

Breakthrough New York, Inc.

Financial Statements
June 30, 2022 and 2021

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Breakthrough New York, Inc.

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Independent Auditors' Report

**The Board of Directors
Breakthrough New York, Inc.**

Opinion

We have audited the accompanying financial statements of Breakthrough New York, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 Breakthrough New York, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Breakthrough New York, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Breakthrough New York, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Breakthrough New York, Inc.'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 Breakthrough New York, Inc.'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.

Mazars USA LLP

June 30, 2023

Breakthrough New York, Inc.

Statements of Financial Position June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 675,068	\$ 954,942
Investments, at fair value	1,380,360	1,552,047
Contributions receivable	859,773	484,455
Prepaid expenses and other assets	252,057	179,556
Property and equipment, net	161,447	13,899
	<hr/>	<hr/>
Total assets	<u>\$ 3,328,705</u>	<u>\$ 3,184,899</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 75,909	\$ 49,526
Deferred rent	-	130,960
	<hr/>	<hr/>
Total liabilities	<u>75,909</u>	<u>180,486</u>
 Net assets		
Without donor restrictions	2,600,803	2,599,777
With donor restrictions	651,993	404,636
	<hr/>	<hr/>
Total net assets	<u>3,252,796</u>	<u>3,004,413</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 3,328,705</u>	<u>\$ 3,184,899</u>

The accompanying notes are an integral part of these financial statements.

Breakthrough New York, Inc.

Statements of Activities Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support						
Contributions	\$ 1,717,882	\$ 415,437	\$ 2,133,319	\$ 1,586,217	\$ 270,727	\$ 1,856,944
Contribution - PPP loan (Note 7)	-	-	-	338,500	-	338,500
Special events, net of direct costs of \$245,357 and \$138,152, respectively	731,048	-	731,048	791,797	-	791,797
Investment (loss) income, net	(191,140)	-	(191,140)	275,402	-	275,402
Net assets released from restrictions	168,080	(168,080)	-	250,432	(250,432)	-
Total revenue and public support	<u>2,425,870</u>	<u>247,357</u>	<u>2,673,227</u>	<u>3,242,348</u>	<u>20,295</u>	<u>3,262,643</u>
Expenses						
Program	1,813,165	-	1,813,165	1,714,749	-	1,714,749
Fundraising	391,051	-	391,051	361,193	-	361,193
Administrative	220,628	-	220,628	208,757	-	208,757
Total expenses	<u>2,424,844</u>	<u>-</u>	<u>2,424,844</u>	<u>2,284,699</u>	<u>-</u>	<u>2,284,699</u>
Change in net assets	1,026	247,357	248,383	957,649	20,295	977,944
Net assets, beginning of year	<u>2,599,777</u>	<u>404,636</u>	<u>3,004,413</u>	<u>1,642,128</u>	<u>384,341</u>	<u>2,026,469</u>
Net assets, end of year	<u>\$ 2,600,803</u>	<u>\$ 651,993</u>	<u>\$ 3,252,796</u>	<u>\$ 2,599,777</u>	<u>\$ 404,636</u>	<u>\$ 3,004,413</u>

The accompanying notes are an integral part of these financial statements.

Breakthrough New York, Inc.

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 248,383	\$ 977,944
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,586	4,922
Net realized and unrealized loss (gain) on investments	233,907	(243,334)
Deferred rent	(130,960)	63,008
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Contributions receivable	(375,318)	(327,065)
Prepaid expenses and other assets	(72,501)	2,553
Accounts payable and accrued expenses	26,383	(4,684)
Net cash provided by operating activities	<u>(60,520)</u>	<u>473,344</u>
Cash flows from investing activities		
Purchases of investments	(550,301)	(1,434,923)
Proceeds from sales of investments	488,081	1,383,850
Purchases of property and equipment	(157,134)	(10,750)
Net cash used in investing activities	<u>(219,354)</u>	<u>(61,823)</u>
Cash flows from financing activities		
Proceeds from line of credit		100,000
Repayment of line of credit, net of proceeds	-	(475,000)
Net cash (used in) provided by financing activities	<u>-</u>	<u>(375,000)</u>
Net increase in cash, cash equivalents and restricted cash	(279,874)	36,521
Cash, cash equivalents, and restricted cash		
Beginning	954,942	918,421
End	<u>\$ 675,068</u>	<u>\$ 954,942</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 2,705</u>

The accompanying notes are an integral part of these financial statements.

Breakthrough New York, Inc.

Notes to Financial Statements Years Ended June 30, 2022 and 2021

1. Organization and Nature of Activities

Breakthrough New York, Inc. (the “Organization”) (originally founded as Summerbridge, a program of the Town School in 1999), was incorporated on June 30, 2009 as a not-for-profit corporation under the laws of the State of New York.

The Organization is a ten-year college success program committed to getting high-potential, low-income students to and through four-year colleges. The Organization provides after-school and summer enrichment programs to middle school students from New York City public schools, providing them ongoing academic preparation, guidance and mentoring needed to graduate from selective 4-year colleges to be career ready. Through the students-teaching-students model, the Organization also promotes careers in education.

2. Summary of Significant Accounting Policies

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 reported amounts of assets and liabilities, 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.

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management’s discretion.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

At June 30, 2022 and 2021, there were no net assets with Board designation.

Contributions

The Organization reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or without donor restrictions in the absence of donor stipulated restrictions on the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restriction. Donor-restricted contributions whose restrictions are met within the same reporting period are reported as net assets without donor restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

The Organization maintains its cash at one bank, which, at times, may exceed the \$250,000 federally-insured limit. The Organization has not experienced any losses in these accounts. At June 30, 2022, cash held exceeding the federally-insured limit approximated \$431,000.

Investments

Investments are valued at fair value. Unrealized gains and losses are included in the statement of activities.

Breakthrough New York, Inc.

Fair Value of Financial Instruments

The Organization follows the standards for fair value measurement and disclosure for financial assets and liabilities which clarify the definition of fair value, prescribe methods for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and expand disclosure about the use of fair value measurements. The following table presents financial assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

	Fair Value Measurements at June 30, 2022			
	Total	Unadjusted Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Exchange Traded Products:				
Equity funds	\$ 585,385	\$ 585,385	\$ -	\$ -
Fixed income funds	642,913	642,913	-	-
Common stocks	152,062	152,062	-	-
	<u>\$ 1,380,360</u>	<u>\$ 1,380,360</u>	<u>\$ -</u>	<u>\$ -</u>
	Fair Value Measurements at June 30, 2021			
	Total	Unadjusted Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Exchange Traded Products:				
Equity funds	\$ 749,130	\$ 749,130	\$ -	\$ -
Fixed income funds	665,316	665,316	-	-
Common stocks	137,601	137,601	-	-
	<u>\$ 1,552,047</u>	<u>\$ 1,552,047</u>	<u>\$ -</u>	<u>\$ -</u>

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows discounted to fair value using an appropriate interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Property and Equipment

Property and equipment are stated at cost. Depreciation of furniture and equipment is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the useful life of the improvement or the lease term, whichever is shorter. Additions are capitalized, whereas costs of maintenance and repairs are charged to expense as incurred.

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

Breakthrough New York, Inc.

In-Kind Contributions

Contributed services or the use of equipment, materials or facilities at less than fair value are recorded at their fair value in accordance with professional standards, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributed goods and materials are recorded at their fair value when they are promised.

3. Investments

Investments consist of the following:

	June 30,			
	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Exchange Traded Products:				
Equity funds	\$ 620,255	\$ 585,385	\$ 569,145	\$ 749,130
Fixed income funds	684,096	642,913	657,868	665,316
Common stocks	139,342	152,062	123,213	137,601
	<u>\$ 1,443,693</u>	<u>\$ 1,380,360</u>	<u>\$ 1,350,226</u>	<u>\$ 1,552,047</u>

Investment (loss) income consists of the following:

	Years Ended June 30,	
	2022	2021
Interest and dividends	\$ 53,193	\$ 41,305
Unrealized loss	(265,154)	(106,628)
Realized gain	31,247	349,962
Investment fees	(10,426)	(9,237)
	<u>\$ (191,140)</u>	<u>\$ 275,402</u>

4. Contributions Receivable, Net

Contributions receivable include unconditional promises to give, which amounted to \$859,773 and \$484,455 at June 30, 2022 and 2021, respectively.

	June 30,	
	2022	2021
Receivable in less than one year	\$ 620,390	\$ 407,580
Receivable in one to four years	263,287	83,287
Less: allowance for bad debts	(5,750)	-
Less discount to present value at 3% and 4.5%	(18,154)	(6,412)
	<u>\$ 859,773</u>	<u>\$ 484,455</u>

Approximately 58% and 77% of contributions receivable at June 30, 2022 and 2021, respectively, are due from two donors and four donors, respectively.

Breakthrough New York, Inc.

5. Property and Equipment, Net

Property and equipment, net, at cost, consists of the following:

	June 30,		Depreciation/ Amortization Period
	2022	2021	
Furniture and equipment	\$ 262,284	\$ 162,066	3-5 years
Sales force IT system	284,582	284,582	3 years
Leasehold improvements	81,518	24,602	Term of lease
	628,384	471,250	
Less: accumulated depreciation and amortization	(466,937)	(457,351)	
	<u>\$ 161,447</u>	<u>\$ 13,899</u>	

6. Line of Credit

The Organization entered into a promissory note agreement with First Republic Bank, as amended, for a line of credit amounting to \$500,000. Interest on the outstanding balance is payable monthly at the greater of 3% or the U.S. prime rate as published by The Wall Street Journal minus 0.25% per annum (4.5% and 3% at June 30, 2022 and 2021, respectively). The line of credit is collateralized by substantially all of the assets of the Organization and expires on July 1, 2023. The promissory note contains certain reporting covenants including a financial covenant which requires the maintenance of unencumbered liquid assets equal to not less than 1.25 times the then current and outstanding unpaid principal balance of the loan. At June 30, 2022 and 2021, there was no outstanding balance on the line of credit.

7. Paycheck Protection Program Loans

On April 17, 2020, the Organization secured a loan from a bank for \$333,400 through the U.S. Small Business Administration's Paycheck Protection Program (or "The First PPP Loan"). The First PPP Loan had an interest rate of 1% and was set to mature at April 17, 2022. The Organization had determined that at June 30, 2020, all conditions for forgiveness have been met, and accordingly, had recognized the full amount of The First PPP Loan as a contribution during the year ended June 30, 2020. On September 9, 2021, the Organization received formal forgiveness for The First PPP Loan in the full amount of \$333,400.

On February 22, 2021, the Organization secured another loan from a bank for \$338,500 through the U.S. Small Business Administration's Paycheck Protection Program (or "The Second PPP Loan"). The Second PPP Loan had an interest rate of 1% and was set to mature on February 22, 2026. The Organization expected The Second PPP Loan to be forgiven in accordance with the provision of the paycheck protection program. The Organization treated The Second PPP Loan as a conditional contribution under the provisions of ASC 958-605 which states:

- Conditional contributions are not recognized until the conditions are substantially met or explicitly waived
- The entity initially records the cash inflow from the PPP loan as a refundable advance
- The entity would then reduce the refundable advance and recognize the contribution once the conditions of the release have been substantially met or explicitly waived.

The Organization had determined that at June 30, 2021, all conditions for forgiveness have been met, and accordingly, had recognized the full amount of The Second PPP Loan as a contribution during the year ended June 30, 2021.

Breakthrough New York, Inc.

On August 17, 2021, the Organization received formal forgiveness for The Second PPP Loan in the full amount of \$338,500.

8. Liquidity and Availability of Resources

	<u>June 30, 2022</u>
Cash and cash equivalents	\$ 675,068
Investments, at fair value	1,380,360
Contributions receivable	<u>859,773</u>
Total financial assets available within one year	<u>2,915,201</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions- purpose	(452,348)
Donor-imposed restrictions- time	<u>(199,645)</u>
	<u>(651,993)</u>
Total financial assets available to management general expenditures within one year	<u>\$ 2,263,208</u>

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The investments can easily be liquidated when such funds are needed. Management can also drawdown from its line of credit.

Breakthrough New York, Inc.

9. Net Assets With Donor Restrictions - Purpose

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes or periods:

	June 30,	
	2022	2021
Donor's discretionary fund	\$ 133,911	\$ 133,911
Middle & High School Programs	27,000	40,000
College Programs	288,774	-
Equipment	-	4,248
Sherman Scholarship	2,663	3,815
Time Restrictions:		
Year ended June 30, 2022		145,787
Year ended June 30, 2023	163,572	40,802
Year ended June 30, 2024	18,303	18,303
Year ended June 30, 2025	17,770	17,770
	<u>\$ 651,993</u>	<u>\$ 404,636</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the following restricted purposes specified by the donor:

	Years Ended June 30,	
	2022	2021
Lapse of time restriction	\$ 120,017	\$ 125,000
Mental health support	-	61,337
Middle & High School Programs	40,000	44,808
Sherman Scholarship	3,815	4,578
Equipment	4,248	10,055
Student emergency fund	-	4,654
	<u>\$ 168,080</u>	<u>\$ 250,432</u>

10. Retirement Plans

The Organization sponsors a defined contribution plan for eligible employees. The plan is funded through voluntary contributions by participants and an employer matching portion. During 2022 and 2021, the employer matched 100% of full-time employees' tax-deferred salary reduction up to 1% of gross salary for those employed for at least one year and one-thousand hours of full-time employment. The pension expense under this plan for the years ended June 30, 2022 and 2021 was \$9,239 and \$9,169, respectively.

11. Lease Commitments

The Organization was obligated under a non-cancelable operating lease for office space which expired on June 30, 2022. This lease was subject to escalations for the Organization's pro rata share of increases in real estate taxes. Due to the pandemic, the Organization had entered into several rent deferral agreements with their landlord.

The Organization recognizes its rent expense on a straight-line method, based on total rental payments due during the lease term. As of June 30, 2022 and 2021, aggregate rent expense recognized on a straight-line basis exceeded payments by \$0 and \$130,960, respectively, and are reflected as deferred rent on the accompanying statements of financial position.

Rent expense charged to operations, inclusive of escalations, amounted to approximately \$205,000 and \$205,000 for the years ended June 30, 2022 and 2021, respectively.

Breakthrough New York, Inc.

On February 18, 2022, the Organization signed a lease agreement for office space at a new location in Manhattan, to become effective once alterations were completed, which occurred as of August 5, 2022. The lease agreement is for 7 years and 5 months from the effective date. Future minimum payments under the lease, exclusive of the tenants share of real estate taxes, are as follows:

Year Ending June 30	
2023	\$ 104,621
2024	236,320
2025	241,748
2026	257,404
2027	265,378
Thereafter	<u>714,261</u>
	<u>\$ 1,819,732</u>

12. Functional Expenses

Expenses for the years ended June 30, 2022 and 2021, were incurred as follows:

	June 30, 2022				June 30, 2021			
	Program Services	Supporting Services		Total 2022	Program Services	Supporting Services		Total 2021
		Fundraising	Administration			Fundraising	Administration	
Salaries and related costs	\$ 1,308,518	\$ 285,311	\$ 119,109	\$ 1,712,938	\$ 1,274,407	\$ 225,023	\$ 124,874	\$ 1,624,304
Consultants/professional fees	110,671	45,191	66,841	222,703	100,395	71,262	53,495	225,152
Occupancy	183,907	15,435	11,576	210,918	164,191	15,274	18,865	198,330
Technology	36,560	12,219	1,404	50,183	30,943	17,038	1,862	49,843
Supplies	20,962	1,565	1,173	23,700	14,402	853	640	15,895
Food	5,715	74	2	5,791	-	-	-	-
Scholarships	43,917	-	-	43,917	57,102	-	-	57,102
Gala	-	245,357	-	245,357	-	129,665	-	129,665
Young Professional Board	-	-	-	-	-	8,487	-	8,487
Postage and delivery	4,168	112	50	4,330	3,921	3,755	48	7,724
Insurance	35,305	3,284	2,463	41,052	30,234	2,813	2,109	35,156
Printing and reproduction	1,579	8,475	94	10,148	45	12,568	3	12,616
Staff development/recognition	27,915	3,099	979	31,993	14,964	694	314	15,972
Telephone and internet	9,741	755	2,709	13,205	12,577	1,025	2,856	16,458
Transportation	8,996	59	18	9,073	533	197	27	757
Field trips	1,395	-	-	1,395	1,950	-	-	1,950
Depreciation and amortization	8,745	480	360	9,585	4,315	347	260	4,922
Bad Debts	-	5,750	-	5,750	-	1,250	-	1,250
Miscellaneous	5,071	9,242	13,850	28,163	4,770	9,094	3,404	17,268
Total	1,813,165	636,408	220,628	2,670,201	1,714,749	499,345	208,757	2,422,851
Less: Special events	-	(245,357)	-	(245,357)	-	(138,152)	-	(138,152)
	<u>\$ 1,813,165</u>	<u>\$ 391,051</u>	<u>\$ 220,628</u>	<u>\$ 2,424,844</u>	<u>\$ 1,714,749</u>	<u>\$ 361,193</u>	<u>\$ 208,757</u>	<u>\$ 2,284,699</u>

13. Subsequent Events

Subsequent events have been evaluated through June 30, 2023, the date the financial statements were available for issuance.

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