

# **Northside Achievement Zone**

Consolidated Financial Statements and  
Supplementary Information

June 30, 2024 and 2023

# Northside Achievement Zone

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Table of Contents  
June 30, 2024 and 2023

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
<b>Supplementary Information</b>	
Consolidating Schedule of Financial Position	20
Consolidating Schedule of Activities	22

## **Independent Auditors' Report**

To the Board of Directors of  
Northside Achievement Zone

### **Opinion**

We have audited the consolidated financial statements of Northside Achievement Zone and subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

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

### **Other Matter**

The financial statements of Northside Achievement Zone and subsidiary, as of and for the year ended June 30, 2023, were audited by other auditors whose report thereon, dated November 15, 2023, expressed an unmodified opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows 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.

*Baker Tilly US, LLP*

Minneapolis, Minnesota  
November 25, 2024

## Northside Achievement Zone

Consolidated Statements of Financial Position  
June 30, 2024 and 2023

	2024	2023
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,257,296	\$ 4,854,002
Grants and contributions receivable, net	1,039,460	7,083,660
Other receivables	-	54,780
Prepaid expenses	317,599	106,554
Total current assets	6,614,355	12,098,996
<b>Investments</b>	10,233,342	8,520,095
<b>Property and Equipment</b>		
Construction in progress	-	226,994
Land	707,100	136,100
Building and building improvements	5,504,083	5,388,531
Furniture and equipment	646,647	141,817
Less accumulated depreciation	(371,729)	(82,125)
Total property and equipment	6,486,101	5,811,317
<b>Other Long-Term Assets</b>		
Grants and contributions receivable, net	2,749,170	2,474,718
Note receivable	4,300,200	4,300,200
Total other assets	7,049,370	6,774,918
Total assets	<u>\$ 30,383,168</u>	<u>\$ 33,205,326</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 270,327	\$ 53,170
Accounts payable	908,548	813,599
Accrued expenses	436,669	433,439
Deferred revenues (current)	100,000	-
Total current liabilities	1,715,544	1,300,208
<b>Long-Term Debt, Net of Current Portion</b>	8,550,817	8,534,947
Total liabilities	10,266,361	9,835,155
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	7,006,439	10,947,994
Board designated for building note	1,000,000	-
Board designated operating reserve	3,000,000	3,000,000
Total without donor restrictions	11,006,439	13,947,994
With donor restrictions	9,110,368	9,422,177
Total net assets	20,116,807	23,370,171
Total liabilities and net assets	<u>\$ 30,383,168</u>	<u>\$ 33,205,326</u>

See notes to consolidated financial statements

## Northside Achievement Zone

Consolidated Statements of Activities  
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>						
Governmental grants	\$ 1,224,164	\$ -	\$ 1,224,164	\$ 1,452,447	\$ -	\$ 1,452,447
Contributions:						
Individuals	925,232	32,000	957,232	1,296,140	8,000	1,304,140
Corporations	287,822	66,274	354,096	180,052	277,785	457,837
Foundations	2,620,869	6,342,197	8,963,066	790,759	9,734,703	10,525,462
Gala event revenue	2,985,933	-	2,985,933	3,437,771	-	3,437,771
Miscellaneous	420,841	-	420,841	126,189	-	126,189
Contributed services	13,250	-	13,250	36,167	-	36,167
Net assets released from restrictions	6,752,280	(6,752,280)	-	4,874,209	(4,874,209)	-
Total support and revenues	15,230,391	(311,809)	14,918,582	12,193,734	5,146,279	17,340,013
<b>Expenses</b>						
Program services	12,898,109	-	12,898,109	11,421,641	-	11,421,641
Management and general	2,701,091	-	2,701,091	2,742,822	-	2,742,822
Fundraising	1,491,270	-	1,491,270	1,426,586	-	1,426,586
Gala event	2,000,375	-	2,000,375	1,965,370	-	1,965,370
Total expenses	19,090,845	-	19,090,845	17,556,419	-	17,556,419
Operating gain (loss)	(3,860,454)	(311,809)	(4,172,263)	(5,362,685)	5,146,279	(216,406)
<b>Nonoperating Items</b>						
Investment gains	918,899	-	918,899	731,221	-	731,221
Total nonoperating items	918,899	-	918,899	731,221	-	731,221
Change in net assets	(2,941,555)	(311,809)	(3,253,364)	(4,631,464)	5,146,279	514,815
<b>Net Assets, Beginning</b>	13,947,994	9,422,177	23,370,171	18,579,458	4,275,898	22,855,356
<b>Net Assets, Ending</b>	\$ 11,006,439	\$ 9,110,368	\$ 20,116,807	\$ 13,947,994	\$ 9,422,177	\$ 23,370,171

See notes to consolidated financial statements

## Northside Achievement Zone

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2024

	Program	Management and General	Fundraising		Total
			Other Fundraising	Gala Event	
Personnel costs:					
Salaries and Wages	\$ 3,747,771	\$ 1,338,168	\$ 781,902	\$ -	\$ 5,867,841
Payroll tax and benefits	977,523	335,359	185,750	-	1,498,632
Total personnel costs	4,725,294	1,673,527	967,652	-	7,366,473
Contracted services	6,929,000	361,496	180,613	692,016	8,163,125
Travel and meetings	88,398	90,804	23,747	1,022,158	1,225,107
Program	601,621	27,089	806	218,960	848,476
Occupancy	150,741	53,823	30,804	-	235,368
Information technology	34,070	109,111	12,696	34,987	190,864
Interest expense	172,089	37,931	24,115	-	234,135
Operations	11,470	160,317	24,621	32,254	228,662
Legal services	-	41,180	48,333	-	89,513
Business expenses	-	3,809	54,993	-	58,802
Bad debt expense	-	15,424	84,300	-	99,724
Depreciation	184,969	66,045	38,590	-	289,604
Other expenses	-	46,358	-	-	46,358
Staff training and development	457	14,177	-	-	14,634
Total expenses	<u>\$ 12,898,109</u>	<u>\$ 2,701,091</u>	<u>\$ 1,491,270</u>	<u>\$ 2,000,375</u>	<u>\$ 19,090,845</u>

See notes to consolidated financial statements

## Northside Achievement Zone

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program	Management and General	Fundraising		Total
			Other Fundraising	Gala Event	
Personnel costs:					
Salaries and wages	\$ 3,294,553	\$ 883,642	\$ 746,679	\$ -	\$ 4,924,874
Payroll tax 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	221,228	56,687	45,348	-	323,263
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
Depreciation Expense	55,336	14,842	12,541	-	82,719
Total expenses	<u>\$ 11,421,641</u>	<u>\$ 2,742,822</u>	<u>\$ 1,426,587</u>	<u>\$ 1,965,370</u>	<u>\$ 17,556,420</u>

See notes to consolidated financial statements



## Northside Achievement Zone

Consolidated Statements of Cash Flows  
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flow From Operating Activities</b>		
Change in net assets	\$ (3,253,364)	\$ 514,815
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	289,604	82,719
Amortization of debt issuance costs	12,838	35,866
Loss on disposal of assets	-	2,301
Realized/unrealized gains on investment, net	(411,755)	(352,710)
Changes in assets and liabilities:		
Grants and contributions receivable	5,769,748	(1,601,588)
Other receivables	54,780	895,551
Prepaid expenses	(211,045)	14,605
Accounts payable	94,949	(229,086)
Accrued expenses	3,230	171,971
Deferred Revenue	100,000	-
Net cash flows from operating activities	<u>2,448,985</u>	<u>(465,556)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(8,798,316)	(10,001,683)
Sales of investments	7,496,824	15,270,525
Issuance of note receivable	-	(4,300,200)
Purchases of property and equipment	<u>(678,889)</u>	<u>(5,760,746)</u>
Net cash flows from investing activities	<u>(1,980,381)</u>	<u>(4,792,104)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of long-term debt	-	8,887,000
Payment on long-term debt	(65,310)	-
Debt issuance costs on long-term debt	<u>-</u>	<u>(334,749)</u>
Net cash flows from financing activities	<u>(65,310)</u>	<u>8,552,251</u>
Net change in cash and cash equivalents	403,294	3,294,591
<b>Cash and Cash Equivalents, Beginning</b>	<u>4,854,002</u>	<u>1,559,411</u>
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 5,257,296</u></u>	<u><u>\$ 4,854,002</u></u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash paid for interest	<u><u>\$ 234,135</u></u>	<u><u>\$ 179,485</u></u>
<b>Noncash Investing and Financing Activities</b>		
Noncash exchange of loan issuance for property	<u><u>\$ 285,500</u></u>	<u><u>\$ -</u></u>

See notes to consolidated financial statements

# Northside Achievement Zone

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Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

## 1. Nature of Activities

The mission of the Northside Achievement Zone (the 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 nonprofits, 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 fiscal year 2024 there were 1,149 families with 2,427 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.

Fiscal year 2024 was the third 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.

## 2. Summary of Significant Accounting Policies

### 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:

## **Northside Achievement Zone**

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### **Notes to Consolidated Financial Statements**

June 30, 2024 and 2023

#### **Net Assets Without Donor Restrictions**

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

#### **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. NAZ reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 consolidated statement of activities as net assets released from restrictions.

#### **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 25, 2024, 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.

#### **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 accounts are maintained in financial institutions insured by the Federal Deposit Insurance Corporation. Periodically, cash balances may exceed the insurance limit. The Company has not experienced any losses in such accounts.

## Northside Achievement Zone

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Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 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 the 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, 2024 and 2023.

Grants and contributions receivable at June 30, 2024 consist of \$354,598 of reimbursable expenditures incurred under the Organization's government grant awards and \$3,593,545 from private donors. 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.

### Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements or major renewals exceeding \$5,000 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:

	<u>Years</u>
Computer equipment	5
Furniture	7
Building	39
Building improvements	15

## **Northside Achievement Zone**

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Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### **Impairment of Long-Lived Assets**

The Organization reviews long-lived assets, including buildings and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There have been no such losses for the years ended June 30, 2024 and 2023.

### **Investments and Investment Return**

The Organization's investments are presented in the financial statements at fair value based on quoted market prices. Investments are recorded as without donor restrictions or with donor restrictions based on the existence or absence of donor restrictions. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Investment return pertaining to certain restricted net assets are recorded as with donor restrictions in accordance with the applicable gift instruments. All other investment return is recorded in net assets without donor restrictions. Interest income is recognized under the accrual basis and dividend income is recognized on the dividend date. Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

### **Deferred Revenue**

Sponsorships fees designated for use in future periods are recorded as deferred revenue when received and reflected as support in the year when the fees are earned.

### **Revenue Recognition**

#### **Contributions and Government Grant Revenue**

Unconditional contributions and grants, including promises to give (e.g. pledges), are recognized as revenues in the period received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no outstanding conditional promises to give at June 30, 2024 and 2023.

Contributions that are restricted by the donor are reported as increases in net assets without donor restricted only if the restrictions expire during the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of restrictions and when restrictions expire on restricted contributions received in previous years. Upon expiration of the donor restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions receivable beyond one year are discounted by 3% as of June 30, 2024 and 2023. Contributions receivable due within one year are not discounted. The allowance for uncollectible contributions receivable is determined based on historical experience and specific identification.

Government grants are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific provisions. 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 Consolidated Financial Statements

June 30, 2024 and 2023

#### Gala Event Revenue

Gala event revenue is comprised of an exchange element based upon the direct benefit donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

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, contributions via auction and other fundraising activities. Registration fees (tables sales and individual tickets) for events are billed to the participant at the time of registration. 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, 2024 and 2023.

The Organization's revenues disaggregated by the timing of such revenue recognized during the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Exchange revenue recognized at a point in time	\$ 148,149	\$ 448,666
Nonexchange revenue (contributions)	<u>14,770,433</u>	<u>16,891,347</u>
Ending balance	<u>\$ 14,918,582</u>	<u>\$ 17,340,013</u>

#### 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.

## Northside Achievement Zone

### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

#### New Accounting Pronouncement Adopted in the Current Year

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the College adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 did not have a material impact on the financial statements for the year ended June 30, 2024.

#### 3. Fundraising Campaigns

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 2024, NAZ held its third annual SOARNorth Gala, which grossed almost \$3 million in sponsorships, ticket sales, and charitable donations. The grants and contributions receivable at June 30, 2024 consist mostly of large grants, NAZ NOW pledges and a few remaining NAZ is Working pledges.

#### 4. Grants and Contributions Receivable

Outstanding grants, pledges and contributions receivable from various corporations and individuals were as follows as of June 30, 2024:

	2024	2023
Gross amounts due in:		
Less than one year	\$ 1,079,460	\$ 7,083,660
One to five years	2,868,683	2,609,429
Total pledges and grants receivable before discount	3,948,143	9,693,089
Less present value discount at 3%	(119,513)	(94,711)
Less allowance for uncollectible	(40,000)	(40,000)
Total pledges and grants receivable	3,788,630	9,558,378
Current portion of pledges and grants receivable	1,039,460	7,083,660
Long-term portion of pledges and grants receivable	2,749,170	2,474,718
Total pledges and grants receivable	\$ 3,788,630	\$ 9,558,378

## Northside Achievement Zone

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 5. Fair Value Measurements and Investments

Fair value is defined under generally accepted accounting principles as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date. Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets include investments in mutual funds, common stocks, CEF's and ETF's for which quoted prices are readily available.

Level 2 - Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data. Level 2 assets include investments in government securities, corporate bonds and brokered certificates of deposits for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. There are no Level 3 assets.

There have been no changes in the techniques and inputs used as of June 30, 2024 and 2023.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2024 based upon the three-tier hierarchy:

Description	Total	Level 1	Level 2	Level 3
Government securities	\$ 2,519,973	\$ -	\$ 2,519,973	\$ -
Corporate bonds	1,210,851	-	1,210,851	-
Mutual funds	1,417,023	1,417,023	-	-
Common stocks	2,799,532	2,799,532	-	-
Brokered certificates of deposit	515,460	-	515,460	-
Mutual funds - CEF's and ETF's	1,770,503	1,770,503	-	-
Total	<u>\$ 10,233,342</u>	<u>\$ 5,987,058</u>	<u>\$ 4,246,284</u>	<u>\$ -</u>



## Northside Achievement Zone

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2023 based upon the three-tier hierarchy:

Description	Total	Level 1	Level 2	Level 3
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	-	-
Brokered certificates of deposit	492,901	-	492,901	-
Mutual funds - CEF's and ETF's	963,225	963,225	-	-
Total	<u>\$ 8,520,095</u>	<u>\$ 6,304,416</u>	<u>\$ 2,215,679</u>	<u>\$ -</u>

Net investment gain (loss) consists of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Interest and dividends	\$ 587,144	\$ 450,277
Realized and unrealized investment gains (losses)	411,755	352,710
Fees	(80,000)	(71,766)
Total	<u>\$ 918,899</u>	<u>\$ 731,221</u>

### 6. 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 \$4,500,000. 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, 2024 and 2023 are as follows:

	2024	2023
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 5,257,296	\$ 4,854,002
Accounts receivable, net	-	54,780
Current contributions receivable, net	1,039,460	7,083,660
Investments	10,233,342	8,520,095
Total financial assets	16,530,098	20,512,537
Less donor imposed restricted net assets not available within one year	3,004,000	9,422,177
Less board designated net assets for operating reserve	3,000,000	3,000,000
Less board designated net assets for building note	1,000,000	-
Amounts available for general expenditure within one year	<u>\$ 9,593,905</u>	<u>\$ 8,090,360</u>

## Northside Achievement Zone

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Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

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.

### 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).

On September 7, 2022, the 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, 2024. 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.

On March 29, 2024, the Organization entered into a contract for a deed to acquire a parking lot located across the street from their headquarters. Under the terms of the agreement, the Organization will make monthly payments of \$5,519, including interest of an annual rate of 16%, beginning May 1, 2024 with a final payment due on April 1, 2029. The total purchase price of the parking lot is \$571,000. The parking lot will be used to support the Organization's operations by providing parking facilities for staff, volunteers and visitors. Interest expense related to the contract for deed will be recognized over the term of the agreement using the effective interest method.

## Northside Achievement Zone

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<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.	\$ 4,300,200	\$ 4,300,200
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.	1,519,800	1,519,800
<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.	3,015,965	3,067,000
<b>Parking Lot Loan</b>		
Landmark 1901 Second Street North LLC		
Contract Deed payable, dated March 29th, 2024, due on April 1, 2029. Fixed interest rate of 15.99%. Monthly principal and accrued interest payments of \$5,519.21 starting on May 1, 2024.	271,225	-
Total long-term debt	9,107,190	8,887,000
Less unamortized debt issuance costs	(286,046)	(298,883)
Less amount due within one year	(270,327)	(53,170)
Total long-term debt, net of debt issuance costs	<u>\$ 8,550,817</u>	<u>\$ 8,534,947</u>

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

## Northside Achievement Zone

Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

Principal requirements on long-term debt for years ending June 30 are as follows:

Years ending June 30:		
2025	\$	270,327
2026		270,327
2027		270,327
2028		270,327
2029		256,052
Thereafter		<u>7,769,830</u>
Total	\$	<u><u>9,107,190</u></u>

### 8. Net Assets

Net assets with donor restrictions at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Time restriction	\$ 8,255,067	\$ 8,593,514
Restricted for donor specific purposes		
Early childhood	116,800	110,000
Family academy	340,534	766,667
Education pipeline	35,000	-
Family engagement	12,500	-
Family program support	290,000	-
Building signage	16,274	-
Family emergency fund	46,707	46,707
GBI pilot	117,000	-
Contributions receivable discount	<u>(119,514)</u>	<u>(94,711)</u>
Total net assets with donor restrictions	<u>\$ 9,110,368</u>	<u>\$ 9,422,177</u>

Net assets with donor restrictions released from restriction were \$6,752,280 and \$4,874,209 in June 30, 2024 and 2023. Net assets with donor restrictions were released from restriction due to satisfaction of time and program restrictions.

### 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 \$165,531 in 2024 and \$120,968 in 2023.

## Northside Achievement Zone

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Notes to Consolidated Financial Statements  
June 30, 2024 and 2023

### 10. Contributed Nonfinancial Assets

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

	<u>2024</u>	<u>2023</u>
Auction items	\$ 175,500	\$ 172,353
Consulting services	<u>13,250</u>	<u>36,167</u>
Total contributed nonfinancial assets	<u>\$ 188,750</u>	<u>\$ 208,520</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.

## Northside Achievement Zone

Consolidating Schedule of Financial Position

June 30, 2024

	Northside Achievement Zone	NAZ Real Estate Holding Company	Eliminations	Consolidated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 5,022,889	\$ 234,407	\$ -	\$ 5,257,296
Grants and contributions receivable, net	1,039,460	-	-	1,039,460
Receivable from affiliate	1,848,372	335,000	2,183,372	-
Prepaid expenses	317,599	-	-	317,599
Total current assets	8,228,320	569,407	2,183,372	6,614,355
<b>Investments</b>	10,233,342	-	-	10,233,342
<b>Property and Equipment</b>				
Land	571,000	136,100	-	707,100
Building and building improvements	-	5,504,083	-	5,504,083
Furniture and equipment	646,647	-	-	646,647
Less accumulated depreciation	(67,417)	(304,312)	-	(371,729)
Net property and equipment	1,150,230	5,335,871	-	6,486,101
<b>Other Long-Term Assets</b>				
Grants and contributions receivable, net	2,749,170	-	-	2,749,170
Note receivable	-	4,300,200	-	4,300,200
Total other assets	2,749,170	4,300,200	-	7,049,370
Total assets	<u>\$ 22,361,062</u>	<u>\$ 10,205,478</u>	<u>\$ 2,183,372</u>	<u>\$ 30,383,168</u>

## Northside Achievement Zone

Consolidating Schedule of Financial Position

June 30, 2024

	Northside Achievement Zone	NAZ Real Estate Holding Company	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 54,718	\$ 215,609	\$ -	\$ 270,327
Accounts payable	908,548	-	-	908,548
Payable from affiliate	335,000	1,848,372	2,183,372	-
Deferred Revenue	100,000	-	-	100,000
Accrued expenses	436,669	-	-	436,669
Total current liabilities	1,834,935	2,063,981	2,183,372	1,715,544
<b>Long-Term Debt, Net of Current Portion</b>				
	214,125	8,336,692	-	8,550,817
Total liabilities	2,049,060	10,400,673	2,183,372	10,266,361
<b>Net Assets</b>				
Without donor restrictions:				
Undesignated	7,201,634	(195,195)	-	7,006,439
Board designated for building note	1,000,000	-	-	1,000,000
Board designated operating reserve	3,000,000	-	-	3,000,000
Total without donor restrictions	11,201,634	(195,195)	-	11,006,439
With donor restrictions	9,110,368	-	-	9,110,368
Total net assets	20,312,002	(195,195)	-	20,116,807
Total liabilities and net assets	\$ 22,361,062	\$ 10,205,478	\$ 2,183,372	\$ 30,383,168

## Northside Achievement Zone

Consolidating Schedule of Activities

Year Ended June 30, 2024

	Northside Achievement Zone	NAZ Real Estate Holding Company	Eliminations	Consolidated
<b>Support and Revenues</b>				
Government grants	\$ 1,224,164	\$ -	\$ -	\$ 1,224,164
Contributions:				
Individuals	957,232	-	-	957,232
Corporations	354,096	-	-	354,096
Foundations	8,963,066	-	-	8,963,066
Gala event	2,985,933	-	-	2,985,933
Miscellaneous	377,839	378,002	(335,000)	420,841
Contributed services	13,250	-	-	13,250
Total support and revenues	14,875,580	378,002	(335,000)	14,918,582
<b>Expenses</b>				
Program services	12,794,544	349,785	(246,220)	12,898,109
Management and general	2,678,261	77,105	(54,275)	2,701,091
Fundraising	1,476,757	49,018	(34,505)	1,491,270
Gala event	2,000,375	-	-	2,000,375
Total expenses	18,949,937	475,908	(335,000)	19,090,845
Operating loss	(4,074,357)	(97,906)	-	(4,172,263)
<b>Nonoperating Items</b>				
Investment gains	918,899	-	-	918,899
Total nonoperating items	918,899	-	-	918,899
Change in net assets	(3,155,458)	(97,906)	-	(3,253,364)
<b>Net Assets, Beginning</b>	23,467,460	(97,289)	-	23,370,171
<b>Net Assets, Ending</b>	\$ 20,312,002	\$ (195,195)	\$ -	\$ 20,116,807