

**BREAKTHROUGH SILICON VALLEY**

INDEPENDENT AUDITORS' REPORT

Financial Statements

January 31, 2016

June 29, 2016

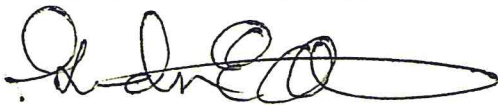
Ms. Melissa Johns  
Breakthrough Silicon Valley  
c/o Hoover Middle School  
1635 Park Avenue  
San Jose, California 95126

Dear Ms. Johns:

We enclose five copies of financial statements as of January 31, 2016 for Breakthrough Silicon Valley.  
An additional copy has been sent to you in pdf format.

Very truly yours,

**PFAHNL & HUNT ACCOUNTANCY CORPORATION**

A handwritten signature in black ink, appearing to read 'Gordon E. Ostrem', with a long horizontal flourish extending to the right.

Gordon E. Ostrem, CPA

GEO:jep

Enclosures

# BREAKTHROUGH SILICON VALLEY

## TABLE OF CONTENTS

January 31, 2016 and January 31, 2015

	<u>Pages</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4 - 5
Statement of Functional Expenses	6 - 7
Statement 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 statement of financial position as of January 31, 2016 and January 31, 2015, 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.

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, 2016 and January 31, 2015, 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  
June 24, 2016

# BREAKTHROUGH SILICON VALLEY

## STATEMENT OF FINANCIAL POSITION

January 31, 2016 and January 31, 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,891,622	1,522,550
Grants receivable	187,050	85,000
Prepaid expenses	<u>7,584</u>	<u>9,647</u>
Total current assets	<u>2,086,256</u>	<u>1,617,197</u>
	<u>\$ 2,086,256</u>	<u>1,617,197</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b> 		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 8,762	4,809
Accrued vacations	<u>27,938</u>	<u>22,723</u>
Total current liabilities	<u>36,700</u>	<u>27,532</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Undesignated	1,174,350	989,281
Board designated	<u>693,000</u>	<u>460,000</u>
Total unrestricted	1,867,350	1,449,281
Temporarily restricted	<u>182,206</u>	<u>140,384</u>
Total net assets	<u>2,049,556</u>	<u>1,589,665</u>
	<u>\$ 2,086,256</u>	<u>1,617,197</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 ACTIVITIES

Year ended January 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>GRANTS AND SUPPORT:</b>			
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>
<b>EXPENSES:</b>			
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
<b>NET ASSETS, beginning of year</b>	<u>1,078,792</u>	<u>208,858</u>	<u>1,287,650</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,449,281</u>	<u>140,384</u>	<u>1,589,665</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

## 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 CASH FLOWS

Years ended January 31, 2016 and January 31, 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 459,891	302,015
Adjustments to reconcile change in net assets to cash provided by operating activities:		
(Increase) decrease in:		
Grants receivable	(102,050)	138,267
Prepaid expenses	2,063	(588)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,953	563
Accrued vacations	<u>5,215</u>	<u>11,597</u>
Net cash provided by operating activities	<u>369,072</u>	<u>451,854</u>
Net increase in cash	369,072	451,854
CASH, beginning of year	<u>1,522,550</u>	<u>1,070,696</u>
CASH, end of year	<u>\$ 1,891,622</u>	<u>1,522,550</u>

See notes to financial statements.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS

January 31, 2016

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Date of Management's Review

Subsequent events were evaluated through June 24, 2016, 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, 2016

### (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, 2016 or January 31, 2015.

#### 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, 2016

### (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 \$9,854 and \$8,500 for membership dues and other expenses to Breakthrough Collaborative and received donations of \$25,000 and \$200 from them in the years ended January 31, 2016 and January 31, 2015, respectively.

During 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. In 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.

### (3) BOARD DESIGNATED NET ASSETS

At January 31, 2016 and January 31, 2015, \$693,000 and \$460,000, 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, 2016

### (4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at January 31, 2016 and January 31, 2015 were restricted by the donors for the following purposes:

	<u>2016</u>	<u>2015</u>
Middle school program	\$ 80,329	14,556
High school program	12,171	73,623
Science, Technology, Engineering and Math (STEM) programs	75,001	2,500
Program expansion	<u>14,705</u>	<u>49,705</u>
	<u>\$ 182,206</u>	<u>140,384</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, 2016 and January 31, 2015 as follows:

	<u>2016</u>	<u>2015</u>
Middle school program	\$ 190,477	223,535
High school program	126,452	83,377
STEM programs	137,499	60,000
Program expansion	35,000	115,295
Non-cognitive skill development program	<u>-</u>	<u>35,000</u>
	<u>\$ 489,428</u>	<u>517,207</u>

### (6) 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, 2016 and January 31, 2015.

# BREAKTHROUGH SILICON VALLEY

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2016

(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 \$9,506 and \$9,520 for the years ended January 31, 2016 and January 31, 2015, respectively.

(8) **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, 2016.