

**BREAKTHROUGH SILICON VALLEY**

INDEPENDENT AUDITORS' REPORT

Financial Statements

January 31, 2019 and January 31, 2018

# BREAKTHROUGH SILICON VALLEY

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January 31, 2019 and January 31, 2018

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Breakthrough Silicon Valley

We have audited the accompanying financial statements of Breakthrough Silicon Valley (a nonprofit organization), which comprise the statements of financial position as of January 31, 2019 and January 31, 2018, the related statements 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 auditors' 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 auditors consider 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.

The Board of Directors  
Breakthrough Silicon Valley  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Breakthrough Silicon Valley as of January 31, 2019 and January 31, 2018, 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.

*Alpha & Hart Accountancy Corporation*

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San Jose, California  
July 31, 2019

# BREAKTHROUGH SILICON VALLEY

## STATEMENTS OF FINANCIAL POSITION

January 31, 2019 and January 31, 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,443,835	2,399,270
Grants receivable	122,270	105,217
Prepaid expenses	<u>31,865</u>	<u>19,241</u>
Total current assets	<u>2,597,970</u>	<u>2,523,728</u>
	<u>\$ 2,597,970</u>	<u>2,523,728</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 55,379	40,268
Accrued vacation	<u>51,823</u>	<u>47,968</u>
Total current liabilities	<u>107,202</u>	<u>88,236</u>
<b>NET ASSETS:</b>		
Without donor restrictions	2,254,761	2,336,552
With donor restrictions	<u>236,007</u>	<u>98,940</u>
Total net assets	<u>2,490,768</u>	<u>2,435,492</u>
	<u>\$ 2,597,970</u>	<u>2,523,728</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF ACTIVITIES

Year ended January 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>GRANTS AND SUPPORT:</b>			
Individuals	\$ 333,516	190,000	523,516
Corporations	210,490	2,688	213,178
Foundations	315,450	57,500	372,950
Governmental	-	47,338	47,338
Fundraising events	506,553	-	506,553
In-kind support	28,751	-	28,751
Other	10,408	-	10,408
Net assets released from restrictions	<u>160,459</u>	<u>(160,459)</u>	<u>-</u>
Total revenue	<u>1,565,627</u>	<u>137,067</u>	<u>1,702,694</u>
<b>EXPENSES:</b>			
Programs:			
Middle school	809,059	-	809,059
High school	<u>445,859</u>	<u>-</u>	<u>445,859</u>
Total programs	1,254,918	-	1,254,918
Management and general	64,101	-	64,101
Fundraising	<u>328,399</u>	<u>-</u>	<u>328,399</u>
Total expenses	<u>1,647,418</u>	<u>-</u>	<u>1,647,418</u>
Change in net assets	(81,791)	137,067	55,276
<b>NET ASSETS, beginning of year</b>	<u>2,336,552</u>	<u>98,940</u>	<u>2,435,492</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,254,761</u>	<u>236,007</u>	<u>2,490,768</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF ACTIVITIES

Year ended January 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>GRANTS AND SUPPORT:</b>			
Individuals	\$ 416,209	10,000	426,209
Corporations	154,159	80,000	234,159
Foundations	349,800	180,000	529,800
Governmental	-	43,650	43,650
Fundraising events	369,915	-	369,915
In-kind support	28,751	-	28,751
Other	5,617	-	5,617
Net assets released from restrictions	<u>361,522</u>	<u>(361,522)</u>	<u>-</u>
Total revenue	<u>1,685,973</u>	<u>(47,872)</u>	<u>1,638,101</u>
<b>EXPENSES:</b>			
Programs:			
Middle school	785,782	-	785,782
High school	<u>362,805</u>	<u>-</u>	<u>362,805</u>
Total programs	1,148,587	-	1,148,587
Management and general	68,641	-	68,641
Fundraising	<u>306,485</u>	<u>-</u>	<u>306,485</u>
Total expenses	<u>1,523,713</u>	<u>-</u>	<u>1,523,713</u>
Change in net assets	162,260	(47,872)	114,388
<b>NET ASSETS, beginning of year</b>	<u>2,174,292</u>	<u>146,812</u>	<u>2,321,104</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,336,552</u>	<u>98,940</u>	<u>2,435,492</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2019

	Programs			Management and General	Fundraising	Total
	Middle School	High School	Total			
Salaries	\$ 378,068	255,849	633,917	45,162	200,015	879,094
Payroll taxes	30,078	20,880	50,958	2,654	15,705	69,317
Employee benefits	32,509	28,061	60,570	2,536	19,927	83,033
Teacher stipends	149,502	15,951	165,453	1,500	-	166,953
Curriculum	10,648	2,618	13,266	-	-	13,266
Student events	7,721	13,018	20,739	-	-	20,739
Field trips and tours	4,926	20,896	25,822	-	-	25,822
Food	30,859	639	31,498	34	21,485	53,017
Scholarships	-	10,230	10,230	-	-	10,230
Student workshops	1,587	5,160	6,747	-	-	6,747
Student transportation	39,682	1,931	41,613	78	1,177	42,868
Recruitment and recognition	29,185	15,296	44,481	3,078	7,109	54,668
High school placement	319	-	319	-	-	319
Alumni services	-	8,622	8,622	-	-	8,622
Supplies and equipment	14,994	6,994	21,988	802	4,910	27,700
Marketing materials	4,393	2,286	6,679	309	7,726	14,714
Professional services	25,801	16,276	42,077	4,857	11,155	58,089
Consulting	15,060	7,765	22,825	1,116	15,545	39,486
In-kind space rental	18,919	6,242	25,161	2,186	1,404	28,751
Insurance	9,967	5,649	15,616	769	4,299	20,684
Postage	809	284	1,093	119	664	1,876
Other	4,032	1,212	5,244	(1,099)	17,278	21,423
	<u>\$ 809,059</u>	<u>445,859</u>	<u>1,254,918</u>	<u>64,101</u>	<u>328,399</u>	<u>1,647,418</u>

See notes to financial statements.



# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2018

	Programs			Management and General	Fundraising	Total
	Middle School	High School	Total			
Salaries	\$ 361,294	213,442	574,736	23,188	207,931	805,855
Payroll taxes	30,954	18,356	49,310	2,132	17,470	68,912
Employee benefits	43,227	29,630	72,857	2,175	22,626	97,658
Teacher stipends	163,840	1,640	165,480	-	-	165,480
Curriculum	3,181	74	3,255	-	-	3,255
Student events	2,536	5,241	7,777	-	-	7,777
Field trips and tours	802	13,341	14,143	1	3	14,147
Food	38,433	3,064	41,497	369	18,131	59,997
Scholarships	-	4,750	4,750	-	-	4,750
Student workshops	585	3,967	4,552	1	6	4,559
Student transportation	41,538	1,097	42,635	151	1,905	44,691
Recruitment and recognition	6,377	5,013	11,390	11,366	2,429	25,185
High school placement	462	-	462	-	-	462
Alumni services	-	11,536	11,536	-	-	11,536
Supplies and equipment	16,277	9,676	25,953	2,002	2,720	30,675
Marketing materials	3,452	2,189	5,641	314	490	6,445
Professional services	7,973	5,800	13,773	14,041	4,303	32,117
Consulting	25,066	13,027	38,093	1,861	3,361	43,315
In-kind space rental	19,369	6,342	25,711	1,786	1,254	28,751
Insurance	9,753	6,082	15,835	935	4,522	21,292
Telephone	1,507	788	2,295	79	314	2,688
Postage	1,304	729	2,033	106	258	2,397
Other	<u>7,852</u>	<u>7,021</u>	<u>14,873</u>	<u>8,134</u>	<u>18,762</u>	<u>41,769</u>
	<u>\$ 785,782</u>	<u>362,805</u>	<u>1,148,587</u>	<u>68,641</u>	<u>306,485</u>	<u>1,523,713</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENTS OF CASH FLOWS

Years ended January 31, 2019 and January 31, 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 55,276	114,388
Adjustments to reconcile change in net assets to cash provided by operating activities:		
(Increase) decrease in:		
Grants receivable	(17,053)	(45,131)
Prepaid expenses	(12,624)	(8,989)
Increase in:		
Accounts payable and accrued expenses	15,111	11,444
Accrued vacation	<u>3,855</u>	<u>10,724</u>
Net cash provided by operating activities	<u>44,565</u>	<u>82,436</u>
Net increase in cash and cash equivalents	44,565	82,436
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>2,399,270</u>	<u>2,316,834</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 2,443,835</u>	<u>2,399,270</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS

January 31, 2019

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Date of Management's Review

Subsequent events were evaluated through July 31, 2019, which is when the financial statements were available to be issued.

#### Nature of Activities

Breakthrough Silicon Valley (the "Organization") is a nonprofit public benefit corporation formed in 2007. Its mission is two-fold:

- To prepare academically motivated middle and high school students with limited educational opportunities for success in rigorous college-preparatory high school programs and four-year colleges.
- To inspire outstanding high school and college students to enter careers in education.

To that end, the Organization provides a tuition-free academic and college readiness program that launches students on the road to college. Breakthrough Silicon Valley operates as an out-of-school time organization, providing summer and after-school academic enrichment and intensive college guidance to students from 7<sup>th</sup> through 12<sup>th</sup> grade. The Organization also provides summer teaching internships for talented high school and college students.

The Organization is an affiliate of Breakthrough Collaborative, a national organization. Breakthrough Silicon Valley offers its program in the San Jose, California area.

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

#### Use of Estimates

The preparation 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Petty cash on hand, cash in bank accounts and short-term investments with a maturity date of less than 24 months are considered cash and cash equivalents.

#### Allowance for Doubtful Accounts

The Organization considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2019

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Fair Value of Financial Instruments

The Organization's financial instruments are cash, grants receivable, accounts payable and accrued expenses. The recorded values approximate their fair values based on their short-term nature. If a grant is not expected to be collected within one year, it is discounted to its estimated fair value using a present value technique.

#### Basis of Presentation

The financial statements of Breakthrough Silicon Valley have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Breakthrough Silicon Valley to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Breakthrough Silicon Valley's management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Breakthrough Silicon Valley or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires, and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization follows the policy of reporting donor-imposed restricted contributions whose restrictions are met in the same period as received as support without donor restrictions.

#### Contributed Support

The Organization recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as with or without donor restrictions depending on the existence of donor stipulations that limit the use of the support. Conditional promises to give are recognized as revenue when the conditions are met.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2019

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### In-kind Support

The Organization records various types of in-kind support including space rental and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Space rental is recognized at fair value.

Additionally, the Organization receives contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

#### Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the middle school program, high school program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes	Time and effort
Employee benefits	Time and effort
Teacher stipends	Actual usage
Curriculum	Actual usage
Student events	Actual usage
Field trips and tours	Actual usage
Food	Actual usage
Scholarships	Actual usage
Student workshops	Actual usage
Student transportation	Actual usage
Recruitment and recognition	Percent of direct costs
High school placement	Actual usage
Alumni services	Actual usage
Supplies and equipment	Percent of direct costs
Marketing materials	Percent of direct costs
Professional services	Percent of direct costs
Consulting	Actual usage
In-kind space rental	Percent of direct costs
Insurance	Percent of direct costs
Postage	Actual usage
Others	Percent of direct costs

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2019

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Income Taxes

Breakthrough Silicon Valley is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

#### New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Breakthrough Silicon Valley has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

### (2) RELATED PARTY TRANSACTIONS

Breakthrough Silicon Valley made payments of \$6,000 for membership dues to Breakthrough Collaborative and received donations of \$400 from them in the year ended January 31, 2019.

During the years ended January 31, 2019 and January 31, 2018, \$180,583 and \$178,467 was received in donations from board members, respectively.

### (3) AVAILABILITY AND LIQUIDITY

The following represents Breakthrough Silicon Valley's financial assets at January 31, 2019 and January 31, 2018:

Financial assets at year end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,443,835	2,399,270
Grants receivable	<u>122,270</u>	<u>105,217</u>
Total financial assets	\$ <u>2,566,105</u>	<u>2,504,487</u>

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2019

### (3) AVAILABILITY AND LIQUIDITY, CONTINUED

	<u>2019</u>	<u>2018</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	\$ 236,007	98,940
Less net assets with purpose restrictions to be met in less than a year	(30,000)	(76,903)
Board-designated funds for future use	<u>781,000</u>	<u>781,000</u>
	<u>987,007</u>	<u>803,037</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,579,098</u>	<u>1,701,450</u>

Breakthrough Silicon Valley's goal is generally to maintain financial assets to meet 6 months of operating expenses (approximately \$800,000). As part of its liquidity plan, excess cash is invested in short-term investments, including certificates of deposit.

### (4) NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions for the years ended January 31, 2019 and January 31, 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,473,761	1,555,552
Board-designated net assets	<u>781,000</u>	<u>781,000</u>
	<u>\$ 2,254,761</u>	<u>2,336,552</u>

The board has designated funds to be set aside as an operating reserve.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2019

### (5) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended January 31, 2019 and January 31, 2018:

	<u>2019</u>	<u>2018</u>
Specific purpose:		
Middle school program	\$ 34,242	9,067
High school program	150,000	10,000
Science, Technology, Engineering and Math (STEM) program	21,765	2,970
Passage of time -		
Stipulated time restriction - general operations	<u>30,000</u>	<u>76,903</u>
	<u>\$ 236,007</u>	<u>98,940</u>

Net assets released from net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Middle school program	\$ 119,553	246,396
High school program	10,000	35,000
STEM program	6,205	47,030
Stipulated time restriction - general operations	<u>24,701</u>	<u>33,096</u>
	<u>\$ 160,459</u>	<u>361,522</u>

### (6) IN-KIND SUPPORT

The Organization receives in-kind support in the form of space rental at Hoover Middle School and Franklin-McKinley School District. The value of support was \$28,751 for the years ended January 31, 2019 and January 31, 2018.

### (7) RETIREMENT PLAN

The Organization has a 401(k) profit sharing plan (the Plan) that covers all eligible employees. Employees are eligible to participate in the Plan immediately upon reaching age 21. Each participant may elect to contribute up to the maximum allowed by federal law. The Organization makes a 3% matching contribution and may also make discretionary contributions. Employer contributions totaled \$18,911 and \$10,661 for the years ended January 31, 2019 and January 31, 2018, respectively.



# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2019

### (8) CONCENTRATIONS OF CREDIT RISK

Cash includes accounts at Wells Fargo Bank and California Bank of Commerce in excess of \$250,000. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Therefore, a portion of the Organization's cash balance is uninsured at January 31, 2019.