,356</u>	<u>\$ 19,923,468</u>	<u>\$ 2,774,024</u>	<u>\$ 22,697,492</u>

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

NORTHSIDE ACHIEVEMENT ZONE

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022					2021			
	Program Services	Management and General	Fundraising	Gala Event	Total	Program Services	Management and General	Fundraising	Total
Personnel Costs:									
Salaries and Wages	\$ 2,342,406	\$ 622,074	\$ 620,356	\$ -	\$ 3,584,836	\$ 2,181,826	\$ 584,735	\$ 465,559	\$ 3,232,120
Payroll Taxes and Benefits	596,799	222,411	158,110	-	977,320	622,645	158,243	113,997	894,885
Total Personnel Costs	<u>2,939,205</u>	<u>844,485</u>	<u>778,466</u>	<u>-</u>	<u>4,562,156</u>	2,804,471	742,978	579,556	4,127,005
Contracted Services	4,961,527	555,679	244,978	618,241	6,380,425	4,319,931	438,291	397,253	5,155,475
Travel and Meetings	24,171	10,258	8,218	640,034	682,681	1,824	2,635	1,164	5,623
Program	278,531	30,175	7,264	125,864	441,834	1,173,594	-	-	1,173,594
Occupancy	238,361	53,364	64,038	-	355,763	180,868	105,790	54,602	341,260
Information Technology	67,929	99,137	20,201	15,239	202,506	471,379	132,890	17,916	622,185
Bad Debt Expense	-	-	100,000	-	100,000	-	-	18,639	18,639
Operations	50,684	45,444	19,180	19,255	134,563	38,193	65,270	23,868	127,331
Other Expenses	5,995	77,004	1,220	5,176	89,395	1,192	54,325	651	56,168
Legal Services	12,608	20,095	24,649	368	57,720	39,547	34,454	-	74,001
Business Expenses	-	1,825	16,355	25,904	44,084	-	1,210	39,699	40,909
Staff Training and Development	9,145	9,582	89	-	18,816	27,821	8,682	4,028	40,531
TOTAL EXPENSES	<u>\$ 8,588,156</u>	<u>\$ 1,747,048</u>	<u>\$ 1,284,658</u>	<u>\$ 1,450,081</u>	<u>\$ 13,069,943</u>	<u>\$ 9,058,820</u>	<u>\$ 1,586,525</u>	<u>\$ 1,137,376</u>	<u>\$ 11,782,721</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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 157,864	\$ 9,371,248
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Gain on Forgiveness of PPP Loan	(847,630)	-
Depreciation	3,091	2,928
Realized/Unrealized (Gains) Losses on Investments, Net	1,922,240	(874,603)
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	(1,275,781)	(3,236,676)
Other Receivables	(514,204)	(363,580)
Prepaid Expenses	(20,015)	(32,563)
Accounts Payable	234,790	(59,757)
Accrued Expenses	(125,358)	75,086
Net Cash Flows From Operating Activities	(465,003)	4,882,083
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(6,047,278)	(16,471,563)
Sales of Investments	5,686,483	9,239,529
Purchases of Property and Equipment	(132,695)	(2,277)
Net Cash Flows From Investing Activities	(493,490)	(7,234,311)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on Note Payable	(43,270)	-
Net Cash Flows From Financing Activities	(43,270)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,001,763)	(2,352,228)
CASH AND CASH EQUIVALENTS at Beginning of Period	2,561,174	4,913,402
CASH AND CASH EQUIVALENTS at End of Period	\$ 1,559,411	\$ 2,561,174

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

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The mission of the Northside Achievement Zone (NAZ) is 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. NAZ accomplishes this through partnership with parents, community organizations, and schools.

Founded in 2008, NAZ is a collaborative of more than 30 Northside nonprofits and schools that are committed to building measurable and lasting change in a community that has been plagued by racial discrimination and the resulting disparities in home ownership, jobs and education. In FY22 there were 845 families with 1,600 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 NAZ Family Achievement Coaches who provide the connections they need to reach their goals.

In FY22 NAZ finalized a new three-year strategic business plan to establish long-term goals for the organization based on the needs of our community, taking into the account the long-term effects of the pandemic.

Programmatically, this plan focuses on building on the core of NAZ through:

- Expanding our Family Academy classes and family achievement coaching,
- Leveraging the power of parents and scholars in the community,
- Providing greater access to early childhood programs,
- Supporting scholars' academic progress through new educational partnerships, and
- Expanding our citywide and statewide influence by deepening policy and advocacy efforts.

At the population level, our overall goal is to inspire and support parents to achieve their own success through a results-based collaborative that tracks the progress of families so that all North Minneapolis children reach their full and unlimited potential.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

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 Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations which the Board of Directors has discretionary control. Designated amounts represent net assets which the Board of Directors has set aside for an operating reserve.

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.

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 October 5, 2022, the date the financial statements were available to be issued. Except as discussed below in Note 12, there were no subsequent events that required recognition or disclosure in the financial statements.

Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Grants and Contributions Receivable

Contribution receivables consist 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, 2022 and 2021.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

Grants and Contributions Receivable (Continued)

Grants and contributions receivable at June 30, 2022 consist of \$588,765 of reimbursable expenditures incurred under the Organization's government grant awards and \$7,368,025 from private donors. Grants and contributions receivable at June 30, 2021 consist of \$420,263 of reimbursable expenditures incurred under the Organization's government grant awards and \$6,260,746 from private donors.

Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements or major renewals exceeding \$2,000 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

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. See Note 4 for breakout of Net Investment Gains (Losses).

Revenue Recognition

Contributions Revenue

Contributions and grants 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.

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. Management believes that any disallowances, if any, would not have a significant effect on the statement of financial position.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (Continued)

Event Revenue

The Organization hosted an event during the year to educate the public and to raise funds 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. The Organization receives sponsorships, table sales and individual tickets, auction, and contributions for events. Registration fees (tables sales and individual tickets) for events are billed to the participant at the time of registration. The Organization also provides the opportunity to sponsor its events. The event revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the registrant access to the event and event food, beverage, and entertainment. The Organization also raises contributions at the vents, via auction, and other fundraising activities. Revenue from this event are recognized at the point in time when the event is held and the Organization's performance obligation to hold the event is completed. Cash receipts for registrations and sponsorships collected in advance of the events are deferred as contract liabilities until earned when the event is held at which point the revenue is recognized. There was no contract liabilities at June 30, 2022 and 2021.

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.

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 its various programs 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, 2022, the Organization had no significant concentrations of credit risk.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

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.

Recently Issued Accounting Pronouncements

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 the Organization's 2023 fiscal year-end, 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.

Reclassifications

Certain amounts in the 2021 financial statements and notes have been reclassified to conform with the 2022 presentation. These reclassifications had no effect on total net assets for either period. The Organization performed a detailed review of their net assets and determined that the investment campaign should be classified as net assets without donor restrictions instead of net assets with donor restrictions. Reclassifications for the Investment Campaign for the beginning of 2021 was \$6,479,457 to net assets without donor restrictions, and for the year ended 2021 was \$5,401,899 to net assets without donor restrictions.

NOTE 2 - FUNDRAISING CAMPAIGNS

A key goal in the Organization's new three-year strategic business plan is financial sustainability, building on the success of its *NAZ is Working* \$35 million Investment Campaign completed in July of 2020. Those funds continue to be leveraged to offset the end of the Organization's \$27 million federal Promise Neighborhood Grant, in December 2016, allowing the Organization to continue working with the same level of impact. A second campaign, NAZ NOW, focused on raising multi-year gifts from individuals, was launched in the fall of 2020 and completed in early 2022, raising \$7.7 million from 656 donors. In the spring of 2022 NAZ held its first ever SOARNorth Gala to celebrate the success of these two campaigns and to recognize the organization's 10th anniversary as a federal Promise Neighborhood. The grants and contributions receivable at June 30, 2022 and 2021 consist mostly of *NAZ is Working* Investment Campaign and NAZ NOW pledges.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - GRANTS AND CONTRIBUTIONS RECEIVABLE

	2022	2021
Grants and Contributions Receivable	<u>\$ 7,956,790</u>	<u>\$ 6,681,009</u>

Grants and contributions receivable are due as follows for the year ended June 30, 2022:

2023	\$ 3,323,634
2024	3,286,947
2025	903,821
2026	616,302
2027	10,000
Thereafter	15,500
	8,156,204
Less Discount at 3%	199,414
Total	<u>\$ 7,956,790</u>

NOTE 4 - INVESTMENTS

Investments consist of the following at June 30, 2022 and 2021:

	June 30, 2022		June 30, 2021	
	Cost	Market	Cost	Market
Government Securities	\$ 2,629,387	\$ 2,491,607	\$ 2,284,017	\$ 2,273,935
Corporate Bonds	1,818,373	1,649,706	2,188,903	2,234,847
Mutual Funds	4,823,132	4,360,593	4,697,343	4,815,189
Common Stocks	3,906,929	3,723,292	2,785,936	4,324,615
Mutual Funds - CEF's and ETF's	1,321,595	1,211,029	1,344,923	1,349,086
Total	<u>\$ 14,499,416</u>	<u>\$ 13,436,227</u>	<u>\$ 13,301,122</u>	<u>\$ 14,997,672</u>

Net investment gain (loss) consists of the following for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and Dividends	\$ 400,609	\$ 342,609
Realized and Unrealized Investment Gains (Losses)	(1,922,240)	874,603
Fees	(79,018)	(72,777)
Total	<u>\$ (1,600,649)</u>	<u>\$ 1,144,435</u>

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (Continued)

The following table, as of June 30, 2022 and 2021, 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)
2022:				
Government Securities	\$ 2,491,607	\$ -	\$ 2,491,607	\$ -
Corporate Bonds	1,649,706	-	1,649,706	-
Mutual Funds	4,360,593	4,360,593	-	-
Common Stocks	3,723,292	3,723,292	-	-
Mutual Funds - CEF's and ETF's	1,211,029	1,211,029	-	-
Totals	<u>\$ 13,436,227</u>	<u>\$ 9,294,914</u>	<u>\$ 4,141,313</u>	<u>\$ -</u>
Description	Total Market	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2021:				
Government Securities	\$ 2,273,935	\$ -	\$ 2,273,935	\$ -
Corporate Bonds	2,234,847	-	2,234,847	-
Mutual Funds	4,815,189	4,815,189	-	-
Common Stocks	4,324,615	4,324,615	-	-
Mutual Funds - CEF's and ETF's	1,349,086	1,349,086	-	-
Totals	<u>\$ 14,997,672</u>	<u>\$ 10,488,890</u>	<u>\$ 4,508,782</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.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 1,559,411	\$ 2,561,174
Accounts Receivable, Net	950,331	436,127
Contributions Receivable, Net	7,956,790	6,681,009
Investments	<u>13,436,227</u>	<u>14,997,672</u>
Total Financial Assets	<u>23,902,759</u>	<u>24,675,982</u>
Less Donor Imposed Purpose Restricted Net Assets	4,275,898	2,774,024
Less Board Designated Net Assets for Operating Reserve	<u>3,000,000</u>	<u>3,000,000</u>
Amounts Available for General Expenditure Within One Year	<u>\$ 16,626,861</u>	<u>\$ 18,901,958</u>

A significant amount of purpose restricted net assets will be expended within the next year and released from restriction when the purpose restrictions are met.

NOTE 6 - NOTE PAYABLE

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of CARES was the Paycheck Protection Program (PPP) which allowed for organizations to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. In April 2020, the Organization received a PPP loan for \$890,900 and used the majority of it for the designated purposes. On December 22, 2021, the Organization received a forgiveness letter from the SBA for \$847,630. The loan forgiveness was recorded as a gain on forgiveness of debt in the Statement of Activities in the current period. The Organization repaid the remaining portion of the loan on January 25, 2022.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - NET ASSETS

Net assets with donor restrictions at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Time Restriction	\$ 3,870,013	\$ 1,473,446
Career & Finance	-	6,250
Family Engagement	-	77,500
Early Childhood	115,000	110,000
Family Academy	100,000	96,550
Education Pipeline	-	55,000
Design for a Difference	34,385	31,508
Family Emergency Fund	64,393	76,439
Emergency Relief	291,521	1,056,365
Contributions Receivable Discount	(199,414)	(209,034)
	<u>\$ 4,275,898</u>	<u>\$ 2,774,024</u>

Net assets with donor restrictions released from restriction were \$3,450,487 and \$4,173,562 in June 30, 2022 and 2021. Net assets with donor restrictions were released from restriction due to satisfaction of time and program restrictions.

NOTE 8 - 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 \$88,738 in 2022 and \$81,121 in 2021.

NOTE 9 - LEASE COMMITMENTS

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

The Organization's lease expense and its share of the future minimum lease 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:			
2022	\$ 332,666	\$ 8,867	\$ 341,533
2021	318,299	15,327	333,626
Commitments:			
2023	\$ 52,080	\$ 1,720	\$ 53,800

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the novel strain of the coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact the Organization's operations and financial statements.

NOTE 11 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the years ending June 30:

	<u>2022</u>	<u>2021</u>
Auction Items	\$ 118,600	\$ -
Disposable Face Masks	-	13,000
Legal Services	-	5,115
Consulting Services	<u>20,201</u>	<u>29,472</u>
Total Contributed Nonfinancial Assets	<u>\$ 138,801</u>	<u>\$ 47,587</u>

The Organization received items to be sold at its auction, and it is the Organization's policy that contributed auction items are valued at the gross selling price received. Donors contributing auction items did not place restrictions on the proceeds from sale.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Organization receives contributed legal services that are reported using current rates for similar services in the area.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year-end the Organization created a Minnesota nonprofit corporation, NAZ Real Estate Holding Company (the Support Organization), to be a support organization for the Organization and to be a "Qualified Active Low Income Community Business" for purposes of the federal New Markets Tax Credit (NMTC) program. The NMTC program provides funds to eligible organizations typically through low-interest loans. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive New Markets Tax Credits to be applied against their federal tax liability. NMTC financing was used by the Support Organization to acquire and renovate a facility that will be leased to the Organization (the Project).

On September 7, 2022, the Support Organization issued two promissory notes in the principal amounts of \$4,300,200 and \$1,519,800, respectively (the Notes) to Sunrise New Markets Fund XLII, LLC (the Lender) to secure financing for the Project using the NMTC program. The Notes bear interest at 1.4083% annually and are secured by a mortgage.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - SUBSEQUENT EVENTS (Continued)

The Lender received an allocation of NMTCs to assist eligible businesses in making new investments in certain communities. The availability of NMTCs allowed U.S. Bancorp Community Development Corporation (USBCDC), a Minnesota corporation, to create and invest in Twain Investment Fund 660, LLC (the Investor), which is wholly owned by USBCDC.

The Investor borrowed \$4,300,200 from the Organization (the Leverage Loan), thus making the Organization the “leverage lender” for the NMTC transaction. The Organization borrowed \$3,067,000 from Sunrise Banks, National Association to help provide funds necessary to make the Leverage Loan.

The Investor used the loan proceeds from the Organization along with member equity from USBCDC to make a \$6,000,000 capital contribution to the Lender in exchange for a 99.99% ownership interest in the Lender. This capital contribution was used by the Lender to fund a loan in the aggregate amount of \$5,820,000 to the Support Organization, which debt is evidenced by the Notes. The structure of this NMTC transaction is standard for the NMTC industry.

Under the terms of the Notes, accrued interest is paid quarterly commencing on December 10, 2022 through June 10, 2029. On September 7, 2029, a one-time principal payment of \$2,704,562.00 is due on one of the Notes. The Notes may not be prepaid in whole or in part prior to September 7, 2029. After this date, under the terms of a “put and call” agreement USBCDC can require the Organization to buy USBCDC’s 100% ownership interest in the Investor for \$1,000 plus closing costs. If USBCDC does not require the Organization to buy the USBCDC interest, the Organization may require USBCDC to sell to the Organization the USBCDC interest in Investor at its fair market value.

If neither the Organization nor USBCDC exercise their rights under the “put and call” agreement, beginning on December 10, 2029 and continuing on through September 7, 2052, the Organization shall make quarterly principal and interest payments of \$20,334.44 and \$19,367.97, respectively, on the Notes. On September 7, 2052, all outstanding principal, interest and unpaid fees, and other charges are due on the Notes.