

Breakthrough Twin Cities

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
May 31, 2022 and 2021



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Breakthrough Twin Cities
St. Paul, Minnesota

Opinion

We have audited the accompanying financial statements of Breakthrough Twin Cities (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022 and 2021, and the related statements of activities, 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 Twin Cities as of May 31, 2022 and 2021, 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.

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 Twin Cities 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 Twin Cities' ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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, including omissions, 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 Twin Cities' 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 Twin Cities' 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.

Carpenter Ernst and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
October 18, 2022

BREAKTHROUGH TWIN CITIES
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 1,651,702	\$ 1,383,229
Pledges and Grants Receivable	350,000	253,643
Prepaid Expenses	10,882	1,716
Total Current Assets	<u>2,012,584</u>	<u>1,638,588</u>
 Pledges and Grants Receivable - Noncurrent	 <u>30,000</u>	 <u>-</u>
TOTAL ASSETS	<u>\$ 2,042,584</u>	<u>\$ 1,638,588</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 93,681	\$ 24,169
Accrued Payroll	44,075	33,776
PPP Loan	-	140,501
Notes Payable	3,714	3,659
Total Current Liabilities	<u>141,470</u>	<u>202,105</u>
Long-term Liabilities:		
Notes Payable	<u>146,186</u>	<u>146,241</u>
Total Liabilities	<u>287,656</u>	<u>348,346</u>
Net Assets:		
Without Donor Restrictions	1,084,016	720,953
With Donor Restrictions	670,912	569,289
Total Net Assets	<u>1,754,928</u>	<u>1,290,242</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,042,584</u>	<u>\$ 1,638,588</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

BREAKTHROUGH TWIN CITIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:						
Grants and Contributions	\$ 927,903	\$ 550,000	\$ 1,477,903	\$ 932,779	\$ 257,500	\$ 1,190,279
In-Kind Contributions	116,461	-	116,461	67,225	-	67,225
Program Service Revenues	142,365	-	142,365	86,652	-	86,652
Special Events						
Special Events Income	89,831	-	89,831	184,282	-	184,282
Costs of Direct Benefits to Donors	19,688	-	19,688	21,041	-	21,041
Special Events - Net	70,143	-	70,143	163,241	-	163,241
Other Income	5,698	-	5,698	3,124	-	3,124
Net Assets Released from Restrictions:						
Satisfaction of Purpose and Time Restrictions	448,377	(448,377)	-	279,581	(279,581)	-
Total Support and Revenue	1,710,947	101,623	1,812,570	1,532,602	(22,081)	1,510,521
Expense:						
Program Services	966,945	-	966,945	699,880	-	699,880
Support Services:						
Management and General	247,770	-	247,770	198,600	-	198,600
Fundraising	133,169	-	133,169	150,075	-	150,075
Total Support Services	380,939	-	380,939	348,675	-	348,675
Total Expense	1,347,884	-	1,347,884	1,048,555	-	1,048,555
Change in Net Assets	363,063	101,623	464,686	484,047	(22,081)	461,966
Net Assets - Beginning of Year	720,953	569,289	1,290,242	236,906	591,370	828,276
Net Assets - End of Year	\$ 1,084,016	\$ 670,912	\$ 1,754,928	\$ 720,953	\$ 569,289	\$ 1,290,242

The accompanying Notes to Financial Statements
are an integral part of these statements.

BREAKTHROUGH TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED MAY 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022				2021	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 620,142	\$ 48,151	\$ 103,500	\$ 151,651	\$ 771,793	\$ 713,199
Employee Benefits and Payroll Taxes	80,537	19,347	11,491	30,838	111,375	96,617
Total Personnel Costs	700,679	67,498	114,991	182,489	883,168	809,816
Rent and Office Support	53,390	63,101	-	63,101	116,491	67,225
Professional Fees	2,614	86,660	7,342	94,002	96,616	68,563
Field Trips and Transportation	79,914	-	-	-	79,914	-
Recruitment and Training	38,197	7,499	1,175	8,674	46,871	8,991
College Guidance Counseling	36,993	-	-	-	36,993	26,690
School Program Supplies	19,882	455	-	455	20,337	8,412
Technology	12,008	4,665	331	4,996	17,004	22,776
Events and Snacks	14,223	81	-	81	14,304	6,481
Office Supplies	717	7,108	145	7,253	7,970	2,966
Marketing	945	703	6,238	6,941	7,886	1,266
Insurance	-	7,590	-	7,590	7,590	8,234
Miscellaneous	1,383	2,410	2,947	5,357	6,740	9,596
Breakthrough Affiliation Fee	6,000	-	-	-	6,000	6,000
Furniture and Equipment	-	-	-	-	-	1,539
Total Expense	\$ 966,945	\$ 247,770	\$ 133,169	\$ 380,939	\$ 1,347,884	\$ 1,048,555

The accompanying Notes to Financial Statements are an integral part of this statement.

BREAKTHROUGH TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED MAY 31, 2021

	Total Program Services	Support Services				Total All Services
		Management & General	Fund- raising	Total Support Services	Total	
Salaries	\$ 561,358	\$ 48,423	\$ 103,418	\$ 151,841	\$ 713,199	
Employee Benefits and Payroll Taxes	62,907	19,942	13,768	33,710	96,617	
Total Personnel Costs	624,265	68,365	117,186	185,551	809,816	
Rent and Office Support	5,437	60,788	1,000	61,788	67,225	
Professional Fees	1,125	42,120	25,318	67,438	68,563	
Recruitment and Training	7,532	1,284	175	1,459	8,991	
College Guidance Counseling	26,690	-	-	-	26,690	
School Program Supplies	7,803	430	179	609	8,412	
Technology	16,986	4,224	1,566	5,790	22,776	
Events and Snacks	2,896	3,585	-	3,585	6,481	
Office Supplies	914	1,100	952	2,052	2,966	
Marketing	72	333	861	1,194	1,266	
Insurance	-	8,234	-	8,234	8,234	
Miscellaneous	160	6,598	2,838	9,436	9,596	
Breakthrough Affiliation Fee	6,000	-	-	-	6,000	
Furniture and Equipment	-	1,539	-	1,539	1,539	
Total Expense	\$ 699,880	\$ 198,600	\$ 150,075	\$ 348,675	\$ 1,048,555	

The accompanying Notes to Financial Statements
are an integral part of this statement.

BREAKTHROUGH TWIN CITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Increase (Decrease) in Cash</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 464,686	\$ 461,966
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Forgiveness of PPP Loan	(140,501)	(131,500)
Pledges and Grants Receivable	(30,000)	-
Increases (Decrease) in Current Liabilities:		
Accrued Payroll	10,299	4,497
Accounts Payable	69,512	16,014
Decreases (Increases) in Current Assets:		
Pledges and Grants Receivable	(96,357)	107,245
Prepaid Expenses	(9,166)	2,615
Net Cash Provided by Operating Activities	<u>268,473</u>	<u>460,837</u>
Cash Flows from Investing Activities:		
None	-	-
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Payable	-	159,001
Proceeds from PPP Loan	-	131,500
Principal Payments on Notes Payable	-	(100)
Net Cash Provided by Financing Activities	<u>-</u>	<u>290,401</u>
Net Increase in Cash	268,473	751,238
Cash - Beginning of Year	<u>1,383,229</u>	<u>631,991</u>
Cash - End of Year	<u>\$ 1,651,702</u>	<u>\$ 1,383,229</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

BREAKTHROUGH TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

1. Summary of Significant Accounting Policies

Organizational Purpose

Breakthrough Twin Cities (the Organization) is organized for charitable and educational purposes only. The mission of the Organization is to prepare under-resourced students for college success and to cultivate the next generation of educators. The Organization's vision is that all students have the resources to reach their full potential, every classroom is led by an engaging teacher committed to each student's success, and society as a whole realizes the ultimate social and economic benefits of fully investing in its youth.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor- or grantor-imposed restrictions. These net assets include both designated and undesignated amounts.

Net Assets with Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Accounts are stated net of the allowance for doubtful accounts of \$0 for the years ending May 31, 2022 and 2021.

BREAKTHROUGH TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment in excess of \$1,500 are recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method, over an estimated useful life.

Revenue and Revenue Recognition

The Organization recognizes program service fee revenue when the performance obligations of providing the services are met. The Organization records special event revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization has recorded the Payroll Protection Program forgiveness of \$140,501 as a contribution.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Expenses by function have been charged to programs and supporting services classifications on the basis of estimates made by the Organization's management.

BREAKTHROUGH TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

Investments

Donated investments received by the Organization are recorded at fair value on the date received as a donation. Unrealized gains and losses are recorded based upon changes in fair value. Investment income is recorded as without donor restricted revenue unless a donor has stipulated how the income is to be used.

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 at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through October 18, 2022, which is the date financial statements were available to be issued.

Non-Cash Donations

In-kind donations are recorded at their estimated fair market value at the date of donation. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received.

BREAKTHROUGH TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants and pledges receivable are from local residents, governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At May 31, 2022 and 2021 the Organization held funds at a local financial institution in excess of federally insured limits.

3. Uncertainties and Contingencies

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While many of the closings have re-opened, there are still uncertainties if there will be future disruptions due to additional outbreaks. Therefore, the Organization expects this matter may impact on its operating results, but reasonable estimates cannot be made at this time.

4. Pledges and Grants Receivable

The outstanding balance of \$380,000 pledges and grants receivable at May 31, 2022, is expected to be collected in the subsequent fiscal year.

5. In-kind Contributions

The Organization records in kind contributions at fair market value at date of donation. In-kind contributions were as followed as of:

	May 31,	
	2022	2021
Rent and Office Support	\$ 99,632	\$ 63,475
Meals	1,650	-
Other	7,000	3,750
Transportation	8,179	-
	\$ 116,461	\$ 67,225

BREAKTHROUGH TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

6. **Notes Payable**

The breakdown of notes payable is as follows:

	May 31,	
	2022	2021
Note payable to SBA at 2.75%. Payable in monthly installments of \$641 including interest with a final payment due July 2050. Loan is secured by assets of the Organization.	\$ 149,900	\$ 149,900
Less Portion Due Within One (1) Year	3,714	3,659
Long-term Portion	\$ 146,186	\$ 146,241

Principal payments required at May 31, 2022 are as follows:

<u>Due in the Year Ending May 31,</u>	
2023	\$ 3,714
2024	3,818
2025	3,924
2026	4,033
2027	4,146
2028 and after	130,265
Total	\$ 149,900

7. **Net Assets with Donor Restriction**

Net assets with Donor Restrictions consisted of amounts for the following as of:

	May 31,	
	2022	2021
Subject to Expenditures for Specified Purpose:		
Site Building and Capacity Building	\$ 53,412	\$ 235,789
Eastern Carver County Partnership	-	76,000
St. Paul Program Support	60,000	90,000
BIPOC Children	475,000	-
STEM	25,000	-
	613,412	401,789
Subject to Passage of Time:		
Future Year Operations	57,500	167,500
	\$ 670,912	\$ 569,289

BREAKTHROUGH TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

8. Retirement Plan

Employees of the Organization participate in a 401(k) Plan. Retirement plan expenses for the years ended May 31, 2021 and 2020 were \$3,197 and \$7,292, respectively.

9. Liquidity and Availability

The following represents the Organization's financial assets as of:

	May 31,	
	2022	2021
Financial Assets:		
Cash	\$ 1,651,702	\$ 1,383,229
Pledges and Grants Receivable	380,000	253,643
Total Financial Assets	2,031,702	1,636,872
Less: Assets not available to be used within one year:		
Net Assets With Donor Restrictions	670,912	569,289
Net Assets With Restrictions to be met within a year	(670,912)	(569,289)
Total Assets not available to be used within one year	-	-
Financial assets available for general expenditures within one year	\$ 2,031,702	\$ 1,636,872

The Organization has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. As part of the Organization's liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

In addition, the Organization has a \$200,000 line of credit that can be used, if needed.