

BREAKTHROUGH SILICON VALLEY

INDEPENDENT AUDITORS' REPORT

Financial Statements

January 31, 2015

BREAKTHROUGH SILICON VALLEY

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January 31, 2015 and January 31, 2014

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INDEPENDENT AUDITORS' REPORT



The Board of Trustees
Breakthrough Silicon Valley

We have audited the accompanying financial statements of Breakthrough Silicon Valley (a nonprofit organization), which comprise the statement of financial position as of January 31, 2015 and January 31, 2014, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

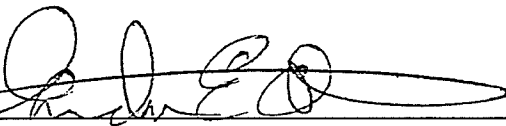
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

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, 2015 and January 31, 2014, 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.

PFAHNL & HUNT ACCOUNTANCY CORPORATION

By 
Gordon E. Ostrem, CPA

San Jose, California
May 27, 2015

BREAKTHROUGH SILICON VALLEY

STATEMENT OF FINANCIAL POSITION

January 31, 2015 and January 31, 2014

	<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:			
Cash		\$ 1,522,550	1,070,696
Grants receivable		85,000	180,000
Prepaid expenses		<u>9,647</u>	<u>9,059</u>
Total current assets		1,617,197	1,259,755
GRANT RECEIVABLE		<u>-</u>	<u>43,267</u>
		<u>\$ 1,617,197</u>	<u>1,303,022</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses		\$ 4,809	4,246
Accrued vacations		<u>22,723</u>	<u>11,126</u>
Total current liabilities		<u>27,532</u>	<u>15,372</u>
NET ASSETS:			
Unrestricted:			
Undesignated		989,281	868,792
Board designated		<u>460,000</u>	<u>210,000</u>
Total unrestricted		1,449,281	1,078,792
Temporarily restricted		<u>140,384</u>	<u>208,858</u>
Total net assets		<u>1,589,665</u>	<u>1,287,650</u>
		<u>\$ 1,617,197</u>	<u>1,303,022</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF ACTIVITIES

Year ended January 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
GRANTS AND SUPPORT:			
Individuals	\$ 223,715	-	223,715
Corporations	138,413	124,500	262,913
Foundations	186,434	314,233	500,667
Governmental	-	10,000	10,000
Fundraising events	236,120	-	236,120
In-kind donations	28,751	-	28,751
Other	29,079	-	29,079
Net assets released from restrictions	<u>517,207</u>	<u>(517,207)</u>	<u>-</u>
Total revenue	<u>1,359,719</u>	<u>(68,474)</u>	<u>1,291,245</u>
EXPENSES:			
Programs:			
Middle school	611,870	-	611,870
High school	<u>208,036</u>	<u>-</u>	<u>208,036</u>
Total programs	819,906	-	819,906
Management and general	75,443	-	75,443
Fundraising	<u>93,881</u>	<u>-</u>	<u>93,881</u>
Total expenses	<u>989,230</u>	<u>-</u>	<u>989,230</u>
Change in net assets	370,489	(68,474)	302,015
NET ASSETS, beginning of year	<u>1,078,792</u>	<u>208,858</u>	<u>1,287,650</u>
NET ASSETS, end of year	<u>\$ 1,449,281</u>	<u>140,384</u>	<u>1,589,665</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF ACTIVITIES

Year ended January 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
GRANTS AND SUPPORT:			
Individuals	\$ 274,334	460	274,794
Corporations	354,366	111,503	465,869
Foundations	-	374,567	374,567
Governmental	-	8,000	8,000
Fundraising events	185,459	-	185,459
In-kind donations	28,751	-	28,751
Other	43,334	-	43,334
Net assets released from restrictions	<u>419,015</u>	<u>(419,015)</u>	<u>-</u>
Total revenue	<u>1,305,259</u>	<u>75,515</u>	<u>1,380,774</u>
EXPENSES:			
Programs:			
Middle school	480,333	-	480,333
High school	<u>160,348</u>	<u>-</u>	<u>160,348</u>
Total programs	640,681	-	640,681
Management and general	95,711	-	95,711
Fundraising	<u>69,957</u>	<u>-</u>	<u>69,957</u>
Total expenses	<u>806,349</u>	<u>-</u>	<u>806,349</u>
Change in net assets	498,910	75,515	574,425
NET ASSETS, beginning of year	<u>579,882</u>	<u>133,343</u>	<u>713,225</u>
NET ASSETS, end of year	<u>\$ 1,078,792</u>	<u>208,858</u>	<u>1,287,650</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2015

	Programs			Management and General	Fundraising	Total
	Middle School	High School	Total			
Salaries	\$ 247,061	138,795	385,856	28,478	38,956	453,290
Payroll taxes	20,998	12,070	33,068	2,389	3,300	38,757
Employee benefits	24,217	17,674	41,891	2,679	4,043	48,613
Teacher stipends	166,659	-	166,659	-	-	166,659
Curriculum	10,703	-	10,703	-	-	10,703
Student events	1,265	895	2,160	-	-	2,160
Field trips and tours	795	6,536	7,331	-	-	7,331
Food	29,031	547	29,578	25	1,336	30,939
Student support	2,413	2,640	5,053	-	-	5,053
Scholarships	-	750	750	-	-	750
Student workshops	1,632	10,838	12,470	-	-	12,470
Student transportation	43,943	622	44,565	24	6	44,595
Recruitment and recognition	16,128	2,575	18,703	1,824	922	21,449
High school placement	643	-	643	-	-	643
Alumni services	-	68	68	-	-	68
Supplies and equipment	16,184	4,194	20,378	1,200	2,158	23,736
Marketing materials	1,849	811	2,660	145	8,047	10,852
Professional services	389	232	621	23,658	67	24,346
In-kind space rental	18,919	6,242	25,161	2,186	1,404	28,751
Insurance	-	-	-	11,882	2,737	14,619
Telephone	942	390	1,332	67	150	1,549
Postage	854	541	1,395	191	27	1,613
Event expenses	-	-	-	-	20,719	20,719
Other	<u>7,245</u>	<u>1,616</u>	<u>8,861</u>	<u>695</u>	<u>10,009</u>	<u>19,565</u>
	<u>\$ 611,870</u>	<u>208,036</u>	<u>819,906</u>	<u>75,443</u>	<u>93,881</u>	<u>989,230</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2014

	<u>Programs</u>			<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Middle School</u>	<u>High School</u>	<u>Total</u>			
Salaries	\$ 181,930	94,784	276,714	29,582	45,292	351,588
Payroll taxes	15,197	7,845	23,042	2,436	3,729	29,207
Employee benefits	20,349	14,163	34,512	3,297	5,124	42,933
Teacher stipends	131,012	-	131,012	3,540	-	134,552
Consulting	-	-	-	4,840	-	4,840
Curriculum	14,205	360	14,565	-	-	14,565
Student events	1,193	1,451	2,644	-	-	2,644
Field trips and tours	843	4,386	5,229	-	-	5,229
Food	26,313	341	26,654	-	-	26,654
Student support	2,928	242	3,170	-	-	3,170
Scholarships	-	2,600	2,600	-	-	2,600
Student workshops	2,635	9,761	12,396	-	-	12,396
Student transportation	44,030	917	44,947	199	85	45,231
Recruitment and recognition	10,253	1,572	11,825	2,535	93	14,453
High school placement	1,146	-	1,146	-	-	1,146
Alumni services	-	13,537	13,537	-	-	13,537
Supplies and equipment	6,182	1,266	7,448	1,433	3,485	12,366
Marketing materials	850	262	1,112	393	-	1,505
Professional services	-	-	-	24,605	-	24,605
In-kind space rental	18,919	6,242	25,161	2,186	1,404	28,751
Insurance	-	-	-	12,220	-	12,220
Telephone	518	340	858	548	67	1,473
Postage	428	211	639	161	389	1,189
Other	<u>1,402</u>	<u>68</u>	<u>1,470</u>	<u>7,736</u>	<u>10,289</u>	<u>19,495</u>
	<u>\$ 480,333</u>	<u>160,348</u>	<u>640,681</u>	<u>95,711</u>	<u>69,957</u>	<u>806,349</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF CASH FLOWS

Years ended January 31, 2015 and January 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 302,015	574,425
Adjustments to reconcile change in net assets to cash provided by operating activities:		
(Increase) decrease in:		
Grants receivable	138,267	(170,767)
Prepaid expenses	(588)	(3,323)
Increase (decrease) in:		
Accounts payable and accrued expenses	563	(3,945)
Accrued vacations	<u>11,597</u>	<u>(2,232)</u>
Net cash provided by operating activities	<u>451,854</u>	<u>394,158</u>
Net increase in cash	451,854	394,158
CASH, beginning of year	<u>1,070,696</u>	<u>676,538</u>
CASH, end of year	<u>\$ 1,522,550</u>	<u>1,070,696</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

January 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Subsequent events were evaluated through May 27, 2015, 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 7th through 12th 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.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets generally have no donor-imposed restrictions. This category includes those revenues and expenses associated with programs and supporting services. It also includes those net assets which have been designated by the Board of Trustees as reserves.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Statement Presentation, Continued

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and funds for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include gifts that require, by donor-imposed restriction, that the corpus be invested in perpetuity and only the income be made available for Organization operations in accordance with donor restrictions, if any. The Organization had no permanently restricted net assets at January 31, 2015 or January 31, 2014.

Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated, principally on a direct cost basis, among the program and supporting service benefited.

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.

Contributed Support

The Organization recognizes all unconditional gifts and promises to give in the period notified. Contributed support is reported as unrestricted, temporarily or permanently restricted 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.

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.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Allowance for Doubtful Accounts

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

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 unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

(2) GRANTS RECEIVABLE

Grants receivable as of January 31, 2015 and January 31, 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Amounts due in:		
Less than one year, included in current assets	\$ <u>85,000</u>	<u>180,000</u>
One to two years	-	45,000
Less discount to present value	<u>-</u>	<u>1,733</u>
Grant receivable, net	<u>-</u>	<u>43,267</u>
	\$ <u>85,000</u>	<u>223,267</u>

A discount for grants receivable to be collected over periods longer than one year from date of contribution is applied using a risk-adjusted rate of return. The discount rate used was 4%.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2015

(3) RELATED PARTY TRANSACTIONS

Breakthrough Silicon Valley made payments of \$8,500 and \$7,090 for membership dues and other expenses to Breakthrough Collaborative and received donations of \$200 and \$4,875 from them in the years ended January 31, 2015 and January 31, 2014, respectively.

During the year ended January 31, 2015, \$156,444 was received in donations from board members and \$11,000 was received from a foundation with a common board member. In the year ended January 31, 2014, \$67,357 was received in donations from board members and \$10,000 was received from a foundation with a common board member.

(4) BOARD DESIGNATED NET ASSETS

At January 31, 2015 and January 31, 2014, \$460,000 and \$210,000, respectively, of the cash account was designated by the board of trustees as an operating reserve.

(5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at January 31, 2015 and January 31, 2014 were restricted by the donors for the following purposes:

	<u>2015</u>	<u>2014</u>
Middle school program	\$ 14,556	110,591
High school program	73,623	-
Science, Technology, Engineering and Math (STEM) programs	2,500	10,000
Program expansion	<u>49,705</u>	<u>88,267</u>
	<u>\$ 140,384</u>	<u>208,858</u>

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2015

(6) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, including the passage of time. Net assets were released from purpose restriction for the years ended January 31, 2015 and January 31, 2014 as follows:

	<u>2015</u>	<u>2014</u>
Middle school program	\$ 223,535	341,872
High school program	83,377	61,300
STEM programs	60,000	-
Program expansion	115,295	15,843
Non-cognitive skill development program	<u>35,000</u>	<u>-</u>
	<u>\$ 517,207</u>	<u>419,015</u>

(7) IN-KIND SUPPORT

The Organization receives in-kind support in the form of space rental at Hoover Middle School and Franklin-McKinely School District. The value of support was \$28,751 for the years ended January 31, 2015 and January 31, 2014.

(8) CONDITIONAL PROMISES TO GIVE

On January 31, 2015 the Organization had three grants totaling \$180,000 that required specific outcomes to be met before receiving the money.

(9) 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 \$9,520 and \$9,036 for the years ended January 31, 2015 and January 31, 2014, respectively.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2015

(10) CONCENTRATION OF CREDIT RISK

Cash includes an account at Wells Fargo Bank in excess of \$250,000. The account is 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, 2015.