

Audited Financial Statements



May 31, 2022

Quigley & Miron

**Breakthrough Silicon Valley
Audited Financial Statements
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May 31, 2022**

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Independent Auditor's Report

Board of Directors
Breakthrough Silicon Valley
San Jose, California

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BTSV as of May 31, 2022, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of BTSV and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BTSV's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

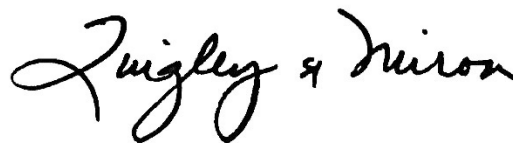
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BTSV's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BTSV's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Breakthrough Silicon Valley's May 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Campbell, California
October 17, 2022

Breakthrough Silicon Valley
Statement of Financial Position
May 31, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 2,302,663	\$ 1,937,221
PPP advance—restricted cash		202,218
Grants and contributions receivable—Note 3	190,141	334,152
Prepaid expenses	31,137	18,892
Total Assets	<u>\$ 2,523,941</u>	<u>\$ 2,492,483</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 32,389	\$ 30,230
PPP advance—Note 4		202,058
Salaries and employee benefits payable	113,398	104,165
Total Liabilities	<u>145,787</u>	<u>336,453</u>
Net Assets		
Without donor restrictions—Note 5	2,021,014	1,843,990
With donor restrictions—Note 6	357,140	312,040
Total Net Assets	<u>2,378,154</u>	<u>2,156,030</u>
Total Liabilities and Net Assets	<u>\$ 2,523,941</u>	<u>\$ 2,492,483</u>

See notes to financial statements.

Breakthrough Silicon Valley
Statement of Activities
Year Ended May 31, 2022
(with comparative totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Operating Activities				
Public Support and Revenue				
Grants and contributions				
Individuals	\$ 358,881	\$	\$ 358,881	\$ 406,694
Foundations	432,170	189,952	622,122	317,093
Corporations	170,590	30,000	200,590	271,577
Government	14,250		14,250	48,254
PPP grant—Note 4	202,058		202,058	
In-kind contributions—Note 7	25,511		25,511	25,781
Special events				
Gross revenue	725,920		725,920	479,160
Less cost of direct benefit to donors	(26,654)		(26,654)	(27,167)
Special Events, Net	699,266		699,266	451,993
Program income	24,000		24,000	4,604
Interest income	4,232		4,232	12,542
Net assets released from restrictions	174,852	(174,852)		
Total Public Support and Revenue	2,105,810	45,100	2,150,910	1,538,538
Expenses				
Program services				
High school program	699,573		699,573	569,382
Middle school summer program	362,787		362,787	442,997
Middle school year-round program	369,753		369,753	333,083
Total Program Services	1,432,113		1,432,113	1,345,462
Supporting services				
Management and general	184,784		184,784	141,816
Fundraising	311,889		311,889	171,947
Total Expenses	1,928,786		1,928,786	1,659,225
Change in Net Assets from Operations	177,024	45,100	222,124	(120,687)
Net Assets at Beginning of Year	1,843,990	312,040	2,156,030	2,276,717
Net Assets at End of Year	\$ 2,021,014	\$ 357,140	\$ 2,378,154	\$ 2,156,030

See notes to financial statements.

Breakthrough Silicon Valley
Statement of Functional Expenses
Year Ended May 31, 2022
(with comparative totals for 2021)

	Program Services				Supporting Services			2022 Total	2021 Total
	High School Program	Middle School Summer Program	Middle School Year-Round Program	Total Program Services	Management and General	Fundraising	Special Events		
Expenses									
Salaries	\$ 396,996	\$ 255,135	\$ 224,129	\$ 876,260	\$ 77,514	\$ 197,684	\$	\$ 1,151,458	1,020,998
Payroll taxes	31,392	20,317	17,474	69,183	6,170	15,449		90,802	78,287
Other employee benefits	44,493	22,351	20,886	87,730	10,460	17,336		115,526	103,444
Total Personnel Expenses	472,881	297,803	262,489	1,033,173	94,144	230,469		1,357,786	1,202,729
Professional fees	19,435	19,435	19,424	58,294	61,564	63,451		183,309	188,229
Stipends	23,247	7,992	47,202	78,441		3,500		81,941	75,077
Alumni services	62,920			62,920				62,920	
Field trips and college visits	44,091	467	741	45,299				45,299	929
Student workshops and tutorin	23,205	1,997	17,868	43,070	110			43,180	24,458
Insurance	8,895	5,176	5,455	19,526	4,098	3,679		27,303	31,455
Cost of direct benefits to donor							26,654	26,654	27,167
Rent	5,538	9,129	7,658	22,325	1,940	1,246		25,511	25,781
Recruitment and recognition	2,176	4,235	1,454	7,865	15,268			23,133	14,649
Student scholarships	21,060			21,060				21,060	15,251
Supplies	7,180	7,245	4,473	18,898	362			19,260	38,948
Bank and merchant fees					2,324	5,157		7,481	10,064
Other expenses	607	1,258	8	1,873	4,530	210		6,613	646
Dues and subscriptions	2,097	2,097	2,097	6,291	275			6,566	3,355
Curriculum	1,825	2,413	844	5,082	57			5,139	19,795
Marketing	344			344	102	4,177		4,623	3,164
Office expenses	4,072	40	40	4,152	10			4,162	4,695
Maintenance and repairs		3,500		3,500				3,500	
Total Expenses by Function	699,573	362,787	369,753	1,432,113	184,784	311,889	26,654	1,955,440	1,686,392
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors							(26,654)	(26,654)	(27,167)
Total Expenses	\$ 699,573	\$ 362,787	\$ 369,753	\$ 1,432,113	\$ 184,784	\$ 311,889	\$	\$ 1,928,786	\$ 1,659,225

See notes to financial statements.

Breakthrough Silicon Valley
Statement of Cash Flows
Year Ended May 31, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operations		
Change in net assets	\$ 222,124	\$ (120,687)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and contributions receivable	144,011	14,291
Prepaid expenses	(12,245)	(1,468)
Accounts payable and accrued expenses	2,159	10,525
Deferred revenue		(40,000)
PPP advance	(202,058)	(160)
Salaries and employee benefits payable	9,233	36,023
Cash Provided by Operating Activities	<u>163,224</u>	<u>(101,476)</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	<u>163,224</u>	<u>(101,476)</u>
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>2,139,439</u>	<u>2,240,915</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 2,302,663</u>	<u>\$ 2,139,439</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Breakthrough Silicon Valley
Notes to Financial Statements
May 31, 2022
(with comparative totals for 2021)

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 2022, 72 BTSV students graduated high school, with 93% enrolling into four-year universities, and the remainder enrolling in community colleges or trade school. In the 2021-2022 academic year, BTSV’s College Pathways Initiative, a seventh year of programming for BTSV graduates in their first year of college, was launched. These students were paired with 22 peer monitors, \$25,000 in microgrants was distributed, and planning is underway for an inaugural three-day retreat for rising college freshmen.

Middle School Summer and Year-Round Programs—In summer 2021, BTSV delivered a four-week program for BTSV’s rising 7th, 8th, and 9th graders. Some 7th and 8th grade families opted into a fully in-person program, while our other middle schoolers and 9th graders attended classes virtually, with optional in-person community-building days taking place once per week. BTSV served 200+ students, taught by 39 teaching fellows, providing instruction in math, literature, science (Middle School), and “High School Prep” (9th grade).

The COVID-19 pandemic was an unprecedented challenge that impacted our operations in countless ways. The students BTSV serves have been directly impacted by the pandemic and have experienced the highest case counts of COVID-19 in the region. BTSV expanded and added services to meet emerging student and family needs, and continually adapted to deliver programming both virtually and in person.

BTSV adapted to meet a surge in demand for tutoring (provided in-person and virtually in FY2022), and BTSV grew tutoring by over 20% over the prior year. BTSV has also adapted the content of tutoring to include not just academic subjects, but skills like organization, prioritization, and study skills—which are needed even more in distance learning.

Diversity, Equity, and Inclusion (DEI) were priorities for BTSV in FY2022. BTSV engaged a DEI facilitator to lead trainings with staff and board and to support the creation of an organization-wide set of guiding principles for BTSV’s DEI work. BTSV also increased DEI-focused training in summer Teaching Fellows.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

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

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. 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 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 BTSV. These net assets may be used at the discretion of BTSV’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; 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 providing academic preparation programs 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 years ended May 31, 2022 and 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, 2022 and 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.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

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

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.

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 at May 31, 2021 consists of fund held for 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash Accounts Reported in Statement of Financial Position		
Cash and cash equivalents	\$ 2,302,663	\$ 1,937,221
PPP advance—restricted cash		202,218
Total Cash, Cash Equivalents, and Restricted Cash Reported in Statement of Cash Flows	<u>\$ 2,302,663</u>	<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, 2022 and 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.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

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

Advertising Expense—Advertising costs are expensed as incurred and amounted to \$4,623 and \$3,163 for the years ended May 31, 2022 and 2021.

Revenue Recognition—BTSV’s revenue recognition policies are as follows:

Special events revenue—Special event income is recognized when such income is received.

Program income—BTSV recognizes program income when services provided.

Interest income—Interest income is recognized when received and is reported under public support and revenue in the statement of activities.

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.

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.

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, 2022 to cover operating expenses for the next fiscal year:

Cash and cash equivalents, net of donor restrictions	\$	1,355,414
Grants and contributions receivable		190,141
		<hr/>
Current Availability of Financial Assets	\$	<u>1,545,555</u>

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

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 3—Grants and Contributions Receivable

Grants and contributions receivable at May 31, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Foundations	\$ 170,000	\$ 245,000
Corporations	20,000	40,000
Individuals	1,503	24,152
Government		25,000
	<u>191,503</u>	<u>334,152</u>
Total Grants and Contributions Receivable		
Less discount	(1,362)	
	<u>190,141</u>	<u>334,152</u>
Grants and Contributions Receivable, Net	<u><u>\$ 190,141</u></u>	<u><u>\$ 334,152</u></u>

Note 4—PPP Advance

On May 3, 2020, BTSV received a Paycheck Protection Program (PPP) advance for \$202,058 from the U.S. Small Business Administration (SBA). BTSV elected to record the PPP grant revenue upon receipt of the forgiveness letter from the SBA, which was received during the year ended May 31, 2022.

Note 5—Net Assets without Donor Restrictions

Net assets without donor restrictions for the years ended May 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 1,240,014	\$ 1,062,990
Board-designated for future use	781,000	781,000
	<u>2,021,014</u>	<u>1,843,990</u>
Total Net Assets without Donor Restrictions	<u><u>\$ 2,021,014</u></u>	<u><u>\$ 1,843,990</u></u>

Note 6—Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended May 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 66,780	\$ 91,530
STEM Connections	35,000	35,000
Middle school programs	25,408	45,408
Specified period—general operations	20,750	15,000
High school programs	19,061	25,102
Subject to time restriction:		
Specified period—general operations	170,141	80,000
Middle school programs	20,000	20,000
	<u>357,140</u>	<u>312,040</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 357,140</u></u>	<u><u>\$ 312,040</u></u>

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 6—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the years ended May 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
High school program	\$ 25,102	\$ 29,444
Scholarships	24,750	
Specified period—general operations	15,000	
STEM Connections	10,000	
Middle school programs		21,789
Satisfaction of time restrictions:		
Specified period—general operations	<u>100,000</u>	<u>100,000</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 174,852</u>	<u>\$ 151,233</u>

Note 7—In-Kind Contribution

BTSV recognized in-kind use of facilities for its Middle School and High School programs during the years ended May 31, 2022 and 2021 in the amount of \$25,511 and \$25,781. These amounts are classified as rent on the statement of functional expense.

Note 8—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 contributions to the Plan totaled \$21,514 and \$17,910 for the years ended May 31, 2022 and 2021, respectively.

Note 9—Recent Accounting Pronouncements

Leases—In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is to be applied using the modified retrospective approach and is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. BTSV is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Breakthrough Silicon Valley
Notes to Financial Statements—Continued

Note 9—Recent Accounting Pronouncements—Continued

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.

Note 10—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 11—Subsequent Events

Management evaluated all activities of Breakthrough Silicon Valley through October 17, 2022, which is the date the financial statements were available to be issued, and concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.