

# Northside Achievement Zone

## Consolidated Financial Statements Together with Independent Auditors' Report

June 30, 2023

# NORTHSIDE ACHIEVEMENT ZONE

## CONTENTS

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-18
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	19
SUPPLEMENTARY INFORMATION:	
Consolidating Schedule of Financial Position	20
Consolidating Schedule of Activities	21

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Northside Achievement Zone  
Minneapolis, Minnesota

### Opinion

We have audited the accompanying consolidated financial statements of Northside Achievement Zone (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2023 and 2022, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northside Achievement Zone and subsidiary as of June 30, 2023 and 2022, and the changes in their net assets and their 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.

Roseville, Minnesota  
November 15, 2023

*Olson Thielken + Co., LTD.*

## NORTHSIDE ACHIEVEMENT ZONE

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

ASSETS		
	2023	2022
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 4,854,002	\$ 1,559,411
Grants and Contributions Receivable, Net	7,083,660	3,323,634
Other Receivables	54,780	950,331
Prepaid Expenses	106,554	121,159
Total Current Assets	12,098,996	5,954,535
INVESTMENTS	8,520,095	13,436,227
PROPERTY AND EQUIPMENT:		
Construction in Progress	226,994	132,696
Land	136,100	-
Building and Building Improvements	5,388,531	-
Furniture and Equipment	141,817	121,652
Less Accumulated Depreciation	(82,125)	(118,757)
Net Property and Equipment	5,811,317	135,591
OTHER LONG-TERM ASSETS:		
Grants and Contributions Receivable, Net	2,474,718	4,633,156
Note Receivable	4,300,200	-
Total Other Assets	6,774,918	4,633,156
 TOTAL ASSETS	 <b>\$ 33,205,326</b>	 <b>\$ 24,159,509</b>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 53,170	\$ -
Accounts Payable	813,599	1,042,685
Accrued Expenses	433,439	261,468
Total Current Liabilities	1,300,208	1,304,153
LONG-TERM DEBT, NET OF CURRENT PORTION	8,534,947	-
TOTAL LIABILITIES	9,835,155	1,304,153
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	10,947,994	15,579,458
Board Designated Operating Reserve	3,000,000	3,000,000
Total Without Donor Restrictions	13,947,994	18,579,458
With Donor Restrictions	9,422,177	4,275,898
Total Net Assets	23,370,171	22,855,356
 TOTAL LIABILITIES AND NET ASSETS	 <b>\$ 33,205,326</b>	 <b>\$ 24,159,509</b>

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

**NORTHSIDE ACHIEVEMENT ZONE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES:</b>						
Government Grants	\$ 1,452,447	\$ -	\$ 1,452,447	\$ 1,737,748	\$ -	\$ 1,737,748
Contributions:						
Individuals	1,296,140	8,000	1,304,140	1,667,123	2,653,241	4,320,364
Corporations	180,052	277,785	457,837	349,202	231,500	580,702
Foundations	790,759	9,734,703	10,525,462	1,454,131	2,067,620	3,521,751
Gala Event	3,437,771	-	3,437,771	3,788,850	-	3,788,850
Miscellaneous	126,189	-	126,189	11,210	-	11,210
Contributed Services	36,167	-	36,167	20,201	-	20,201
Net Assets Released from Restrictions	4,874,209	(4,874,209)	-	3,450,487	(3,450,487)	-
Total Support and Revenues	<u>12,193,734</u>	<u>5,146,279</u>	<u>17,340,013</u>	<u>12,478,952</u>	<u>1,501,874</u>	<u>13,980,826</u>
<b>EXPENSES:</b>						
Program Services	11,421,641	-	11,421,641	8,588,156	-	8,588,156
Management and General	2,742,822	-	2,742,822	1,747,048	-	1,747,048
Fundraising	1,426,586	-	1,426,586	1,284,658	-	1,284,658
Gala Event	1,965,370	-	1,965,370	1,450,081	-	1,450,081
Total Expenses	<u>17,556,419</u>	<u>-</u>	<u>17,556,419</u>	<u>13,069,943</u>	<u>-</u>	<u>13,069,943</u>
OPERATING GAIN (LOSS)	<u>(5,362,685)</u>	<u>5,146,279</u>	<u>(216,406)</u>	<u>(590,991)</u>	<u>1,501,874</u>	<u>910,883</u>
<b>NON-OPERATING ITEMS:</b>						
Gain on PPP Loan Forgiveness	-	-	-	847,630	-	847,630
Investment Gains (Losses)	731,221	-	731,221	(1,600,649)	-	(1,600,649)
Total Non-Operating Items	<u>731,221</u>	<u>-</u>	<u>731,221</u>	<u>(753,019)</u>	<u>-</u>	<u>(753,019)</u>
CHANGE IN NET ASSETS	<u>(4,631,464)</u>	<u>5,146,279</u>	<u>514,815</u>	<u>(1,344,010)</u>	<u>1,501,874</u>	<u>157,864</u>
NET ASSETS, Beginning 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>
NET ASSETS, End of Period	<u>\$ 13,947,994</u>	<u>\$ 9,422,177</u>	<u>\$ 23,370,171</u>	<u>\$ 18,579,458</u>	<u>\$ 4,275,898</u>	<u>\$ 22,855,356</u>

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

## NORTHSIDE ACHIEVEMENT ZONE

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023				
	Program Services	Management and General	Fundraising	Gala Event	Total
Personnel Costs:					
Salaries and Wages	\$ 3,294,553	\$ 883,642	\$ 746,679	\$ –	\$ 4,924,874
Payroll Taxes and Benefits	743,092	206,080	174,085	–	1,123,257
Total Personnel Costs	4,037,645	1,089,722	920,764	–	6,048,131
Contracted Services	5,956,043	1,049,411	165,687	727,500	7,898,641
Travel and Meetings	213,382	122,406	14,403	965,656	1,315,847
Program	693,962	20,537	12,104	211,676	938,279
Occupancy	276,564	71,529	57,888	–	405,981
Information Technology	49,670	184,162	36,107	20,000	289,939
Interest Expense	138,667	30,564	19,432	–	188,663
Operations	23,864	100,421	49,235	13,763	187,283
Legal Services	–	14,806	66,667	–	81,473
Business Expenses	26,362	8,030	20,137	26,775	81,304
Bad Debt Expense	–	–	62,500	–	62,500
Other Expenses	–	47,828	–	–	47,828
Staff Training and Development	5,482	3,406	1,662	–	10,550
<b>TOTAL EXPENSES</b>	<b>\$ 11,421,641</b>	<b>\$ 2,742,822</b>	<b>\$ 1,426,586</b>	<b>\$ 1,965,370</b>	<b>\$ 17,556,419</b>

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

## NORTHSIDE ACHIEVEMENT ZONE

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued) FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2022				
	Program Services	Management and General	Fundraising	Gala Event	Total
Personnel Costs:					
Salaries and Wages	\$ 2,342,406	\$ 622,074	\$ 620,356	\$ –	\$ 3,584,836
Payroll Taxes and Benefits	596,799	222,411	158,110	–	977,320
Total Personnel Costs	<u>2,939,205</u>	<u>844,485</u>	<u>778,466</u>	–	<u>4,562,156</u>
Contracted Services	4,961,527	555,679	244,978	618,241	6,380,425
Travel and Meetings	24,171	10,258	8,218	640,034	682,681
Program	278,531	30,175	7,264	125,864	441,834
Occupancy	238,361	53,364	64,038	–	355,763
Information Technology	67,929	99,137	20,201	15,239	202,506
Interest Expense	–	–	–	–	–
Operations	50,684	45,444	19,180	19,255	134,563
Legal Services	12,608	20,095	24,649	368	57,720
Business Expenses	–	1,825	16,355	25,904	44,084
Bad Debt Expense	–	–	100,000	–	100,000
Other Expenses	5,995	77,004	1,220	5,176	89,395
Staff Training and Development	<u>9,145</u>	<u>9,582</u>	<u>89</u>	–	<u>18,816</u>
<b>TOTAL EXPENSES</b>	<u><b>\$ 8,588,156</b></u>	<u><b>\$ 1,747,048</b></u>	<u><b>\$ 1,284,658</b></u>	<u><b>\$ 1,450,081</b></u>	<u><b>\$ 13,069,943</b></u>

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



## NORTHSIDE ACHIEVEMENT ZONE

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 514,815	\$ 157,864
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Gain on Forgiveness of PPP Loan	–	(847,630)
Depreciation	82,719	3,091
Amortization of Debt Issuance Costs	35,866	
(Gain) Loss on Disposal of Assets	2,301	–
Realized/Unrealized (Gains) Losses on Investments, Net	(352,710)	1,922,240
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	(1,601,588)	(1,275,781)
Other Receivables	895,551	(514,204)
Prepaid Expenses	14,605	(20,015)
Accounts Payable	(229,086)	234,790
Accrued Expenses	171,971	(125,358)
Net Cash Flows From Operating Activities	(465,556)	(465,003)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(10,001,683)	(6,047,278)
Sales of Investments	15,270,525	5,686,483
Issuance of Note Receivable	(4,300,200)	–
Purchases of Property and Equipment	(5,760,746)	(132,695)
Net Cash Flows From Investing Activities	(4,792,104)	(493,490)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Long-Term Debt	8,887,000	–
Payment on Long-Term Debt	–	(43,270)
Debt Issuance Costs on Long-Term Debt	(334,749)	–
Net Cash Flows From Financing Activities	8,552,251	(43,270)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,294,591	(1,001,763)
CASH AND CASH EQUIVALENTS at Beginning of Period	1,559,411	2,561,174
CASH AND CASH EQUIVALENTS at End of Period	\$ 4,854,002	\$ 1,559,411

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

# NORTHSIDE ACHIEVEMENT ZONE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

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

#### Nature of Activities

The mission of the Northside Achievement Zone (NAZ or Organization) is to end generational poverty in North Minneapolis by building a culture of achievement where all low-income children of color have the support they need to graduate high school and succeed in college, career and life.

NAZ accomplishes this through partnership with parents, community organizations, and schools.

Founded in 2008, NAZ is a collaborative of more than 30 Northside non-profits, early childhood centers and K-12 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 FY23 there were 1,072 families with 2,245 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 FY23 was the second of a three-year strategic business plan to establish long-term goals for the organization based on the needs of our community, taking into 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 high quality 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 CONSOLIDATED 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 November 15, 2023, the date the financial statements were available to be issued.

##### **Consolidation**

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary. 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 is leased to the Organization (the Project). All significant intercompany transactions and accounts have been eliminated.

# NORTHSIDE ACHIEVEMENT ZONE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

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

#### 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, 2023 and 2022.

Grants and contributions receivable at June 30, 2023 consist of \$853,225 of reimbursable expenditures incurred under the Organization's government grant awards and \$8,705,153 from private donors. 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.

#### 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
Building	39 Years
Building Improvements	15 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).

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

##### 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.

###### 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 sponsorship, 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 events, via auction, and other fundraising activities. Revenue from this event is 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 were no contract liabilities at June 30, 2023, 2022 and 2021.

As a practical expedient, the Organization groups similar contracts or similar performance obligations together into portfolios of contracts if doing so does not result in a significant difference from applying this accounting standard to the individual contracts.

The Organization's revenues disaggregated by the timing of such revenue recognized during the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Point in Time	\$ 448,666	\$ 347,250
Revenue Not Subject to ASC 606	<u>16,891,347</u>	<u>13,633,576</u>
Ending Balance	<u>\$ 17,340,013</u>	<u>\$ 13,980,826</u>

**NORTHSIDE ACHIEVEMENT ZONE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

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

**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. The Organization had a credit risk concentration as a result of depositing \$97,789 of funds in excess of insurance limits in a single bank.

**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 CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 - FUNDRAISING CAMPAIGNS**

A key goal in the Organization's three-year strategic business plan is financial sustainability and the focus of that plan is to diversify our funding sources. To that end, in FY23 NAZ secured two significant new multi-year grants from national funders – Ballmer Group (\$2.2 million) and Blue Meridian Partners (\$6 million). NAZ continues to benefit from two successful fundraising campaigns – *NAZ is Working*, completed in 2020 and NAZ NOW, completed in early 2022. These campaigns increased the Organization's reserves and secured multi-year pledges, some of which extend into FY25. In the spring of 2023 NAZ held its second annual SOARNorth Gala which grossed more than \$3 million in sponsorships, ticket sales, and charitable donations. The grants and contributions receivable at June 30, 2023 consist mostly of large grants, NAZ NOW pledges and a few remaining *NAZ is Working* pledges.

**NOTE 3 - GRANTS AND CONTRIBUTIONS RECEIVABLE**

	<b>2023</b>	<b>2022</b>
Grants and Contributions Receivable	<b><u>\$ 9,558,378</u></b>	<b><u>\$ 7,956,790</u></b>

Grants and contributions receivable are due as follows for the year ended June 30, 2023:

2024	\$ 7,083,660
2025	1,890,228
2026	587,814
2027	78,553
2028	12,834
	9,653,089
Less Discount at 3%	94,711
Total	<b><u>\$ 9,558,378</u></b>

**NOTE 4 - INVESTMENTS**

Investments consist of the following at June 30, 2023 and 2022:

	June 30, 2023		June 30, 2022	
	Cost	Market	Cost	Market
Government Securities	\$ 1,202,039	\$ 1,166,805	\$ 2,629,387	\$ 2,491,607
Corporate Bonds	591,334	555,973	1,818,373	1,649,706
Mutual Funds	2,517,677	2,848,569	4,823,132	4,360,593
Common Stocks	2,171,687	2,492,622	3,906,929	3,723,292
Certificates of Deposit	492,901	492,901	–	–
Mutual Funds - CEF's and ETF's	963,225	963,225	1,321,595	1,211,029
Total	<b><u>\$ 7,938,863</u></b>	<b><u>\$ 8,520,095</u></b>	<b><u>\$ 14,499,416</u></b>	<b><u>\$ 13,436,227</u></b>

Net investment gain (loss) consists of the following for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Interest and Dividends	\$ 450,277	\$ 400,609
Realized and Unrealized Investment Gains (Losses)	352,710	(1,922,240)
Fees	(71,766)	(79,018)
Total	<b><u>\$ 731,221</u></b>	<b><u>\$ (1,600,649)</u></b>

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 4 - INVESTMENTS (Continued)

The following table, as of June 30, 2023 and 2022, 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>2023:</b>				
Government Securities	\$ 1,166,805	\$ -	\$ 1,166,805	\$ -
Corporate Bonds	555,973	-	555,973	-
Mutual Funds	2,848,569	2,848,569	-	-
Common Stocks	2,492,622	2,492,622	-	-
Certificates of Deposit	492,901	-	492,901	-
Mutual Funds - CEF's and ETF's	963,225	963,225	-	-
Totals	<u>\$ 8,520,095</u>	<u>\$ 6,304,416</u>	<u>\$ 2,215,679</u>	<u>\$ -</u>
Description	Total Market	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>2022:</b>				
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>

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, corporate bonds and certificates of deposit 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 CONSOLIDATED 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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 4,854,002	\$ 1,559,411
Accounts Receivable, Net	54,780	950,331
Contributions Receivable, Net	9,558,378	7,956,790
Investments	8,520,095	13,436,227
Total Financial Assets	<u>22,987,255</u>	<u>23,902,759</u>
Less Donor Imposed Purpose Restricted Net Assets	9,422,177	4,275,898
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>\$ 10,565,078</u>	<u>\$ 16,626,861</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 - PPP LOAN AND FORGIVENESS

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 2022. The Organization repaid the remaining portion of the loan on January 25, 2022.

#### NOTE 7 - LONG-TERM DEBT AND NOTE RECEIVABLE

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).

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

#### NOTE 7 - LONG-TERM DEBT AND NOTE RECEIVABLE (Continued)

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.

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. This is recorded as a Note Receivable on the Statement of Financial Position at June 30, 2023. 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 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 and \$19,367, respectively, on the Notes. On September 7, 2052, all outstanding principal, interest and unpaid fees, and other charges are due on the Notes.

**NORTHSIDE ACHIEVEMENT ZONE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT AND NOTE RECEIVABLE (Continued)**

Long-term debt is as follows:

	<b>2023</b>	<b>2022</b>
<b>NEW MARKETS TAX CREDITS PROGRAM:</b>		
Sunrise New Market Fund, LLC:		
Note payable, dated September 7, 2022, due on September 7, 2052. Fixed interest rate of 1.4083%. The note is secured by financial assets and property. The note has a put option feature that is exercisable September 2029.	<b>\$ 4,300,200</b>	\$ —
Sunrise New Market Fund, LLC:		
Note payable, dated September 7, 2022, due on September 7, 2052. Fixed interest rate of 4.91%. The note is secured by financial assets and property. The note has a put option feature that is exercisable September 2029.	<b>1,519,800</b>	—
<b>BANK LOAN:</b>		
Sunrise Banks, National Association		
Note payable, dated September 7, 2022, due on September 7, 2029. Fixed interest rate of 1.4083%. The note is secured by financial assets and property. Monthly principal and accrued interest payments of \$17,768.92 starting September 25, 2023.	<b>3,067,000</b>	—
Less Unamortized Debt Issuance Costs	<b>(298,883)</b>	—
Total	<b>8,588,117</b>	—
Less Amount Due Within One Year	<b>(53,170)</b>	—
Long-Term Debt	<b><u>\$ 8,534,947</u></b>	<b><u>\$ —</u></b>

Cash payments for interest were \$188,663 in 2023 and \$0 in 2022.

The Organization must comply with certain loan covenants including several financial ratios.

Principal payments required during the next five years are: 2024 - \$53,170; 2025 - \$66,737; 2026 - \$70,088; 2027 - \$73,608; and 2028 - \$77,304.

**NOTE 8 - NET ASSETS**

Net assets with donor restrictions at June 30, 2023 and 2022 consist of the following:

	<b>2023</b>	<b>2022</b>
Time Restriction	<b>\$ 8,593,514</b>	\$ 3,870,013
Early Childhood	<b>110,000</b>	115,000
Family Academy	<b>766,667</b>	100,000
Design for a Difference	<b>—</b>	34,385
Family Emergency Fund	<b>46,707</b>	64,393
Emergency Relief	<b>—</b>	291,521
Contributions Receivable Discount	<b>(94,711)</b>	(199,414)
	<b><u>\$ 9,422,177</u></b>	<b><u>\$ 4,275,898</u></b>

Net assets with donor restrictions released from restriction were \$4,874,209 and \$3,450,487 in June 30, 2023 and 2022. Net assets with donor restrictions were released from restriction due to satisfaction of time and program restrictions.

## NORTHSIDE ACHIEVEMENT ZONE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

#### NOTE 9 - 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 \$120,968 in 2023 and \$88,738 in 2022.

#### NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>
Auction Items	<b>\$ 172,353</b>	\$ 118,600
Consulting Services	<b>36,167</b>	20,201
Total Contributed Nonfinancial Assets	<b><u>\$ 208,520</u></b>	<b><u>\$ 138,801</u></b>

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.

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

---

Board of Directors  
Northside Achievement Zone  
Minneapolis, Minnesota

We have audited the consolidated financial statements of Northside Achievement Zone and subsidiary as of and for the year ended June 30, 2023, and our report thereon dated November 15, 2023, which expressed an unmodified opinion on those financial statements, appears on page 1-2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information on pages 20-21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and the change in net assets of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Roseville, Minnesota  
November 15, 2023

*Olson Threlen + Co., LTD.*

**NORTHSIDE ACHIEVEMENT ZONE**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2023**

	ASSETS		Northside Achievement Zone	NAZ Real Estate Holding Company
	<u>Consolidated</u>	Eliminations		
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 4,854,002	\$	\$ 4,503,347	\$ 350,655
Grants and Contributions Receivable, Net	7,083,660		7,083,660	
Other Receivables	54,780		54,780	
Receivable from Affiliate	-	(1,608,586)	1,608,586	
Prepaid Expenses	106,554		106,554	
Total Current Assets	<u>12,098,996</u>	<u>(1,608,586)</u>	<u>13,356,927</u>	<u>350,655</u>
INVESTMENTS	<u>8,520,095</u>	<u>-</u>	<u>8,520,095</u>	<u>-</u>
<b>PROPERTY AND EQUIPMENT:</b>				
Construction in Progress	226,994		227,694	(700)
Land	136,100			136,100
Building and Building Improvements	5,388,531			5,388,531
Furniture and Equipment	141,817		141,817	
Less Accumulated Depreciation	(82,125)		(6,753)	(75,372)
Net Property and Equipment	<u>5,811,317</u>	<u>-</u>	<u>362,758</u>	<u>5,448,559</u>
<b>OTHER LONG-TERM ASSETS:</b>				
Grants and Contributions Receivable, Net	2,474,718		2,474,718	
Note Receivable	4,300,200			4,300,200
Total Other Assets	<u>6,774,918</u>	<u>-</u>	<u>2,474,718</u>	<u>4,300,200</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 33,205,326</u></b>	<b><u>\$ (1,608,586)</u></b>	<b><u>\$ 24,714,498</u></b>	<b><u>\$ 10,099,414</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Current Portion of Long-Term Debt	\$ 53,170	\$	\$	\$ 53,170
Accounts Payable	813,599		813,599	
Payable from Affiliate	-	(1,608,586)		1,608,586
Accrued Expenses	433,439		433,439	
Total Current Liabilities	<u>1,300,208</u>	<u>(1,608,586)</u>	<u>1,247,038</u>	<u>1,661,756</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>8,534,947</u>	<u>-</u>	<u>-</u>	<u>8,534,947</u>
<b>TOTAL LIABILITIES</b>	<b><u>9,835,155</u></b>	<b><u>(1,608,586)</u></b>	<b><u>1,247,038</u></b>	<b><u>10,196,703</u></b>
<b>NET ASSETS:</b>				
Without Donor Restrictions:				
Undesignated	10,947,994		11,045,283	(97,289)
Board Designated Operating Reserve	3,000,000		3,000,000	
Total Without Donor Restrictions	<u>13,947,994</u>	<u>-</u>	<u>14,045,283</u>	<u>(97,289)</u>
With Donor Restrictions	9,422,177		9,422,177	
Total Net Assets	<u>23,370,171</u>	<u>-</u>	<u>23,467,460</u>	<u>(97,289)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 33,205,326</u></b>	<b><u>\$ (1,608,586)</u></b>	<b><u>\$ 24,714,498</u></b>	<b><u>\$ 10,099,414</u></b>

## NORTHSIDE ACHIEVEMENT ZONE

### CONSOLIDATING SCHEDULE OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	<u>Consolidated</u>	<u>Eliminations</u>	<u>Northside Achievement Zone</u>	<u>NAZ Real Estate Holding Company</u>
<b>SUPPORT AND REVENUES:</b>				
Government Grants	\$ 1,452,447	\$	\$ 1,452,447	\$
Contributions:				
Individuals	1,304,140		1,304,140	
Corporations	457,837		457,837	
Foundations	10,525,462		10,525,462	
Gala Event	3,437,771		3,437,771	
Miscellaneous	126,189	(167,500)	91,071	202,618
Contributed Services	36,167		36,167	
Total Support and Revenues	<u>17,340,013</u>	<u>(167,500)</u>	<u>17,304,895</u>	<u>202,618</u>
<b>EXPENSES:</b>				
Program Services	11,421,641	(112,050)	11,313,264	220,427
Management and General	2,742,822	(30,054)	2,724,286	48,590
Fundraising	1,426,586	(25,396)	1,421,092	30,890
Gala Event	1,965,370		1,965,370	
Total Expenses	<u>17,556,419</u>	<u>(167,500)</u>	<u>17,424,012</u>	<u>299,907</u>
OPERATING LOSS	<u>(216,406)</u>	<u>—</u>	<u>(119,117)</u>	<u>(97,289)</u>
<b>NON-OPERATING ITEMS:</b>				
Investment Gains	731,221		731,221	
Total Non-Operating Items	<u>731,221</u>	<u>—</u>	<u>731,221</u>	<u>—</u>
CHANGE IN NET ASSETS	514,815		612,104	(97,289)
NET ASSETS, Beginning of Period	<u>22,855,356</u>		<u>22,855,356</u>	
NET ASSETS, End of Period	<u>\$ 23,370,171</u>	<u>\$ —</u>	<u>\$ 23,467,460</u>	<u>\$ (97,289)</u>