Northside Achievement Zone

Consolidated Financial Statements and
Supplementary Information

June 30, 2025 and 2024

Northside Achievement Zone

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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 statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits 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 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 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.

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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 audits were 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
December 1, 2025

Northside Achievement Zone

Consolidated Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 2,219,438	$ 5,257,296
Grants and contributions receivable, net	3,247,524	1,039,460
Prepaid expenses	291,677	317,599
Total current assets	5,758,639	6,614,355
Investments	9,610,097	10,233,342
Property and Equipment		
Land	707,100	707,100
Building and building improvements	5,504,083	5,504,083
Furniture and equipment	987,958	646,647
Less accumulated depreciation	(752,918)	(371,729)
Total property and equipment	6,446,223	6,486,101
Other Long-Term Assets		
Grants and contributions receivable, net	678,105	2,749,170
Note receivable	4,300,200	4,300,200
Total other assets	4,978,305	7,049,370
Total assets	$ 26,793,264	$ 30,383,168
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	$ 270,327	$ 270,327
Accounts payable	865,868	908,548
Accrued expenses	1,010,375	436,669
Deferred revenues	-	100,000
Total current liabilities	2,146,570	1,715,544
Long-Term Debt, Net of Current Portion	8,447,436	8,550,817
Total liabilities	10,594,006	10,266,361
Net Assets		
Without donor restrictions:		
Undesignated	4,609,017	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	8,609,017	11,006,439
With donor restrictions	7,590,241	9,110,368
Total net assets	16,199,258	20,116,807
Total liabilities and net assets	$ 26,793,264	$ 30,383,168

See notes to consolidated financial statements

Northside Achievement Zone

Consolidated Statements of Activities
Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Governmental grants	$ 1,729,053	$ -	$ 1,729,053	$ 1,224,164	$ -	$ 1,224,164
Contributions:						
Individuals	1,382,768	-	1,382,768	925,232	32,000	957,232
Corporations	477,941	-	477,941	287,822	66,274	354,096
Foundations	3,572,181	4,754,602	8,326,783	2,620,869	6,342,197	8,963,066
Gala event revenue	3,966,002	-	3,966,002	2,985,933	-	2,985,933
Miscellaneous	108,807	-	108,807	420,841	-	420,841
Contributed services	-	-	-	13,250	-	13,250
Net assets released from restrictions	6,274,729	(6,274,729)	-	6,752,280	(6,752,280)	-
Total support and revenues	17,511,481	(1,520,127)	15,991,354	15,230,391	(311,809)	14,918,582
Expenses						
Program services	13,683,381	-	13,683,381	12,898,109	-	12,898,109
Management and general	3,037,014	-	3,037,014	2,701,091	-	2,701,091
Fundraising	1,711,607	-	1,711,607	1,491,270	-	1,491,270
Gala event	2,459,505	-	2,459,505	2,000,375	-	2,000,375
Total expenses	20,891,507	-	20,891,507	19,090,845	-	19,090,845
Operating loss	(3,380,026)	(1,520,127)	(4,900,153)	(3,860,454)	(311,809)	(4,172,263)
Nonoperating Items						
Investment gains	982,604	-	982,604	918,899	-	918,899
Total nonoperating items	982,604	-	982,604	918,899	-	918,899
Change in net assets	(2,397,422)	(1,520,127)	(3,917,549)	(2,941,555)	(311,809)	(3,253,364)
Net Assets, Beginning	11,006,439	9,110,368	20,116,807	13,947,994	9,422,177	23,370,171
Net Assets, Ending	$ 8,609,017	$ 7,590,241	$ 16,199,258	$ 11,006,439	$ 9,110,368	$ 20,116,807

See notes to consolidated financial statements

Northside Achievement Zone

Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Program	Management and General	Fundraising		Total
			Other Fundraising	Gala Event	
Personnel costs:					
Salaries and Wages	$ 4,142,110	$ 1,538,974	$ 985,147	$ -	$ 6,666,231
Payroll tax and benefits	1,104,004	406,668	227,087	-	1,737,759
Total personnel costs	5,246,114	1,945,642	1,212,234	-	8,403,990
Contracted services	6,880,890	134,958	215,086	1,011,591	8,242,525
Travel and meetings	69,449	77,142	35,217	1,084,534	1,266,342
Program	741,415	23,778	7,702	179,333	952,228
Occupancy	110,449	363,980	16,992	-	491,421
Information technology	96,860	144,772	22,016	40,516	304,164
Interest expense	189,726	38,246	23,904	-	251,876
Operations	51,008	129,016	27,376	20,031	227,431
Legal services	-	53	23,000	-	23,053
Business expenses	-	5,101	45,196	-	50,297
Bad debt expense	-	-	23,750	123,500	147,250
Depreciation	231,679	91,450	58,059	-	381,188
Other expenses	17,755	78,443	469	-	96,667
Staff training and development	48,036	4,433	606	-	53,075
Total expenses	$ 13,683,381	$ 3,037,014	$ 1,711,607	$ 2,459,505	$ 20,891,507

See notes to consolidated financial statements

Northside Achievement Zone

Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program	Management and General	Fundraising: Other Fundraising	Fundraising: Gala Event	Total
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 expense	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	$ 12,898,109	$ 2,701,091	$ 1,491,270	$ 2,000,375	$ 19,090,845

See notes to consolidated financial statements

Northside Achievement Zone

Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flow From Operating Activities		
Change in net assets	$ (3,917,549)	$ (3,253,364)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	381,188	289,604
Amortization of debt issuance costs	13,484	12,838
Realized/unrealized gains on investment, net	(578,825)	(411,755)
Changes in assets and liabilities:		
Grants and contributions receivable	(136,999)	5,769,748
Other receivables	-	54,780
Prepaid expenses	25,922	(211,045)
Accounts payable	(42,680)	94,949
Accrued expenses	573,706	3,230
Deferred revenue	(100,000)	100,000
Net cash flows from operating activities	(3,781,753)	2,448,985
Cash Flows From Investing Activities		
Purchases of investments	(3,810,849)	(8,798,316)
Sales of investments	5,012,919	7,496,824
Purchases of property and equipment	(341,310)	(678,889)
Net cash flows from investing activities	860,760	(1,980,381)
Cash Flows From Financing Activities		
Payment on long-term debt	(116,865)	(65,310)
Net cash flows from financing activities	(116,865)	(65,310)
Net change in cash and cash equivalents	(3,037,858)	403,294
Cash and Cash Equivalents, Beginning	5,257,296	4,854,002
Cash and Cash Equivalents, Ending	$ 2,219,438	$ 5,257,296
Supplemental Cash Flow Disclosures		
Cash paid for interest	$ 239,037	$ 234,135
Noncash Investing and Financing Activities		
Noncash exchange of loan issuance for property	$ -	$ 285,500

See notes to consolidated financial statements

1. Nature of Activities

The mission of the Northside Achievement Zone (the NAZ or the Organization) is to end multi-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 partnerships with parents, scholars, community organizations and schools.

Founded in 2008, NAZ is a collaborative of more than 30 non-profit and educational institutions that have aligned programs and systems to encircle Northside parents and children with all-encompassing support. NAZ and it's partners are committed to building measurable and lasting change in a community with many strengths and assets, that has been plagued by racial discrimination and the resulting disparities in education, jobs, home ownership, and wealth creation. In FY25, 1,222 families with 2,427 children were enrolled in NAZ.

Through NAZ, multiple generations of Northsiders are leading themselves out of poverty. This is done through:

- Scholars focusing on building their own academic goals, and supported both in and outside of school.
- Parents advocating for their children and actively leading them on a path to college and career, starting at birth.
- Families being surrounded and supported by a team, including NAZ Family Achievement Coaches who provide the connections they need to reach their goals.

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.

NAZ can report the following service numbers for our most recent fiscal year (July 2024-June 2025):

- 1,222 families and 2,427 scholars served by NAZ and its collaborative partners in north Minneapolis;
- 852 K-12 scholars were enrolled in in-school, out-of-school time or other academic interventions;
- 240 scholars access publicly and privately funded early childhood scholarships to maintain consistent enrollment in high-quality early learning settings;
- 232 Family Academy graduations across all Family Academy classes, including Foundations, College Bound Babies, Ready to Succeed, Collage Bound Scholars and Youth Foundations;
- 790 families engaged in Family Coaching with NAZ coaches;
- 200 families have engaged in housing stability improvement planning, with 76 families meeting goals to improve stability; and
- 103 adults were supported through our career strategy and 111 adults were supported through our finance strategy.

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:

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 or 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 December 1, 2025, 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.

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, 2025 and 2024.

Grants and contributions receivable at June 30, 2025 consist of $1,747,331 of reimbursable expenditures incurred under the Organization's government grant awards and $2,339,709 from private donors. 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.

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:

	Years
Computer equipment	5
Furniture	7
Building	39
Building improvements	15

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, 2025 and 2024.

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. There are no deferred revenues as of June 30, 2025.

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, 2025 and 2024.

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, 2025 and 2024. 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.

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, 2025 and 2024.

The Organization's revenues disaggregated by the timing of such revenue recognized during the years ended June 30, 2025 and 2024 are as follows:

	2025	2024
Exchange revenue recognized at a point in time	$ 547,716	$ 148,149
Nonexchange revenue (contributions)	15,443,638	14,770,433
Total revenues	$ 15,991,354	$ 14,918,582

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.

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 fiscal year 2025. 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, 2025 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, 2025:

	2025	2024
Gross amounts due in:		
Less than one year	$ 3,287,524	$ 1,079,460
One to five years	799,516	2,868,683
Total pledges and grants receivable before discount	4,087,040	3,948,143
Less present value discount at 3%	(121,411)	(119,513)
Less allowance for uncollectible	(40,000)	(40,000)
Total pledges and grants receivable	3,925,629	3,788,630
Current portion of pledges and grants receivable	3,247,524	1,039,460
Long-term portion of pledges and grants receivable	678,105	2,749,170
Total pledges and grants receivable	$ 3,925,629	$ 3,788,630

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, 2025 and 2024.

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, 2025 based upon the three-tier hierarchy:

Description	Total	Level 1	Level 2	Level 3
Government securities	$ 2,349,060	$ -	$ 2,349,060	$ -
Corporate bonds	1,348,118	-	1,348,118	-
Mutual funds	1,361,552	1,361,552	-	-
Common stocks	2,737,978	2,737,978	-	-
Mutual funds - CEF's and ETF's	1,813,389	1,813,389	-	-
Total	$ 9,610,097	$ 5,912,919	$ 3,697,178	$ -

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	$ 10,233,342	$ 5,987,058	$ 4,246,284	$ -

Net investment gain (loss) consists of the following for the years ended June 30, 2025 and 2024:

	2025	2024
Interest and dividends	$ 483,782	$ 587,144
Realized and unrealized investment gains (losses)	578,825	411,755
Fees	(80,003)	(80,000)
Total	$ 982,604	$ 918,899

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, 2025 and 2024 are as follows:

	2025	2024
Financial Assets		
Cash and cash equivalents	$ 2,219,438	$ 5,257,296
Current contributions receivable, net	3,247,524	1,039,460
Investments	9,610,097	10,233,342
Total financial assets (current)	15,077,059	16,530,098
Less donor imposed restricted net assets not available within one year	4,342,717	3,004,000
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	1,000,000
Amounts available for general expenditure within one year	$ 6,734,342	$ 9,593,905

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, 2025. 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.

	2025	2024
New Markets Tax Credits Program		
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
Bank Loan		
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.	2,951,442	3,015,965
Parking Lot Loan		
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.	218,883	271,225
Total long-term debt	8,990,325	9,107,190
Less unamortized debt issuance costs	(272,562)	(286,046)
Less amount due within one year	(270,327)	(270,327)
Total long-term debt, net of debt issuance costs	$ 8,447,436	$ 8,550,817

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

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

Years ending June 30:	
2026	$ 270,327
2027	270,327
2028	270,327
2029	260,810
2030	1,793,418
Thereafter	6,125,116
Total	$ 8,990,325

8. Net Assets

Net assets with donor restrictions at June 30, 2025 and 2024 consist of the following:

	2025	2024
Time restriction	$ 4,549,480	$ 8,255,067
Restricted for donor specific purposes:		
Early childhood	283,985	116,800
Family academy	40,000	340,534
Education pipeline	-	35,000
Family engagement	-	12,500
Family program support	37,038	290,000
Building signage	-	16,274
Health	5,000	-
High School 2 College	75,000	-
Wealth builds	2,647,442	-
Family emergency fund	46,707	46,707
GBI pilot	27,000	117,000
Contributions receivable discount	(121,411)	(119,514)
Total net assets with donor restrictions	$ 7,590,241	$ 9,110,368

Net assets with donor restrictions released from restriction were $6,274,729 and $6,752,280 in June 30, 2025 and 2024. 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 $159,684 in 2025 and $165,531 in 2024.

10. Contributed Nonfinancial Assets

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

	2025	2024
Auction items	$ 318,702	$ 175,500
Consulting services	-	13,250
Total contributed nonfinancial assets	$ 318,702	$ 188,750

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. These amounts are presented as part of gala event revenue on the consolidated statement of activities. 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, 2025

	Northside Achievement Zone	NAZ Real Estate Holding Company	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 2,219,438	$ -	$ -	$ 2,219,438
Grants and contributions receivable, net	3,247,524	-	-	3,247,524
Receivable from affiliate	1,866,153	670,000	2,536,153	-
Prepaid expenses	291,677	-	-	291,677
Total current assets	7,624,792	670,000	2,536,153	5,758,639
Investments	9,610,097	-	-	9,610,097
Property and Equipment				
Land	571,000	136,100	-	707,100
Building and building improvements	-	5,504,083	-	5,504,083
Furniture and equipment	987,958	-	-	987,958
Less accumulated depreciation	(219,020)	(533,898)	-	(752,918)
Net property and equipment	1,339,938	5,106,285	-	6,446,223
Other Long-Term Assets				
Grants and contributions receivable, net	678,105	-	-	678,105
Note receivable	-	4,300,200	-	4,300,200
Total other assets	678,105	4,300,200	-	4,978,305
Total assets	$ 19,252,932	$ 10,076,485	$ 2,536,153	$ 26,793,264

Northside Achievement Zone

Consolidating Schedule of Financial Position
June 30, 2025

	Northside Achievement Zone	NAZ Real Estate Holding Company	Eliminations	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term debt	$ 54,719	$ 215,608	$ -	$ 270,327
Accounts payable	865,868	-	-	865,868
Payable from affiliate	670,000	1,866,153	2,536,153	-
Deferred revenues	-	-	-	-
Accrued expenses	1,010,375	-	-	1,010,375
Total current liabilities	2,600,962	2,081,761	2,536,153	2,146,570
Long-Term Debt, Net of Current Portion	161,782	8,285,654	-	8,447,436
Total liabilities	2,762,744	10,367,415	2,536,153	10,594,006
Net Assets				
Without donor restrictions:				
Undesignated	4,899,947	(290,930)	-	4,609,017
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	8,899,947	(290,930)	-	8,609,017
With donor restrictions	7,590,241	-	-	7,590,241
Total net assets	16,490,188	(290,930)	-	16,199,258
Total liabilities and net assets	$ 19,252,932	$ 10,076,485	$ 2,536,153	$ 26,793,264

Northside Achievement Zone

Consolidating Schedule of Activities
Year Ended June 30, 2025

	Northside Achievement Zone	NAZ Real Estate Holding Company	Eliminations	Consolidated
Support and Revenues				
Government grants	$ 1,729,053	$ -	$ -	$ 1,729,053
Contributions:				
Individuals	1,382,768	-	-	1,382,768
Corporations	477,941	-	-	477,941
Foundations	8,326,783	-	-	8,326,783
Gala event	3,966,002	-	-	3,966,002
Miscellaneous	65,805	378,002	(335,000)	108,807
Total support and revenues	15,948,352	378,002	(335,000)	15,991,354
Expenses				
Program services	13,581,412	348,189	(246,220)	13,683,381
Management and general	3,014,536	76,753	(54,275)	3,037,014
Fundraising	1,697,317	48,795	(34,505)	1,711,607
Gala event	2,459,505	-	-	2,459,505
Total expenses	20,752,770	473,737	(335,000)	20,891,507
Operating loss	(4,804,418)	(95,735)	-	(4,900,153)
Nonoperating Items				
Investment gains	982,604	-	-	982,604
Total nonoperating items	982,604	-	-	982,604
Change in net assets	(3,821,814)	(95,735)	-	(3,917,549)
Net Assets, Beginning	20,312,002	(195,195)	-	20,116,807
Net Assets, Ending	$ 16,490,188	$ (290,930)	$ -	$ 16,199,258