

**BREAKTHROUGH SILICON VALLEY**

INDEPENDENT AUDITORS' REPORT

Financial Statements

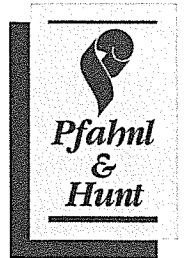
January 31, 2017 and January 31, 2016

# BREAKTHROUGH SILICON VALLEY

## TABLE OF CONTENTS

January 31, 2017 and January 31, 2016

	<u>Pages</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13



## **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 statements of financial position as of January 31, 2017 and January 31, 2016, 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 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 Trustees  
Breakthrough Silicon Valley  
Page two

**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, 2017 and January 31, 2016, 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.

*John & Hunt Accounting Corporation*

---

San Jose, California  
June 9, 2017

# BREAKTHROUGH SILICON VALLEY

## STATEMENTS OF FINANCIAL POSITION

January 31, 2017 and January 31, 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>			
Cash		\$ 2,316,834	1,891,622
Grants receivable		60,086	187,050
Prepaid expenses		<u>10,252</u>	<u>7,584</u>
Total current assets		<u>2,387,172</u>	<u>2,086,256</u>
		\$ <u>2,387,172</u>	<u>2,086,256</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued expenses		\$ 28,824	8,762
Accrued vacations		<u>37,244</u>	<u>27,938</u>
Total current liabilities		<u>66,068</u>	<u>36,700</u>
<b>NET ASSETS:</b>			
Unrestricted:			
Undesignated		1,393,292	1,174,350
Board designated		<u>781,000</u>	<u>693,000</u>
Total unrestricted		2,174,292	1,867,350
Temporarily restricted		<u>146,812</u>	<u>182,206</u>
Total net assets		<u>2,321,104</u>	<u>2,049,556</u>
		\$ <u>2,387,172</u>	<u>2,086,256</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF ACTIVITIES

Year ended January 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>GRANTS AND SUPPORT:</b>			
Individuals	\$ 416,172	5,350	421,522
Corporations	173,196	180,000	353,196
Foundations	238,303	218,750	457,053
Governmental	-	52,813	52,813
Fundraising events	292,578	-	292,578
In-kind donations	28,751	-	28,751
Other	27,671	-	27,671
Net assets released from restrictions	<u>492,307</u>	<u>(492,307)</u>	<u>-</u>
Total revenue	<u>1,668,978</u>	<u>(35,394)</u>	<u>1,633,584</u>
<b>EXPENSES:</b>			
Programs:			
Middle school	755,325	-	755,325
High school	<u>329,067</u>	<u>-</u>	<u>329,067</u>
Total programs	1,084,392	-	1,084,392
Management and general	77,373	-	77,373
Fundraising	<u>200,271</u>	<u>-</u>	<u>200,271</u>
Total expenses	<u>1,362,036</u>	<u>-</u>	<u>1,362,036</u>
Change in net assets	306,942	(35,394)	271,548
<b>NET ASSETS, beginning of year</b>	<u>1,867,350</u>	<u>182,206</u>	<u>2,049,556</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,174,292</u>	<u>146,812</u>	<u>2,321,104</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF ACTIVITIES

Year ended January 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>GRANTS AND SUPPORT:</b>			
Individuals	\$ 364,156	-	364,156
Corporations	184,287	222,500	406,787
Foundations	166,950	293,750	460,700
Governmental	-	15,000	15,000
Fundraising events	288,082	-	288,082
In-kind donations	28,751	-	28,751
Other	62,439	-	62,439
Net assets released from restrictions	<u>489,428</u>	<u>(489,428)</u>	<u>-</u>
Total revenue	<u>1,584,093</u>	<u>41,822</u>	<u>1,625,915</u>
<b>EXPENSES:</b>			
Programs:			
Middle school	690,757	-	690,757
High school	<u>271,227</u>	<u>-</u>	<u>271,227</u>
Total programs	961,984	-	961,984
Management and general	87,707	-	87,707
Fundraising	<u>116,333</u>	<u>-</u>	<u>116,333</u>
Total expenses	<u>1,166,024</u>	<u>-</u>	<u>1,166,024</u>
Change in net assets	418,069	41,822	459,891
NET ASSETS, beginning of year	<u>1,449,281</u>	<u>140,384</u>	<u>1,589,665</u>
NET ASSETS, end of year	<u>\$ 1,867,350</u>	<u>182,206</u>	<u>2,049,556</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2017

	Programs			Management and General	Fundraising	Total
	Middle School	High School	Total			
Salaries	\$ 302,751	192,632	495,383	26,844	110,680	632,907
Payroll taxes	23,891	15,384	39,275	2,150	8,873	50,298
Employee benefits	32,293	22,015	54,308	4,494	9,155	67,957
Teacher stipends	188,666	6,450	195,116	-	-	195,116
Curriculum	8,961	-	8,961	-	-	8,961
Student events	2,736	3,548	6,284	-	-	6,284
Field trips and tours	117	12,380	12,497	-	-	12,497
Food	39,968	496	40,464	11	20,442	60,917
Scholarships	-	6,000	6,000	-	-	6,000
Student workshops	1,388	8,822	10,210	-	-	10,210
Student transportation	34,423	474	34,897	49	821	35,767
Recruitment and recognition	44,024	16,880	60,904	2,028	9,659	72,591
High school placement	1,105	-	1,105	-	-	1,105
Alumni services	-	11,875	11,875	-	-	11,875
Supplies and equipment	15,298	5,513	20,811	776	1,933	23,520
Marketing materials	4,169	2,848	7,017	388	1,769	9,174
Professional services	2,054	1,547	3,601	22,104	767	26,472
Consulting	9,440	6,229	15,669	13,343	8,491	37,503
In-kind space rental	19,846	6,449	26,295	1,361	1,095	28,751
Insurance	9,717	6,199	15,916	884	884	17,684
Telephone	1,934	128	2,062	18	18	2,098
Postage	913	801	1,714	73	391	2,178
Event expenses	-	-	-	-	1,046	1,046
Other	<u>11,631</u>	<u>2,397</u>	<u>14,028</u>	<u>2,850</u>	<u>24,247</u>	<u>41,125</u>
	<u>\$ 755,325</u>	<u>329,067</u>	<u>1,084,392</u>	<u>77,373</u>	<u>200,271</u>	<u>1,362,036</u>

See notes to financial statements.



# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2016

	Programs			Management and General	Fundraising	Total
	Middle School	High School	Total			
Salaries	\$ 272,709	172,163	444,872	27,366	48,384	520,622
Payroll taxes	22,855	14,510	37,365	1,755	4,642	43,762
Employee benefits	29,580	19,136	48,716	2,144	3,381	54,241
Teacher stipends	176,235	-	176,235	10,340	-	186,575
Curriculum	20,875	160	21,035	-	-	21,035
Student events	3,036	344	3,380	-	-	3,380
Field trips and tours	737	9,101	9,838	-	-	9,838
Food	41,530	806	42,336	56	22,164	64,556
Student support	1,990	1,924	3,914	-	-	3,914
Student workshops	2,122	16,084	18,206	2	6	18,214
Student transportation	44,732	845	45,577	5	20	45,602
Recruitment and recognition	20,352	5,837	26,189	874	2,443	29,506
High school placement	461	-	461	-	-	461
Alumni services	-	15,104	15,104	-	-	15,104
Supplies and equipment	11,922	4,358	16,280	996	2,037	19,313
Marketing materials	2,632	226	2,858	18	975	3,851
Professional services	1,035	877	1,912	23,086	427	25,425
Consulting	5,000	-	5,000	4,000	-	9,000
In-kind space rental	18,919	6,242	25,161	2,186	1,404	28,751
Insurance	1,733	1,506	3,239	13,948	3,254	20,441
Telephone	1,052	116	1,168	12	33	1,213
Postage	1,035	419	1,454	38	618	2,110
Event expenses	-	-	-	-	13,256	13,256
Other	<u>10,215</u>	<u>1,469</u>	<u>11,684</u>	<u>881</u>	<u>13,289</u>	<u>25,854</u>
	<u>\$ 690,757</u>	<u>271,227</u>	<u>961,984</u>	<u>87,707</u>	<u>116,333</u>	<u>1,166,024</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## STATEMENTS OF CASH FLOWS

Years ended January 31, 2017 and January 31, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 271,548	459,891
Adjustments to reconcile change in net assets to cash provided by operating activities:		
(Increase) decrease in:		
Grants receivable	126,964	(102,050)
Prepaid expenses	(2,668)	2,063
Increase in:		
Accounts payable and accrued expenses	20,062	3,953
Accrued vacations	<u>9,306</u>	<u>5,215</u>
Net cash provided by operating activities	<u>425,212</u>	<u>369,072</u>
Net increase in cash	425,212	369,072
CASH, beginning of year	<u>1,891,622</u>	<u>1,522,550</u>
CASH, end of year	<u>\$ 2,316,834</u>	<u>1,891,622</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS

January 31, 2017

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Date of Management's Review

Subsequent events were evaluated through June 9, 2017, 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.

#### 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, 2017

### (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, 2017 or January 31, 2016.

#### 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, 2017

### (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) RELATED PARTY TRANSACTIONS

Breakthrough Silicon Valley made payments of \$10,037 and \$9,854 for membership dues and other expenses to Breakthrough Collaborative and received donations of \$16,100 and \$25,000 from them in the years ended January 31, 2017 and January 31, 2016, respectively.

During the year ended January 31, 2017, \$210,450 was received in donations from board members. In the year ended January 31, 2016, \$242,975 was received in donations from board members and \$20,000 was received from a foundation with a common board member.

### (3) BOARD DESIGNATED NET ASSETS

At January 31, 2017 and January 31, 2016, \$781,000 and \$693,000, respectively, of the cash account was designated by the Board of Trustees as an operating reserve.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2017

### (4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at January 31, 2017 and January 31, 2016 were restricted by the donors for the following purposes:

	<u>2017</u>	<u>2016</u>
Middle school program	\$ 1,812	80,329
High school program	15,000	12,171
Science, Technology, Engineering and Math (STEM) programs	130,000	75,001
Program expansion	<u>-</u>	<u>14,705</u>
	<u>\$ 146,812</u>	<u>182,206</u>

### (5) 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, 2017 and January 31, 2016 as follows:

	<u>2017</u>	<u>2016</u>
Middle school program	\$ 315,515	190,477
High school program	95,468	126,452
STEM programs	81,324	137,499
Program expansion	<u>-</u>	<u>35,000</u>
	<u>\$ 492,307</u>	<u>489,428</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, 2017 and January 31, 2016.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2017

(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 \$8,507 and \$9,506 for the years ended January 31, 2017 and January 31, 2016, respectively.

(8) **CONCENTRATION OF CREDIT RISK**

Cash includes accounts 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, 2017.