

BREAKTHROUGH SILICON VALLEY

INDEPENDENT AUDITORS' REPORT

Financial Statements

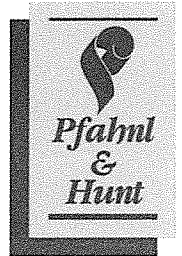
January 31, 2013

BREAKTHROUGH SILICON VALLEY

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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, 2013, and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 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 Trustees
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, 2013, and the changes in its net assets and its cash flows for the year 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 22, 2013

BREAKTHROUGH SILICON VALLEY

STATEMENT OF FINANCIAL POSITION

January 31, 2013

ASSETS

CURRENT ASSETS:

Cash	\$ 676,538
Grants receivable	52,500
Prepaid expenses	<u>5,736</u>
	<u>\$ 734,774</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 8,191
Accrued vacations	<u>13,358</u>
Total current liabilities	<u>21,549</u>

NET ASSETS:

Unrestricted:	
Undesignated	414,882
Board designated	<u>165,000</u>
Total unrestricted	579,882
Temporarily restricted	<u>133,343</u>
Total net assets	<u>713,225</u>
	<u>\$ 734,774</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF ACTIVITIES

Year ended January 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
GRANTS AND SUPPORT:			
Individuals	\$ 50,328	-	50,328
Corporations	70,123	177,500	247,623
Foundations	153,250	304,875	458,125
Governmental	17,016	8,000	25,016
Fundraising events	117,867	-	117,867
In-kind donations	77,401	-	77,401
Other	14,159	-	14,159
Net assets released from restrictions	<u>402,733</u>	<u>(402,733)</u>	<u>-</u>
Total revenue	<u>902,877</u>	<u>87,642</u>	<u>990,519</u>
EXPENSES:			
Programs:			
Middle School	411,281	-	411,281
High School	<u>128,560</u>	<u>-</u>	<u>128,560</u>
Total programs	539,841	-	539,841
Management and general	89,598	-	89,598
Fundraising	<u>67,347</u>	<u>-</u>	<u>67,347</u>
Total expenses	<u>696,786</u>	<u>-</u>	<u>696,786</u>
Change in net assets	206,091	87,642	293,733
NET ASSETS, beginning of year	<u>373,791</u>	<u>45,701</u>	<u>419,492</u>
NET ASSETS, end of year	<u>\$ 579,882</u>	<u>133,343</u>	<u>713,225</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2013

	Programs			Management and General	Fundraising	Total
	Middle School	High School	Total			
Salaries	\$ 165,912	73,235	239,147	19,821	40,003	298,971
Payroll taxes	14,219	6,369	20,588	1,636	3,383	25,607
Employee benefits	15,665	8,034	23,699	2,052	3,693	29,444
Teacher stipends	91,347	2,251	93,598	-	1,500	95,098
Consulting	10,763	2,100	12,863	1,737	525	15,125
Curriculum	4,721	223	4,944	-	-	4,944
Student events	850	776	1,626	-	-	1,626
Field trips and tours	407	3,844	4,251	-	-	4,251
Food	18,145	843	18,988	73	7,697	26,758
Student support	1,470	116	1,586	-	-	1,586
Scholarships	-	3,048	3,048	-	-	3,048
Student workshops	675	2,544	3,219	-	-	3,219
Student transportation	22,549	34	22,583	109	84	22,776
Recruitment and recognition	7,988	1,164	9,152	12,008	427	21,587
High School placement	1,230	-	1,230	-	-	1,230
Alumni services	-	15,795	15,795	-	-	15,795
Supplies and equipment	2,858	565	3,423	2,190	961	6,574
Marketing materials	341	170	511	818	1,112	2,441
Professional services	3,366	1,683	5,049	15,810	1,772	22,631
In-kind legal services	36,404	-	36,404	22,265	-	58,669
In-kind space rental	11,239	5,620	16,859	468	1,405	18,732
Insurance	-	-	-	7,828	-	7,828
Telephone	100	30	130	518	7	655
Postage	557	89	646	461	640	1,747
Other	475	27	502	1,804	4,138	6,444
	\$ 411,281	128,560	539,841	89,598	67,347	696,786

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF CASH FLOWS

Year ended January 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 293,733
Adjustments to reconcile change in net assets to cash provided by operating activities:	
(Increase) decrease in:	
Grants receivable	(52,500)
Prepaid expenses	(5,736)
Increase in:	
Accounts payable and accrued expenses	8,191
Accrued vacations	<u>7,810</u>
Net cash provided by operating activities	<u>251,498</u>
Net increase in cash	251,498
CASH, beginning of year	<u>425,040</u>
CASH, end of year	<u>\$ 676,538</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

January 31, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Subsequent events were evaluated through May 22, 2013, 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 generally accepted accounting principles 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, 2013

(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 which 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, 2013.

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.

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.

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, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 consist of the amounts awarded but not yet paid and due within the next year. The receivable only includes grants where any contingencies have been met. Management believes that all grants are collectible and that no reserve is necessary at January 31, 2013.

The Organization also has a conditional grant receivable of \$100,000 from a foundation with various requirements for the year ending January 31, 2014.

(3) RELATED PARTY TRANSACTIONS

During the year ended January 31, 2012, the Organization's activities were combined with its fiscal agent, Breakthrough Collaborative, a national organization. Beginning February 1, 2012, Breakthrough Silicon Valley began its separation from the national organization. During the transition to becoming a separate entity, Breakthrough Collaborative continued to make payments for payroll and other operating expenses on behalf of Breakthrough Silicon Valley. Breakthrough Silicon Valley reimbursed Breakthrough Collaborative a total of \$54,199 during the year ended January 31, 2013 for those payments incurred during the transition.

During the year ended January 31, 2013, \$35,400 was received in donations from board members and \$10,000 was received from a foundation with a common board member.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2013

(4) BOARD DESIGNATED NET ASSETS

At January 31, 2013, \$165,000 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, 2013 were restricted by the donors for the following purposes:

Middle school program	\$ 117,500
Capacity building	<u>15,843</u>
	<u>\$ 133,343</u>

(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 year ended January 31, 2013 as follows:

Middle school program	\$ 279,348
High school program	5,565
Middle school and high school programs	38,352
New site development	25,000
Capacity building	<u>54,468</u>
	<u>\$ 402,733</u>

(7) IN-KIND SUPPORT

The Organization received the following in-kind support during the year ended January 31, 2013:

Legal services	\$ 58,669
Space rental	<u>18,732</u>
	<u>\$ 77,401</u>

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2013

(8) 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 after reaching age 21. Each participant may elect to contribute up to the maximum limit by federal law. The Organization makes a 3% matching contribution and may also make discretionary contributions. Employer contributions totaled \$8,080 for the year ended January 31, 2013.

(9) 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, 2013.