

Breakthrough New York, Inc.

**Financial Statements
June 30, 2019 and 2018**



Breakthrough New York, Inc.

Table of Contents *June 30, 2019 and 2018*

	Page(s)
<i>Independent Auditors' Report</i>	<i>1</i>
<i>Statements of Financial Position</i>	<i>2</i>
<i>Statements of Activities</i>	<i>3</i>
<i>Statements of Cash Flows</i>	<i>4</i>
<i>Notes to Financial Statements</i>	<i>5-12</i>



Independent Auditors' Report

The Board of Directors
Breakthrough New York, Inc.

We have audited the accompanying financial statements of Breakthrough New York, Inc. which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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 auditor's 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 auditor considers 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.

Opinion

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, 2019 and 2018, 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.

Mazars USA LLP

November 22, 2019

MAZARS USA LLP
135 WEST 50TH STREET – NEW YORK, NEW YORK – 10020
TEL: 212.812.7000 – FAX: 212.375.6888 – WWW.MAZARSUSA.COM

MAZARS USA LLP IS AN INDEPENDENT MEMBER FIRM OF MAZARS GROUP.



Breakthrough New York, Inc.

Statements of Financial Position *June 30, 2019 and 2018*

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 474,108	\$ 649,106
Investments, at fair value	1,226,219	1,147,415
Contributions receivable	317,435	109,076
Prepaid expenses and other assets	200,338	199,481
Property and equipment, net	<u>18,312</u>	<u>51,049</u>
 Total assets	 <u>\$ 2,236,412</u>	 <u>\$ 2,156,127</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 26,464	\$ 26,501
Deferred rent	<u>93,733</u>	<u>111,832</u>
 Total liabilities	 <u>120,197</u>	 <u>138,333</u>
 Net assets		
Without donor restrictions	1,463,127	1,657,556
With donor restrictions	<u>653,088</u>	<u>360,238</u>
Total net assets	<u>2,116,215</u>	<u>2,017,794</u>
 Total liabilities and net assets	 <u>\$ 2,236,412</u>	 <u>\$ 2,156,127</u>

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

Breakthrough New York, Inc.

Statements of Activities Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support						
Contributions	\$ 1,604,193	\$ 397,456	\$ 2,001,649	\$ 1,401,483	\$ 103,235	\$ 1,504,718
In-kind contributions	28,750	-	28,750	24,000	-	24,000
Special events, net of direct costs of \$227,903 and \$162,153, respectively	748,043	-	748,043	572,090	-	572,090
Investment income	112,387	-	112,387	66,679	-	66,679
Miscellaneous	-	-	-	5,005	-	5,005
Net assets released from restrictions	104,606	(104,606)	-	412,946	(412,946)	-
Total revenue and public support	<u>2,597,979</u>	<u>292,850</u>	<u>2,890,829</u>	<u>2,482,203</u>	<u>(309,711)</u>	<u>2,172,492</u>
Expenses						
Program	2,155,419	-	2,155,419	2,094,171	-	2,094,171
Fundraising	417,416	-	417,416	443,388	-	443,388
Administrative	219,573	-	219,573	274,430	-	274,430
Total expenses	<u>2,792,408</u>	<u>-</u>	<u>2,792,408</u>	<u>2,811,989</u>	<u>-</u>	<u>2,811,989</u>
Change in net assets	(194,429)	292,850	98,421	(329,786)	(309,711)	(639,497)
Net assets, beginning of year	<u>1,657,556</u>	<u>360,238</u>	<u>2,017,794</u>	<u>1,987,342</u>	<u>669,949</u>	<u>2,657,291</u>
Net assets, end of year	<u>\$ 1,463,127</u>	<u>\$ 653,088</u>	<u>\$ 2,116,215</u>	<u>\$ 1,657,556</u>	<u>\$ 360,238</u>	<u>\$ 2,017,794</u>

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

Breakthrough New York, Inc.

Statements of Cash Flows *Years Ended June 30, 2019 and 2018*

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 98,421	\$ (639,497)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	36,487	118,668
Unrealized gain on investments	(78,804)	(34,394)
Deferred rent	(18,099)	9,769
In-kind contribution of equipment	(3,750)	-
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Contributions receivable	(208,359)	83,653
Prepaid expenses and other assets	(857)	2,238
Accounts payable and accrued expenses	(37)	(19,224)
Net cash used in operating activities	<u>(174,998)</u>	<u>(478,787)</u>
Net decrease in cash and cash equivalents	(174,998)	(478,787)
Cash and cash equivalents		
Beginning	<u>649,106</u>	<u>1,127,893</u>
End	<u>\$ 474,108</u>	<u>\$ 649,106</u>

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

Breakthrough New York, Inc.

Notes to Financial Statements *Years Ended June 30, 2019 and 2018*

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, 2019 and 2018, 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. 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 Company has not experienced any losses in these accounts. At June 30, 2019, cash held at one financial institution in one bank account exceeded the federally-insured limit by approximately \$241,000.

Breakthrough New York, Inc.

Investments

Investments are valued at fair value, which is the prevailing market value. Unrealized gains and losses are included in the statement of activities.

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, 2019		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total				
Assets:				
Exchange Traded Products:				
Large Cap Blend	\$ 379,051	\$ 379,051	\$ -	\$ -
Large Cap Value	327,860	327,860	-	-
Fixed Income	519,308	519,308	-	-
	<u>\$ 1,226,219</u>	<u>\$ 1,226,219</u>	<u>\$ -</u>	<u>\$ -</u>

		Fair Value Measurements at June 30, 2018		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total				
Assets:				
Exchange Traded Products:				
Large Cap Blend	\$ 349,830	\$ 349,830	\$ -	\$ -
Large Cap Value	301,275	301,275	-	-
Fixed Income	496,310	496,310	-	-
	<u>\$ 1,147,415</u>	<u>\$ 1,147,415</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.

Breakthrough New York, Inc.

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.

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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Breakthrough New York, Inc.

3. Investments

Investments consist of the following:

	June 30,			
	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Exchange Traded Products:				
Large Cap Blend	\$ 203,358	\$ 379,051	\$ 203,358	\$ 349,830
Large Cap Value	202,947	327,860	202,947	301,275
Fixed income	523,635	519,308	523,635	496,310
	<u>\$ 929,940</u>	<u>\$ 1,226,219</u>	<u>\$ 929,940</u>	<u>\$ 1,147,415</u>

Investment income consists of the following:

	Years Ended June 30,	
	2019	2018
Interest and dividends	\$ 33,583	\$ 32,285
Unrealized gain	78,804	34,394
	<u>\$ 112,387</u>	<u>\$ 66,679</u>

4. Contributions Receivable, Net

Contributions receivable include unconditional promises to give, which amounted to \$317,435 and \$109,076 at June 30, 2019 and 2018, respectively. Contributions receivable in the amount of \$100,000 at June 30, 2019 is receivable in two years, while the remaining amount of \$217,435 is receivable within one year.

	June 30,	
	2019	2018
Receivable in less than one year	\$ 223,175	\$ 109,076
Receivable in one to five years	100,000	
Less discount to present value at 3%	(5,740)	
	<u>\$ 317,435</u>	<u>\$ 109,076</u>

Approximately 63% of contributions receivable at June 30, 2019 are due from one donor.

Breakthrough New York, Inc.

5. Property and Equipment, Net

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

	June 30,		Depreciation/ Amortization Period
	2019	2018	
Furniture and equipment	\$ 151,316	\$ 147,566	3-5 years
Sales force IT system	284,582	284,582	3 years
Leasehold improvements	24,602	24,602	Term of lease
	460,500	456,750	
Less: accumulated depreciation and amortization	(442,188)	(405,701)	
	<u>\$ 18,312</u>	<u>\$ 51,049</u>	

6. Liquidity and Availability of Resources

June 30,	2019	2018
Cash and cash equivalents	\$ 474,108	\$ 649,106
Investments, at fair value	1,226,219	1,147,415
Contributions receivable	217,435	109,076
Total financial assets available within one year	<u>1,917,762</u>	<u>1,905,597</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions- purpose	(413,829)	(350,238)
Donor-imposed restrictions- time	(144,999)	(10,000)
	<u>(558,828)</u>	<u>(360,238)</u>
Total financial assets available to management general expenditures within one year	<u>\$ 1,358,934</u>	<u>\$ 1,545,359</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.

Breakthrough New York, Inc.

7. Net Assets With Donor Restrictions - Purpose

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes or periods:

	June 30,	
	2019	2018
Donor's discretionary fund	\$ 250,000	\$ 250,000
College program	-	75,000
Middle & High School Programs	11,025	10,435
2020 fiscal program	100,541	-
Sherman Scholarship	26,548	3,298
Equipment	-	1,370
Women's Programming	-	4,502
Student emergency fund	5,632	5,633
Mental health support	20,083	-
Time Restrictions:		
Year ended June 30, 2021	94,260	
Year ended June 30, 2020	144,999	-
Year ended June 30, 2019	-	10,000
	<u>\$ 653,088</u>	<u>\$ 360,238</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,	
	2019	2018
Middle & High School Programs	\$ 10,435	\$ 10,500
Sherman Scholarship	3,298	-
College program	75,000	247,603
Equipment	1,370	11,629
Women's Programming	4,503	-
Sales Force IT system	-	80,714
Lapse of time restriction	10,000	62,500
	<u>\$ 104,606</u>	<u>\$ 412,946</u>

8. 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 2019 and 2018, the employer matched 100% of full-time employees' tax-deferred salary reduction up to 3% of gross salary for those employed for at least three months of full-time employment. The pension expense under this plan for the years ended June 30, 2019 and 2018 was \$27,678 and \$16,262, respectively.

Breakthrough New York, Inc.

9. Lease Commitments

The Organization is obligated under non-cancelable operating leases for office and programming space, expiring at various dates through June 30, 2022. One of the leases is subject to escalations for the Organization's pro rata share of increases in real estate taxes. Minimum future obligations under the lease at June 30, 2019, exclusive of required payments for increases in real estate taxes, are payable as follows:

<u>Year Ending June 30,</u>	
2020	\$ 216,722
2021	222,141
2022	<u>227,694</u>
	<u>\$ 666,557</u>

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, 2019 and 2018, aggregate rent expense recognized on a straight-line basis exceeded payments by \$93,733 and \$111,832, 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 \$299,000 and \$329,000 for the years ended June 30, 2019 and 2018, respectively.

10. In-Kind Contributions

The Organization receives in-kind contributions of equipment, space rental and the usage of office equipment, as follows:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Space rental/usage of office equipment	\$ 25,000	\$ 24,000
Equipment	<u>3,750</u>	<u>-</u>
	<u>\$ 28,750</u>	<u>\$ 24,000</u>

Breakthrough New York, Inc.

11. Functional Expenses

Expenses for the years ended June 30, 2019 and 2018, were incurred as follows:

	2019				2018			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
		Fundraising	Administration			Fundraising	Administration	
Salaries and related costs	\$ 1,455,182	\$ 252,381	\$ 124,850	\$ 1,832,413	\$ 1,181,993	\$ 255,181	\$ 103,174	\$ 1,540,348
Consultants/professional fees	106,902	85,721	49,663	242,286	139,858	72,544	85,902	298,304
Occupancy	272,154	15,129	11,347	298,630	293,000	14,972	20,998	328,970
Technology	47,780	10,699	1,277	59,756	50,221	8,565	1,426	60,212
Supplies	26,465	1,559	1,073	29,097	63,329	2,391	1,617	67,337
Food	62,961	165	124	63,250	70,059	1,088	349	71,496
Scholarships	30,045	-	-	30,045	39,451	-	-	39,451
Gala	-	202,321	-	202,321	-	156,566	-	156,566
Young Professional Board	-	25,582	-	25,582	-	5,587	-	5,587
Postage and delivery	5,466	3,563	65	9,094	3,469	3,516	135	7,120
Insurance	24,074	2,239	1,680	27,993	20,476	1,905	1,429	23,810
Printing and reproduction	10,141	19,065	445	29,651	8,052	19,869	385	28,306
Staff development/recognition	42,739	4,750	2,208	49,697	115,224	11,568	4,226	131,018
Telephone and internet	12,710	1,182	2,862	16,754	10,548	981	2,520	14,049
Transportation	27,694	545	10	28,249	23,595	786	51	24,432
Field trips	11,206	-	-	11,206	13,794	-	-	13,794
Depreciation and amortization	16,960	8,174	11,353	36,487	57,430	37,944	23,294	118,668
Bad Debts	-	2,617	552	3,169	-	9,500	-	9,500
Miscellaneous	2,940	9,627	12,064	24,631	3,672	2,578	28,924	35,174
Total	2,155,419	645,319	219,573	3,020,311	2,094,171	605,541	274,430	2,974,142
Less: Special events	-	(227,903)	-	(227,903)	-	(162,153)	-	(162,153)
Total expenses	\$ 2,155,419	\$ 417,416	\$ 219,573	\$ 2,792,408	\$ 2,094,171	\$ 443,388	\$ 274,430	\$ 2,811,989

12. Subsequent Events

On August 13, 2019, the Organization entered into a promissory note agreement with First Republic Bank, which allows for a line of credit amounting to \$500,000. The maturity date is August 13, 2020. As of November 22, 2019, the outstanding balance on the line of credit was approximately \$375,000.

Subsequent events have been evaluated through November 22, 2019, the date the financial statements were available for issuance.



MAZARS

ACCOUNTING | TAX | CONSULTING