

Northside Achievement Zone

Financial Statements Together with Independent Auditors' Report

June 30, 2021

NORTHSIDE ACHIEVEMENT ZONE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northside Achievement Zone
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Northside Achievement Zone (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northside Achievement Zone as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Roseville, Minnesota
September 15, 2021

Olsen Thielen & Co., LTD.

NORTHSIDE ACHIEVEMENT ZONE

STATEMENT OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

ASSETS		
	2021	2020
CURRENT ASSETS:		
Cash	\$ 2,561,174	\$ 4,913,402
Grants and Contributions Receivable, net	2,528,935	2,859,838
Other Receivables	436,127	72,547
Prepaid Expenses	99,604	67,041
Total Current Assets	5,625,840	7,912,828
INVESTMENTS	14,997,672	6,891,035
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	148,367	146,090
Less Accumulated Depreciation	142,380	139,452
Net Property and Equipment	5,987	6,638
OTHER LONG-TERM ASSETS:		
Grants and Contributions Receivable, Net	4,152,074	584,495
Security Deposits	1,540	1,540
Total Other Assets	4,153,614	586,035
 TOTAL ASSETS	 \$ 24,783,113	 \$ 15,396,536
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 807,895	\$ 867,652
Accrued Expenses	386,826	311,740
Total Current Liabilities	1,194,721	1,179,392
PAYROLL PROTECTION PROGRAM NOTE PAYABLE	890,900	890,900
TOTAL LIABILITIES	2,085,621	2,070,292
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	5,042,112	2,430,464
Board Designated Operating Reserve	3,000,000	3,000,000
Total Without Donor Restrictions	8,042,112	5,430,464
With Donor Restrictions	14,655,380	7,895,780
Total Net Assets	22,697,492	13,326,244
 TOTAL LIABILITIES AND NET ASSETS	 \$ 24,783,113	 \$ 15,396,536

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

NORTHSIDE ACHIEVEMENT ZONE
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:						
Government Grants	\$ 1,466,786	\$ -	\$ 1,466,786	\$ 1,618,600	\$ -	\$ 1,618,600
Contributions:						
Individuals	2,097,944	1,099,733	3,197,677	911,278	1,365,373	2,276,651
Government	39,050	-	39,050	-	-	0
Corporations	2,200,602	1,128,075	3,328,677	231,291	353,450	584,741
Foundations	3,207,878	8,705,354	11,913,232	2,173,292	5,113,403	7,286,695
Investment Gains	1,144,435	-	1,144,435	179,730	-	179,730
Miscellaneous	16,525	-	16,525	17,035	-	17,035
Contributed Services	47,587	-	47,587	85,380	-	85,380
Net Assets Released from Restrictions	4,173,562	(4,173,562)	-	4,945,723	(4,945,723)	-
Total Support and Revenues	<u>14,394,369</u>	<u>6,759,600</u>	<u>21,153,969</u>	<u>10,162,329</u>	<u>1,886,503</u>	<u>12,048,832</u>
EXPENSES:						
Program Services	9,019,995	-	9,019,995	7,929,957	-	7,929,957
Management and General	1,634,083	-	1,634,083	1,227,712	-	1,227,712
Fundraising	1,128,643	-	1,128,643	1,004,660	-	1,004,660
Total Expenses	<u>11,782,721</u>	<u>-</u>	<u>11,782,721</u>	<u>10,162,329</u>	<u>-</u>	<u>10,162,329</u>
CHANGE IN NET ASSETS	2,611,648	6,759,600	9,371,248	-	1,886,503	1,886,503
NET ASSETS, Beginning of Period	<u>5,430,464</u>	<u>7,895,780</u>	<u>13,326,244</u>	<u>5,430,464</u>	<u>6,009,277</u>	<u>11,439,741</u>
NET ASSETS, End of Period	<u>\$ 8,042,112</u>	<u>\$ 14,655,380</u>	<u>\$ 22,697,492</u>	<u>\$ 5,430,464</u>	<u>\$ 7,895,780</u>	<u>\$ 13,326,244</u>

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

NORTHSIDE ACHIEVEMENT ZONE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel Costs:								
Salaries and Wages	\$ 2,181,826	\$ 584,735	\$ 465,559	\$ 3,232,120	\$ 2,273,381	\$ 583,072	\$ 391,127	\$ 3,247,580
Payroll Taxes and Benefits	622,645	158,243	113,997	894,885	669,095	152,573	84,762	906,430
Total Personnel Costs	<u>2,804,471</u>	<u>742,978</u>	<u>579,556</u>	<u>4,127,005</u>	2,942,476	735,645	475,889	4,154,010
Contracted Services	4,283,087	524,288	393,388	5,200,763	4,289,193	260,439	366,418	4,916,050
Occupancy	670,059	210,242	71,951	952,252	355,055	91,064	61,086	507,205
Program	1,173,594	-	-	1,173,594	269,243	-	-	269,243
Travel and Meetings	1,824	2,518	1,164	5,506	16,242	21,429	74,388	112,059
Marketing and Communications	9,792	33,102	-	42,894	8,812	27,142	-	35,954
Office Supplies	2,268	5,044	176	7,488	670	14,135	1,124	15,929
Miscellaneous	600	35,251	39,698	75,549	5,688	32,972	11,081	49,741
Bad Debt Expense	-	-	18,639	18,639	-	-	-	-
Staff Training and Development	27,821	8,682	4,028	40,531	35,173	6,260	-	41,433
Legal Services	39,547	34,454	-	74,001	4,332	24,776	-	29,108
Operations	<u>6,932</u>	<u>37,524</u>	<u>20,043</u>	<u>64,499</u>	3,073	13,850	14,674	31,597
TOTAL EXPENSES	<u>\$ 9,019,995</u>	<u>\$ 1,634,083</u>	<u>\$ 1,128,643</u>	<u>\$ 11,782,721</u>	<u>\$ 7,929,957</u>	<u>\$ 1,227,712</u>	<u>\$ 1,004,660</u>	<u>\$ 10,162,329</u>

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

NORTHSIDE ACHIEVEMENT ZONE

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 9,371,248	\$ 1,886,503
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	2,928	3,021
Realized/Unrealized (Gains) Losses on Investments, Net	(874,603)	86,156
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	(3,236,676)	272,670
Other Receivables	(363,580)	53,182
Prepaid Expenses	(32,563)	(2,562)
Accounts Payable	(59,757)	59,291
Accrued Expenses	75,086	52,323
Net Cash Flows From Operating Activities	4,882,083	2,410,584
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(16,471,563)	(6,577,087)
Sales of Investments	9,239,529	6,380,581
Purchases of Property and Equipment	(2,277)	-
Net Cash Flows From Investing Activities	(7,234,311)	(196,506)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Note Payable	-	890,900
Net Cash Flows From Financing Activities	-	890,900
NET CHANGE IN CASH	(2,352,228)	3,104,978
CASH at Beginning of Period	4,913,402	1,808,424
CASH at End of Period	\$ 2,561,174	\$ 4,913,402

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

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

NAZ is a collaborative of more than 30 Northside nonprofits and five schools that are committed to building measurable and lasting change in the toughest of neighborhoods. In total there are 940 families with 1,871 children enrolled in NAZ.

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

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

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

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

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

North Minneapolis was designated as a COVID-19 hotspot by the CDC early on in the pandemic; as such, NAZ became emergency responders for much of FY21. In addition to its regular programming, NAZ brought more than \$4M in cash and resources into the community, distributed across North Minneapolis of which nearly \$3 million was distributed during FY21. These resources took the form of weekly food deliveries; laptops, internet and other technology supports; rent relief; cash in the form of VISA gift cards; early childhood scholarships; tutoring services; and safety messaging and personal protective equipment (PPE). These one-time expenditures were critical to keeping families safe, stable and able to access learning for their scholars.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

Basis of Presentation

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

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

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

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through September 15, 2021, the date the financial statements were available to be issued.

Grants and Contributions Receivable

Contribution receivables consist of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history. The uncollectible allowance was \$40,000 at June 30, 2021 and 2020.

Grants and contributions receivable at June 30, 2021 consist of \$420,263 of reimbursable expenditures incurred under the Organization's government grant awards and \$6,260,746 from private donors. Grants and contributions receivable at June 30, 2020 consist of \$406,399 of reimbursable expenditures incurred under the Organization's government grant awards and \$3,037,934 from private donors.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

Property and Depreciation

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

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

Computer Equipment	5 Years
Furniture	7 Years

Investments

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

Revenue Recognition

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

Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants, the Organization will record such disallowance at the time the final assessment is made. Management believes that any disallowances, if any, would not have a significant effect on the statement of financial position.

Contributed Services and Materials

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

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

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

Contributed Services and Materials (Continued)

The expense associated with the donated services consist of contributed legal and consulting services and supplies recorded at fair market value in the amount of \$47,587 in 2021 and \$85,380 in 2020.

Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

Income Taxes

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

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

Functional Allocation of Expenses

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

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. As of June 30, 2021, the Organization had no significant concentrations of credit risk.

Fair Value Measurements

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

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

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

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

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

Fair Value Measurements (Continued)

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

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

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for the Organization's 2023 fiscal year-end, with early adoption permitted. It is to be adopted using the modified retrospective approach. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

NOTE 2 - INVESTMENT CAMPAIGN

The Organization completed its \$35 million Investment Campaign entitled *NAZ is Working* in July of 2020. The purpose of the funds raised in the campaign is to offset the loss of the Organization's \$27 million federal Promise Neighborhood Grant, which ended in December 2016, and allow the Organization to continue working with the same level of impact to end multi-generational poverty in north Minneapolis. With the completion of *NAZ is Working*, the Organization launched a new fundraising campaign entitled *NAZ NOW*. The goals of this campaign are twofold - to raise \$5 million in multi-year pledges from 500 individual donors, supporting the long-term financial sustainability of NAZ. It is expected that the goals of *NAZ NOW* will be achieved during FY22. The grants and contributions receivable and net assets with donor restrictions at June 30, 2021 and 2020 consist mostly of *NAZ is Working* Investment Campaign and *NAZ NOW* pledges.

NOTE 3 - GRANTS AND CONTRIBUTIONS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Grants and Contributions Receivable	<u>\$ 6,681,009</u>	<u>\$ 3,444,333</u>

Grants and contributions receivable are due as follows for the year ended June 30, 2021:

2022	\$ 2,528,935
2023	1,708,672
2024	2,458,671
2025	144,505
2026	49,260
Thereafter	5,000
	<u>6,890,043</u>
Less Discount at 3%	209,034
Total	<u>\$ 6,681,009</u>

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

Investments consist of the following at June 30, 2021 and 2020:

	June 30, 2021		June 30, 2020	
	Cost	Market	Cost	Market
Government Securities	\$ 2,284,017	\$ 2,273,935	\$ 1,248,129	\$ 1,290,252
Corporate Bonds	2,188,903	2,234,847	1,450,936	1,512,054
Mutual Funds	4,697,343	4,815,189	1,803,753	1,801,787
Common Stocks	2,785,936	4,324,615	1,945,702	2,030,900
Mutual Funds - CEF's and ETF's	1,344,923	1,349,086	253,066	256,042
Total	<u>\$ 13,301,122</u>	<u>\$ 14,997,672</u>	<u>\$ 6,701,586</u>	<u>\$ 6,891,035</u>

Net investment gain consists of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and Dividends	\$ 342,609	\$ 311,533
Realized and Unrealized Investment Gains (Losses)	874,603	(86,156)
Fees	(72,777)	(45,647)
Total	<u>\$ 1,144,435</u>	<u>\$ 179,730</u>

The following table, as of June 30, 2021 and 2020, provides information by level for assets that are measured at fair value, on a recurring basis.

Description	Total Market	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2021:				
Government Securities	\$ 2,273,935	\$ -	\$ 2,273,935	\$ -
Corporate Bonds	2,234,847	-	2,234,847	-
Mutual Funds	4,815,189	4,815,189	-	-
Common Stocks	4,324,615	4,324,615	-	-
Mutual Funds - CEF's and ETF's	1,349,086	1,349,086	-	-
Totals	<u>\$ 14,997,672</u>	<u>\$ 10,488,890</u>	<u>\$ 4,508,782</u>	<u>\$ -</u>
Description	Total Market	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2020:				
Government Securities	\$ 1,290,252	\$ -	\$ 1,290,252	\$ -
Corporate Bonds	1,512,054	-	1,512,054	-
Mutual Funds	1,801,787	1,801,787	-	-
Common Stocks	2,030,900	2,030,900	-	-
Mutual Funds - CEF's and ETF's	256,042	256,042	-	-
Totals	<u>\$ 6,891,035</u>	<u>\$ 4,088,729</u>	<u>\$ 2,802,306</u>	<u>\$ -</u>

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

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

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

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

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

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

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$ 2,561,174	\$ 4,913,402
Accounts Receivable, Net	436,127	72,547
Contributions Receivable, Net	6,681,009	3,444,333
Long-Term Investments	14,997,672	6,891,035
Total Financial Assets	<u>24,675,982</u>	<u>15,321,317</u>
Less Donor Imposed Purpose Restricted Net Assets	14,655,380	7,895,780
Less Board Designated Net Assets for Operating Reserve	<u>3,000,000</u>	<u>3,000,000</u>
Amounts Available for General Expenditure Within One Year	<u>\$ 7,020,602</u>	<u>\$ 4,425,537</u>

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

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - NOTE PAYABLE

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of CARES was the Paycheck Protection Program (PPP) which allowed for organizations to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. In April 2020, the Organization received a \$890,900 loan from the PPP program and expects to use it for the designated purposes.

In June 2020, the Payroll Protection Program Flexibility Act of 2020 was signed which amended certain terms of the loan program. If the loan is not forgiven, the Organization will be liable to repay the loan in either 24 or 60 monthly installments after an initial deferment period at an interest rate of 1.00%. The covered period will expire October 2020 and repayment could be deferred until July 2021. As such, this note is currently presented as a long-term liability on the statement of financial position as of June 30, 2021.

NOTE 7 - NET ASSETS

Net assets with donor restrictions at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Investment Campaign	\$ 11,881,356	\$ 6,479,457
Time Restriction	593,666	595,833
NAZ Now Campaign	879,780	-
Career & Finance	6,250	25,000
Family Engagement	77,500	21,583
Early Childhood	110,000	50,000
Family Academy	96,550	275,000
Education Pipeline	55,000	235,000
Design for a Difference	31,508	17,800
Family Emergency Fund	76,439	220,612
Emergency Relief	1,056,365	-
Contributions Receivable Discount	<u>(209,034)</u>	<u>(24,505)</u>
	<u>\$ 14,655,380</u>	<u>\$ 7,895,780</u>

Net assets with donor restrictions released from restriction were \$4,173,562 and \$4,945,723 in June 30, 2021 and 2020. Net assets with donor restrictions were released from restriction due to satisfaction of time and program restrictions.

NOTE 8 - RETIREMENT PLAN

The Organization has a defined contribution 403(b) plan. Eligible employees are automatically enrolled at 3% upon hire date with an "opt out" feature. Employees may make contributions up to 100% of their salaries subject to IRS limits. The Organization matches up to 3% of eligible compensation. Organization expense for the Plan was \$81,121 in 2021 and \$71,065 in 2020.

NORTHSIDE ACHIEVEMENT ZONE

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LEASE COMMITMENTS

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

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

NOTE 10 - RISKS AND UNCERTAINTIES

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

NOTE 11 - MAJOR DONOR

The Organization derived 36.27% of its revenues from two donors for the year ended June 30, 2021.