

Audited Financial Statements



May 31, 2021

Quigley & Miron

**Breakthrough Silicon Valley
Audited Financial Statements
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May 31, 2021**

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Independent Auditor's Report

Board of Directors
Breakthrough Silicon Valley
San Jose, California

We have audited the accompanying financial statements of Breakthrough Silicon Valley (BTSV), a nonprofit organization, which comprise the statement of financial position as of May 31, 2021, and the related statements of activities, functional expenses, and cash flow for the year 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.

Auditor's Responsibility


Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 Breakthrough Silicon Valley as of May 31, 2021, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Campbell, California
November 17, 2021

Breakthrough Silicon Valley
Statement of Financial Position
May 31, 2021

Assets

Cash and cash equivalents	\$ 1,937,221
PPP advance—restricted cash	202,218
Grants and contributions receivable—Note 3	334,152
Prepaid expenses	18,892

Total Assets \$ 2,492,483

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 30,070
PPP advance—Note 4	202,218
Salaries and employee benefits payable	104,165

Total Liabilities 336,453

Net Assets

Without donor restrictions	
Undesignated	1,062,990
Board-designated fund for future use	781,000

Total Net Assets without Donor Restrictions 1,843,990

With donor restrictions—Note 5	<u>312,040</u>
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Total Net Assets 2,156,030

Total Liabilities and Net Assets \$ 2,492,483

See notes to financial statements.

Breakthrough Silicon Valley
Statement of Activities
Year Ended May 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public Support and Revenue			
Grants and contributions			
Individuals	\$ 566,741	\$ 91,530	\$ 658,271
Foundations	282,093	35,000	317,093
Corporations	10,000	10,000	20,000
Government	23,254	25,000	48,254
Special events			
Gross revenue	479,160		479,160
Less cost of direct benefit to donors	(27,167)		(27,167)
Special Events, Net	451,993		451,993
In-kind contributions—Note 6	25,781		25,781
Interest income	12,542		12,542
Other income	4,604		4,604
Net assets released from restrictions	151,233	(151,233)	
Total Public Support and Revenue	1,528,241	10,297	1,538,538
Expenses			
Program services			
High school program	569,382		569,382
Middle school summer program	442,997		442,997
Middle school year-round program	333,083		333,083
Total Program Services	1,345,462		1,345,462
Supporting services			
Management and general	141,816		141,816
Fundraising	171,947		171,947
Total Expenses	1,659,225		1,659,225
Change in Net Assets from Operations	(130,984)	10,297	(120,687)
Net Assets at Beginning of Year	1,974,974	301,743	2,276,717
Net Assets at End of Year	\$ 1,843,990	\$ 312,040	\$ 2,156,030

See notes to financial statements.

Breakthrough Silicon Valley
Statement of Functional Expenses
Year Ended May 31, 2021

	Program Services				Supporting Services			Total
	High School Program	Middle School Summer Program	Middle School Year-Round Program	Total Program Services	Management and General	Fundraising	Special Events	
Expenses								
Salaries	\$ 370,206	\$ 254,198	\$ 209,878	\$ 834,282	\$ 63,202	\$ 123,514	\$	\$ 1,020,998
Payroll taxes	28,668	20,122	15,761	64,551	4,086	9,650		78,287
Other employee benefits	41,565	23,869	21,640	87,074	5,247	11,123		103,444
Total Personnel Expenses	440,439	298,189	247,279	985,907	72,535	144,287		1,202,729
Professional fees	45,538	45,218	45,218	135,974	52,255			188,229
Stipends	24,707	40,850		65,557	6,520	3,000		75,077
Supplies	8,490	13,134	8,293	29,917	2,322	6,709		38,948
Student workshops	10,507	4,795	6,348	21,650				21,650
Insurance	8,391	9,465	6,323	24,179	1,079	6,197		31,455
Cost of direct benefits to donors							27,167	27,167
Rent	5,597	9,225	7,739	22,561	1,961	1,259		25,781
Curriculum	1,236	9,786	8,323	19,345	50	400		19,795
Student scholarships	15,251			15,251				15,251
Recruitment and recognition	1,490	10,339	1,122	12,951	666	1,032		14,649
Bank fees	13	13	13	39	2,998	7,027		10,064
Dues and subscriptions	1,257	1,049	1,049	3,355				3,355
Marketing	628	628	628	1,884		1,280		3,164
Telephone	2,840			2,840				2,840
Tutoring	2,180		628	2,808				2,808
Postage and shipping	65	65	65	195	951	709		1,855
Student transportation	753	73	48	874	8	47		929
Other expenses		168	7	175	471			646
Total Expenses by Function	569,382	442,997	333,083	1,345,462	141,816	171,947	27,167	1,686,392
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors							(27,167)	(27,167)
Total Expenses	\$ 569,382	\$ 442,997	\$ 333,083	\$ 1,345,462	\$ 141,816	\$ 171,947	\$	\$ 1,659,225

See notes to financial statements.

**Breakthrough Silicon Valley
Statement of Cash Flows
Year Ended May 31, 2021**

Cash Flows from Operations

Change in net assets	\$ (120,687)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Grants and contributions receivable	14,291
Prepaid expenses	(1,468)
Accounts payable and accrued expenses	10,365
Deferred revenue	(40,000)
Salaries and employee benefits payable	36,023
	<u>(101,476)</u>
Cash Used in Operating Activities	(101,476)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(101,476)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>2,240,915</u>
	Cash, Cash Equivalents, and Restricted Cash at End of Year
	\$ <u>2,139,439</u>

Supplementary Disclosures

Income taxes paid	<u>\$</u>
Interest paid	<u>\$</u>

See notes to financial statements.

Breakthrough Silicon Valley
Notes to Financial Statements
May 31, 2021
(with comparative totals for 2020)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Breakthrough Silicon Valley (BTSV) established in 2007, is a California not-for-profit corporation that provides tuition-free academic and college readiness programs that jumpstart low-income, first-generation students on the path to college in the San Jose, California area. BTSV is an affiliate of the national organization Breakthrough Collaborative. BTSV operates as an out-of-school time organization, providing summer and after-school academic enrichment and intensive college guidance to students from 7th through 12th grade as well as summer teaching internships for talented high school and college students.

Breakthrough Silicon Valley’s mission is two-fold:

- 1) 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.
- 2) To inspire outstanding high school and college students to enter careers in education.

The COVID-19 pandemic created an unprecedented challenge that has impacted BTSV’s operations in countless ways. The students served by BTSV have been directly affected by the pandemic, experiencing the highest case counts of COVID-19 in the region. In response, BTSV expanded existing services and added new ones in order to meet the emerging student and family needs, culminating in delivering our programs entirely virtually for the first time in BTSV’s history.

High School Program—In spring 2021, 60 BTSV students graduated high school. 85% enrolled into four-year universities. In the same academic year BTSV piloted a peer-mentoring support program for BTSV graduates in their first year of college.

Middle School Summer and Year-Round Programs—In summer 2020, BTSV delivered a completely virtual five-week program for BTSV’s rising 7th, 8th, and 9th graders. BTSV served 284 students, taught by 28 Teaching Fellows, who focused on two instead of four academic subjects and accumulated over 80 hours of learning throughout the summer course.

BTSV met the surge in demand for tutoring by growing their virtual tutoring program over 125% throughout their fiscal year ended May 31, 2021. BTSV has also expanded their tutoring content to include areas beyond academic subjects, including skills such as organization, prioritization, and studying.

BTSV has seen stronger parent involvement in the new virtual setting, bolstered by providing digital devices to over 115 families, Virtual engagement has also provided students with the flexibility to connect with their Breakthrough advisors, tutors, and Teaching Fellows more frequently for shorter amounts of time.

BTSV also established, for the first time, concrete Diversity, Equity and Inclusion (DEI) goals, and in the 2020-2021 academic year also established a DEI working group, started internal staff DEI trainings, added Culturally Responsive Teaching training to Teaching Fellows curriculum, and added to the diversity of their Board of Directors to reflect the diverse cultures and experiences of our students and their communities.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The BTSV recognizes grants and contributions as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the BTSV and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the BTSV. These net assets may be used at the discretion of the BTSV’s management and the board of directors.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of BTSV and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit BTSV to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of BTSV to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of academic preparation for middle and high school students and interest income on bank balances. Nonoperating activities are limited other income activities considered to be of a more unusual or nonrecurring nature. There were no non-operating activities during the year ended May 31, 2021.

Income Taxes—BTSV is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for income taxes is included in the financial statements. In addition, BTSV has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at May 31, 2021. Generally, BTSV’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Recently Adopted Accounting Principle—In June 2018, Financial Accounting Standards Board (FASB) issued Auditing Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) are to account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors are to use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU No. 2018-08 has been adopted by BTSV for the year ended May 31, 2021, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements and noted that there was no material effect on the financial statements.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Cash, Cash Equivalents, and Restricted Cash—BTSV considers all highly liquid investments with a maturity of 24 months or less when purchased to be cash equivalents. Restricted cash consist of funds from the PPP advance (see Note 4).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the cash, cash equivalents, and restricted cash total shown in the statement of cash flows at May 31, 2021:

Cash Accounts Reported in Statement of Financial Position	
Cash and cash equivalents	\$ 1,937,221
PPP advance—restricted cash	202,218
	<hr/>
Total Cash, Cash Equivalents, and Restricted Cash	
Reported in Statement of Cash Flows	<u>\$ 2,139,439</u>

Concentration of Credit Risk—Financial instruments which potentially subject BTSV to concentrations of credit risk consist of cash and cash equivalents and grants and contributions receivable. BTSV places its cash and cash equivalents with financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, in the normal course of business, such cash balances are in excess of the FDIC insurance limits, however management deems the risk of loss due to these concentrations to be minimal.

Grants and contributions receivable consist of balances from individuals, local foundations and corporations. BTSV has determined that no allowance for potential losses due to uncollectible receivables was necessary at May 31, 2021.

Grants and Contributions—Grants and contributions are reported as support in the period received and as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the accompanying statement of activities. Contributions whose restrictions are met in the same year as the contribution is made are reported as without donor restrictions.

In-Kind Contributions—BTSV receives in-kind contributions in the form of free use of facilities for the high school, middle school summer, and middle school year-round programs. In-kind contributions are valued based upon the estimated rental rates for the use of these facilities. These amounts are classified as rent on the statement of functional expense.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, payroll taxes, and other employee benefits are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to the program or supporting service benefitted.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 2—Availability and Liquidity

BTSV's goal is generally to maintain financial assets to meet six months of operating expenses (approximately \$800,000).

The following represents the availability and liquidity of BTSV's financial assets at May 31, 2021 to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	\$	844,181
Grants and contributions receivable		334,152
		<u>334,152</u>
Current Availability of Financial Assets	\$	<u>1,178,333</u>

The Board-designated fund for future use totals \$781,000, and is available for appropriation for any necessary expenditures.

Note 3—Grants and Contributions Receivable

Grants and contributions receivable at May 31, 2021, consist of the following:

Foundations	\$	245,000
Corporations		40,000
Government		25,000
Individuals		24,152
		<u>24,152</u>
Total	\$	<u>334,152</u>

Note 4—PPP Advance

On May 3, 2020, BTSV received a Paycheck Protection Program (PPP) advance for \$202,218 from the U.S. Small Business Administration (SBA). The advance is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 9) to keep their workers on the payroll. The BTSV has elected to record the PPP grant revenue upon receipt of the forgiveness letter from the SBA, which was received on June 7, 2021, subsequent to year-end.

Note 5—Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended May 31, 2021 are as follows:

Subject to expenditure for specified purpose:		
Scholarships	\$	91,530
Middle School programs		40,408
STEM Connections		35,000
High School Program		25,102
Subject to time restriction:		
Specified period—general operations		<u>120,000</u>
Total Net Assets with Donor Restrictions	\$	<u>312,040</u>

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 5—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the year ended May 31, 2021 are as follows:

Satisfaction of purpose restrictions:	
High School Program	\$ 29,444
Middle School programs	21,789
Satisfaction of time restrictions:	
Specified period—general operations	100,000
Total Net Assets Released from Donor Restrictions	<u>\$ 151,233</u>

Note 6—In-Kind Contribution

BTSV recognized in-kind occupancy for its Middle School and High School programs during the year ended May 31, 2021 in the amount of \$25,781.

Note 7—Retirement Plan

BTSV participates in a 401(k) plan (the Plan) that covers all eligible employees who are at least 21 years of age. Participants may elect to defer up the maximum allowed by Internal Revenue Service limitations. The Plan provides for matching of 100% of deferrals up to the first three percent of compensation and may also make discretionary contributions. BTSV's contribution to the Plan totaled \$17,910 for the year ended May 31, 2021.

Note 8—Recent Accounting Pronouncements

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. BTSV is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 9—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. BTSV has continued to monitor the ongoing impact of the pandemic response on overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on BTSV, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 10—Subsequent Events

Management evaluated all activities of Breakthrough Silicon Valley through November 17, 2021, which is the date the financial statements were available to be issued, and concluded that other than the subsequent PPP forgiveness described in Note 4, no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.