

BREAKTHROUGH SILICON VALLEY

INDEPENDENT AUDITORS' REPORT

Financial Statements

January 31, 2018 and January 31, 2017

BREAKTHROUGH SILICON VALLEY

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January 31, 2018 and January 31, 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
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, 2018 and January 31, 2017, 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 audit 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 Directors
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, 2018 and January 31, 2017, 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.

Alpha & Hunt Accountancy Corporation

San Jose, California
June 8, 2018

BREAKTHROUGH SILICON VALLEY

STATEMENTS OF FINANCIAL POSITION

January 31, 2018 and January 31, 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash	\$ 2,399,270	2,316,834
Grants receivable	105,217	60,086
Prepaid expenses	<u>19,241</u>	<u>10,252</u>
Total current assets	<u>2,523,728</u>	<u>2,387,172</u>
	<u>\$ 2,523,728</u>	<u>2,387,172</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 40,268	28,824
Accrued vacation	<u>47,968</u>	<u>37,244</u>
Total current liabilities	<u>88,236</u>	<u>66,068</u>
NET ASSETS:		
Unrestricted:		
Undesignated	1,555,552	1,393,292
Board designated	<u>781,000</u>	<u>781,000</u>
Total unrestricted	2,336,552	2,174,292
Temporarily restricted	<u>98,940</u>	<u>146,812</u>
Total net assets	<u>2,435,492</u>	<u>2,321,104</u>
	<u>\$ 2,523,728</u>	<u>2,387,172</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF ACTIVITIES

Year ended January 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
GRANTS AND SUPPORT:			
Individuals	\$ 416,209	10,000	426,209
Corporations	154,159	80,000	234,159
Foundations	349,800	180,000	529,800
Governmental	-	43,650	43,650
Fundraising events	369,915	-	369,915
In-kind support	28,751	-	28,751
Other	5,617	-	5,617
Net assets released from restrictions	<u>361,522</u>	<u>(361,522)</u>	<u>-</u>
Total revenue	<u>1,685,973</u>	<u>(47,872)</u>	<u>1,638,101</u>
EXPENSES:			
Programs:			
Middle school	785,782	-	785,782
High school	<u>362,805</u>	<u>-</u>	<u>362,805</u>
Total programs	1,148,587	-	1,148,587
Management and general	68,641	-	68,641
Fundraising	<u>306,485</u>	<u>-</u>	<u>306,485</u>
Total expenses	<u>1,523,713</u>	<u>-</u>	<u>1,523,713</u>
Change in net assets	162,260	(47,872)	114,388
NET ASSETS, beginning of year	<u>2,174,292</u>	<u>146,812</u>	<u>2,321,104</u>
NET ASSETS, end of year	<u>\$ 2,336,552</u>	<u>98,940</u>	<u>2,435,492</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>
GRANTS AND SUPPORT:			
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 support	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>
EXPENSES:			
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
NET ASSETS, beginning of year	<u>1,867,350</u>	<u>182,206</u>	<u>2,049,556</u>
NET ASSETS, end of year	<u>\$ 2,174,292</u>	<u>146,812</u>	<u>2,321,104</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2018

	<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	\$ 361,294	213,442	574,736	23,188	207,931	805,855
Payroll taxes	30,954	18,356	49,310	2,132	17,470	68,912
Employee benefits	43,227	29,630	72,857	2,175	22,626	97,658
Teacher stipends	163,840	1,640	165,480	-	-	165,480
Curriculum	3,181	74	3,255	-	-	3,255
Student events	2,536	5,241	7,777	-	-	7,777
Field trips and tours	802	13,341	14,143	1	3	14,147
Food	38,433	3,064	41,497	369	18,131	59,997
Scholarships	-	4,750	4,750	-	-	4,750
Student workshops	585	3,967	4,552	1	6	4,559
Student transportation	41,538	1,097	42,635	151	1,905	44,691
Recruitment and recognition	6,377	5,013	11,390	11,366	2,429	25,185
High school placement	462	-	462	-	-	462
Alumni services	-	11,536	11,536	-	-	11,536
Supplies and equipment	16,277	9,676	25,953	2,002	2,720	30,675
Marketing materials	3,452	2,189	5,641	314	490	6,445
Professional services	7,973	5,800	13,773	14,041	4,303	32,117
Consulting	25,066	13,027	38,093	1,861	3,361	43,315
In-kind space rental	19,369	6,342	25,711	1,786	1,254	28,751
Insurance	9,753	6,082	15,835	935	4,522	21,292
Telephone	1,507	788	2,295	79	314	2,688
Postage	1,304	729	2,033	106	258	2,397
Other	<u>7,852</u>	<u>7,021</u>	<u>14,873</u>	<u>8,134</u>	<u>18,762</u>	<u>41,769</u>
	<u>\$ 785,782</u>	<u>362,805</u>	<u>1,148,587</u>	<u>68,641</u>	<u>306,485</u>	<u>1,523,713</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

Year ended January 31, 2017

	<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	\$ 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

STATEMENTS OF CASH FLOWS

Years ended January 31, 2018 and January 31, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 114,388	271,548
Adjustments to reconcile change in net assets to cash provided by operating activities:		
(Increase) decrease in:		
Grants receivable	(45,131)	126,964
Prepaid expenses	(8,989)	(2,668)
Increase in:		
Accounts payable and accrued expenses	11,444	20,062
Accrued vacation	<u>10,724</u>	<u>9,306</u>
Net cash provided by operating activities	<u>82,436</u>	<u>425,212</u>
Net increase in cash and cash equivalents	82,436	425,212
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,316,834</u>	<u>1,891,622</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,399,270</u>	<u>2,316,834</u>

See notes to financial statements.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

January 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Subsequent events were evaluated through June 8, 2018, 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.

Cash and Cash Equivalents

All cash in bank accounts and short-term investments with a maturity of three months or less are considered cash and cash equivalents.

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 Directors as reserves.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Statement Presentation, Continued

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted include purpose restrictions wherein donors have specified the purpose for which the contributions are to be spent or time restrictions are imposed or implied by the nature of the gift.

When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

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, 2018 or January 31, 2017.

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, 2018

(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 \$12,000 and \$10,037 for membership dues and other expenses to Breakthrough Collaborative and received donations of \$16,100 from them in the year ended January 31, 2017.

During the years ended January 31, 2018 and January 31, 2017, \$178,467 and \$210,450 was received in donations from board members, respectively.

(3) BOARD DESIGNATED NET ASSETS

At January 31, 2017, \$781,000, of the cash account was designated by the Board of Directors as an operating reserve.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2018

(4) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at January 31, 2018 and January 31, 2017 were restricted by the donors for the following purposes:

	<u>2018</u>	<u>2017</u>
Middle school program	\$ 9,067	1,812
High school program	10,000	15,000
Science, Technology, Engineering and Math (STEM) programs	2,970	130,000
Stipulated time restriction - general operations	<u>76,903</u>	<u>-</u>
	<u>\$ 98,940</u>	<u>146,812</u>

(5) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from purpose restriction for the years ended January 31, 2018 and January 31, 2017 as follows:

	<u>2018</u>	<u>2017</u>
Middle school program	\$ 246,396	315,515
High school program	35,000	95,468
STEM programs	47,030	81,324
Stipulated time restriction - general operations	<u>33,096</u>	<u>-</u>
	<u>\$ 361,522</u>	<u>492,307</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, 2018 and 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 \$1,736 and \$8,507 for the years ended January 31, 2018 and January 31, 2017, respectively.

BREAKTHROUGH SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

January 31, 2018

(8) CONCENTRATION OF CREDIT RISK

Cash includes accounts at Wells Fargo Bank in excess of \$250,000. The accounts are 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, 2018.