

BREAKTHROUGH ATLANTA, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

BREAKTHROUGH ATLANTA, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

Statements of Financial Position..... 3
Statements of Activities..... 4-5
Statements of Cash Flows 6
Notes to the Financial Statements 7-18

Report of Independent Auditor

To the Board of Trustees
Breakthrough Atlanta, Inc.
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of Breakthrough Atlanta, Inc. (the “Organization”), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities 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 the Organization as of June 30, 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 the Organization 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 the Organization’s 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 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 audits.
- 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 the Organization'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 the Organization'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 audits.

Cherry Bekaert LLP

Atlanta, Georgia
December 20, 2022

BREAKTHROUGH ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,569,838	\$ 1,091,301
Contributions receivable, net	9,500	26,706
Accounts receivable	138,005	-
Due from The Lovett School	-	120,604
Investment held by The Lovett School	3,140,530	3,676,194
Prepaid expenses	8,315	24,100
Property and equipment, net	83,080	102,124
Total Assets	\$ 4,949,268	\$ 5,041,029
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 54,218	\$ 85,896
Accrued salaries, benefits, and payroll taxes	97,202	64,292
Due to the Lovett School	499,508	-
Total Liabilities	650,928	150,188
Net Assets:		
Without donor restriction	1,112,868	1,168,479
With donor restriction	3,185,472	3,722,362
Total Net Assets	4,298,340	4,890,841
Total Liabilities and Net Assets	\$ 4,949,268	\$ 5,041,029

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

BREAKTHROUGH ATLANTA, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:			
Contributions	\$ 937,903	\$ 80,701	\$ 1,018,604
In-kind contributions	341,556		341,556
Other income	56,474		56,474
Investment returns, net	2,912		2,912
Appropriation of endowment earnings for operations	117,502		117,502
Net assets released from restrictions	181,421	(181,421)	-
Total Operating Revenues	<u>1,637,768</u>	<u>(100,720)</u>	<u>1,537,048</u>
Expenses:			
Program	1,071,532	-	1,071,532
General and administrative	161,766	-	161,766
Fundraising	360,656	-	360,656
Total Expenses	<u>1,593,954</u>	<u>-</u>	<u>1,593,954</u>
Change in Net Assets from Operating Activities	<u>43,814</u>	<u>(100,720)</u>	<u>(56,906)</u>
Nonoperating Activities:			
Capital campaign, net	(300)	719	419
Investment returns, net of appropriation of endowment earnings for operations	(200,788)	(345,426)	(546,214)
Gain on equipment disposal	10,200	-	10,200
Net nonoperating assets released from restrictions	91,463	(91,463)	-
Change in Net Assets from Nonoperating Activities	<u>(99,425)</u>	<u>(436,170)</u>	<u>(535,595)</u>
Change in net assets	(55,611)	(536,890)	(592,501)
Net assets, beginning of year	1,168,479	3,722,362	4,890,841
Net assets, end of year	<u>\$ 1,112,868</u>	<u>\$ 3,185,472</u>	<u>\$ 4,298,340</u>

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

BREAKTHROUGH ATLANTA, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:			
Contributions	\$ 680,890	\$ 460,000	\$ 1,140,890
In-kind contributions	344,272	-	344,272
Other income	1,220	-	1,220
Investment returns, net	692	-	692
Appropriation of endowment earnings for operations	105,442	-	105,442
Net assets released from restrictions	379,445	(379,445)	-
Total Operating Revenues	<u>1,511,961</u>	<u>80,555</u>	<u>1,592,516</u>
Expenses:			
Program	995,893	-	995,893
General and administrative	130,851	-	130,851
Fundraising	264,875	-	264,875
Total Expenses	<u>1,391,619</u>	<u>-</u>	<u>1,391,619</u>
Change in Net Assets from Operating Activities	<u>120,342</u>	<u>80,555</u>	<u>200,897</u>
Nonoperating Activities:			
Capital campaign, net	1,235	5,407	6,642
Investment returns, net of appropriation of endowment earnings for operations	68,654	698,914	767,568
Net nonoperating assets released from restrictions	79,601	(79,601)	-
Change in Net Assets from Nonoperating Activities	<u>149,490</u>	<u>624,720</u>	<u>774,210</u>
Change in net assets	269,832	705,275	975,107
Net assets, beginning of year	898,647	3,017,087	3,915,734
Net assets, end of year	<u>\$ 1,168,479</u>	<u>\$ 3,722,362</u>	<u>\$ 4,890,841</u>

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

BREAKTHROUGH ATLANTA, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (592,501)	\$ 975,107
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	80,534	79,522
Change in reserve for uncollectible campaign pledges	625	(6,098)
Amortization of contributions receivable discount	(419)	(6,642)
Gain on equipment disposal	(10,200)	-
Net realized and unrealized gains on investments held by The Lovett School	428,712	(837,907)
Contributions restricted for long-term purposes	(550)	(1,525)
Change in operating assets and liabilities:		
Contributions receivable, net	7,000	401,239
Due to/from The Lovett School	620,112	(18,922)
Accounts receivable	(138,005)	-
Prepaid expenses	15,785	(24,100)
Accounts payable and accrued expenses	(31,678)	(7,268)
Accrued salaries, benefits, and payroll taxes	32,910	(18,360)
Net cash flows from operating activities	<u>412,325</u>	<u>535,046</u>
Cash flows from investing activities:		
Purchases of equipment	(61,490)	-
Proceeds received from equipment disposal	10,200	-
Net proceeds from sales of investments held by The Lovett School	<u>106,952</u>	<u>193,949</u>
Net cash flows from investing activities	<u>55,662</u>	<u>193,949</u>
Cash flows from financing activity:		
Proceeds from contributions restricted for long-term purposes	<u>10,550</u>	<u>99,479</u>
Net cash flows from financing activities	<u>10,550</u>	<u>99,479</u>
Change in cash and cash equivalents	478,537	828,474
Cash and cash equivalents, beginning of year	<u>1,091,301</u>	<u>262,827</u>
Cash and cash equivalents, end of year	<u>\$ 1,569,838</u>	<u>\$ 1,091,301</u>
Supplemental information and noncash transactions:		
Property and equipment acquisition included in accounts payable	<u>\$ -</u>	<u>\$ 61,490</u>

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

BREAKTHROUGH ATLANTA, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Nature of business

Breakthrough Atlanta, Inc. (the “Organization”) was founded in 1996 as a program hosted by The Lovett School, Inc. The Organization operates a 6-year college preparatory program for underserved, middle, and high public school students from the metro area, as well as a teaching fellowship program for undergraduate students. On February 11, 2020, the Organization was incorporated as a separate entity under the state laws of Georgia. The Organization is a controlled entity of The Lovett School, Inc. (the “School”) and, therefore, the financial statements of the Organization are included in the consolidated financial statements of the School.

Breakthrough Atlanta, Inc. pursues a dual mission to place highly motivated, underserved students on a path to post-secondary enrollment and success, and to inspire the next generation of teachers and education leaders. Our vision is to create an empowering educational experience that results in equitable access to higher education for our students and prepares our teaching fellows for education sector roles, enabling all of our students, teaching fellows, and instructional coaches to achieve their full potential as learners, teachers, leaders, and agents of change in their communities. Breakthrough Atlanta, Inc. is one of 24 Breakthrough Collaborative affiliates across the United States. The Organization has supported more than 2,000 students in their college pursuits, many of whom are the first in their families to earn bachelor’s degrees. In addition, the Organization has inspired more than 500 college students to become educators.

Note 2—Summary of significant accounting policies

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and disclosure of contingent assets and liabilities on the date of the financial statements. Actual realizable values could differ from these estimates.

Basis of Presentation – The financial statements have been prepared using the accrual basis of accounting in accordance with U.S. GAAP. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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 currently available for use in operations, invested in property and equipment, or available for use as designated by the Board of Trustees (the “Board”).

Net Assets With Donor Restrictions – Net assets with donor restrictions are utilized to account for contributions that are donor restricted for uses that have not yet been fulfilled by either time, purpose, or law, as well as to account for contributions whereby the donor has permitted the Organization to use the income for specified or unspecified purposes but has restricted the spending of principal.

Operating and Nonoperating Activities – Operating results on the statement of activities includes revenue from programs and endowment return appropriated for spending based on application of the Organization’s endowment spending policy, annual fund contributions, and other operating revenues. Operating expenses are reported on the statement of activities by functional classifications.

Nonoperating activities on the statement of activities include: a) endowment return in excess of amounts utilized for operations as defined by the Organization’s spending policy; b) capital, endowed, and planned gifts; c) release from restriction of contributions given for acquisition of property and equipment; d) fundraising contributions in connection with capital campaigns; and e) activities considered to be of an unusual or non-recurring nature.

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Revenue Recognition – Contributions and contributions receivable are recognized as revenue at the date of donation. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with the risk of the contribution at the date of donation. Amortization of the discounts is included in capital campaign revenue in the accompanying statement of activities. Management evaluates the collectability of the Organization's contributions receivable and provides an allowance for uncollectable contributions receivable when necessary. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return or right of release are not recognized until the conditions on which they depend have been substantially met.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a purpose or time restriction is satisfied, the net assets are reclassified to net assets without donor restrictions and presented in the accompanying statement of activities as net assets released from restrictions.

Cash and Cash Equivalents – Cash and cash equivalents are short-term, highly-liquid investments with original maturities of three months or less. At times, cash and cash equivalents may exceed federally insured amounts. The Federal Deposit Insurance Company insures up to \$250,000 per financial institution. Uninsured balances aggregated approximately \$1,056,000 and \$313,000 at June 30, 2022 and 2021, respectively. The Organization believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Investments Held by The Lovett School – The Organization has placed financial assets with the School for investment management. These financial assets are pooled with the School's investments and are held by the School in its name. The School's investment consists primarily of money market accounts, equity funds, fixed income funds, commingled investment funds, limited partnership interests, and real estate. The School is not registered with the Securities and Exchange Commission as an investment company and, therefore, there is no readily determinable market value for investments held by the pool. These amounts are managed and maintained by the School on a pooled mutual fund accounting basis with investment returns, including interest and dividends, and realized and unrealized gains and losses on investments in the pool being allocated to the Organization based upon its weighted average percentage of the pooled investment funds in which it is participating. Participation in the School's investment pool is voluntary. The School is governed by its Board of Trustees. Investment expenses allocated to the Organization by the School totaled \$7,909 and \$8,008 for the years ended June 30, 2022 and 2021, respectively.

Property and Equipment – Purchases of property and equipment are recorded at cost net of accumulated depreciation. All additions equal to or greater than \$5,000 are capitalized. Donated property and equipment are reflected as contributions at their estimated value on the date the property and equipment are received or becomes an unconditional promise to give. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, principally 5 to 10 years for vehicles.

Impairment of Long-Lived Assets and Real Estate Investments – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When indicators of impairment are present, management evaluates the carrying amount of such assets in relation to the operating performance, market value, and future estimated undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of the assets. During the years ended June 30, 2022 and 2021, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets or real estate investments may not be recoverable.

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Fair Value Measurements – Assets and liabilities recorded at fair value in the statement of financial position are categorized based on the level of judgment associated with the inputs to measure their fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants.

Level inputs as defined by Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Pricing inputs other than Level 1 which are either directly or indirectly observable.

Level 3 – Unobservable pricing inputs developed using the Organization’s estimates and assumptions, which reflect those that market participants would use in pricing an asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Organization. The Organization considers observable data to be the market data that is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The Organization evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Organization expects that changes in classifications between different levels will be rare.

Fair Value Measurements of Financial Instruments – In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The estimates are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. These estimates may differ substantially from amounts that could be realized in an immediate sale or settlement of the instrument.

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses, accounts payable, and accrued expenses approximate fair value because of the short maturity of these financial instruments. The carrying amount of contributions receivable approximate fair value since contributions to be received after one year are discounted at a rate commensurate with the risk involved.

In-Kind Contributions – The Organization received services from the School for which the School does not charge the Organization. The value of these services is reported as in-kind contributions revenue and expense on the statement of activities (see Note 11).

Adopted Accounting Standards – In September 2020, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. The new standard was implemented in the year ended June 30, 2022. There was no impact to the Organization’s financial statements as a result of the adoption of this standard.

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Summary of significant accounting policies (continued)

Future Accounting Standards – In February 2016, FASB issued ASU 2016-02, *Leases, (Topic 842)*, increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. This standard is effective for the fiscal year ending June 30, 2023. FASB ASU 2016-02 is not expected to have a material impact on the Organization’s financial statements.

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at June 30:

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,569,838	\$ 1,091,301
Contributions receivable, net - due within one year	9,500	17,125
Due from The Lovett School	-	120,604
Investments	3,140,530	3,676,194
Total financial assets as of June 30	<u>4,719,868</u>	<u>4,905,224</u>
Resources appropriated by the Board and available for the next year:		
Appropriation from Board-designated endowments	27,502	26,039
Appropriation from donor-restricted endowments	106,545	91,463
Total financial assets and Board appropriations	<u>4,853,915</u>	<u>5,022,726</u>
Less net assets unavailable to meet cash needs for general expenditures within one year:		
Subject to purposes and time restrictions	1,226,430	1,763,539
Board-designated endowment	616,033	725,358
Donor-restricted endowments	1,959,042	1,958,823
Financial assets not available to be used within one year	<u>3,801,505</u>	<u>4,447,720</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,052,410</u>	<u>\$ 575,006</u>

The Organization obtains certain support from donor-restricted contributions. Because a donor’s restriction requires resources to be used for a particular purpose or in a future period, the Organization must maintain sufficient resources to meet those responsibilities of its donors. Investment returns from donor-restricted endowments that are restricted for specific purposes or for time are not available for general expenditure. Due to the donor restrictions above, certain financial assets may not be available for general expenditure within one year. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 4—Investments and fair value

The Organization’s investments balances under management by the School as of June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Investments held by the School	\$ 3,140,530	\$ 3,676,194

Investment returns, net of investment management fees, earned on funds pooled with the investments of the School for the years ended June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Operating:		
Interest income, net	\$ 2,912	\$ 692
Total operating investment returns, net	<u>\$ 2,912</u>	<u>\$ 692</u>
Nonoperating:		
Interest and dividend income, net	\$ 42,312	\$ 35,103
Net realized and unrealized gains	<u>(471,024)</u>	<u>837,907</u>
Total nonoperating investment returns, net	(428,712)	873,010
Endowment returns appropriated for operations	<u>(117,502)</u>	<u>(105,442)</u>
Nonoperating investment returns after endowment returns appropriated for operations	<u>\$ (546,214)</u>	<u>\$ 767,568</u>

Investment returns are reported as increases or decreases in net assets without donor restrictions unless a donor or law restricts their use. Investment returns related to operating activities include the earnings from the cash management accounts and operating bank accounts of the Organization. Investment returns related to nonoperating activities include earnings from the endowment accounts and long-term investments.

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 4—Investments and fair value (continued)

The following table summarizes information about the fair value of the pooled investments of the School, of which the Organization's financial assets are pooled and invested at June 30, according to the asset category and the valuation techniques used to determine their fair values:

	2022			Total
	(Level 1)	(Level 2)	(Level 3)	
Investments at fair value:				
Money market accounts	0.0%	0.0%	0.0%	0.0%
Equity funds:				
U.S. equities	45.9%	0.0%	0.0%	45.9%
International developed markets	9.4%	0.0%	0.0%	9.4%
Emerging markets	4.3%	0.0%	0.0%	4.3%
Fixed income funds	25.6%	0.0%	0.0%	25.6%
Other	0.4%	0.0%	0.0%	0.4%
Subtotal investments carried at fair value	<u>85.5%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>85.5%</u>
Investments carried at other than fair value:				
Investments measured at NAV (*)				10.0%
Real estate - rental properties				0.8%
Limited partnership interests (*)				3.2%
Cash surrender value of life insurance policies				<u>0.5%</u>
Total investments				<u>100%</u>
	2021			Total
	(Level 1)	(Level 2)	(Level 3)	
Investments at fair value:				
Money market accounts	0.0%	0.0%	0.0%	0.0%
Equity funds:				
U.S. equities	47.2%	0.0%	0.0%	47.2%
International developed markets	5.1%	0.0%	0.0%	5.1%
Emerging markets	4.8%	0.0%	0.0%	4.8%
Fixed income funds	23.5%	0.0%	0.0%	23.5%
Other	0.4%	0.0%	0.0%	0.4%
Subtotal investments carried at fair value	<u>81.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>81.0%</u>
Investments carried at other than fair value:				
Investments measured at NAV (*)				15.9%
Real estate - rental properties				0.7%
Limited partnership interests (*)				2.0%
Cash surrender value of life insurance policies				0.4%
CD's and time deposits				<u>0.1%</u>
Total investments				<u>100%</u>

(*) In accordance with FASB ASC *Subtopic 820-10 Fair Value Measurements*, commingled investment funds and limited partnership interests that were measured at net asset value per unit (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5—Contributions receivable, net

Contributions receivable represents unconditional promises to give from donors which are collectible in future years. These amounts are recorded as contributions based upon the net present value of the amounts expected to be collected using discount rates commensurate with the associated risk at the date of donation. Discount rates range from 4.37% to 8.39%. Amortization of the contributions receivable discount is included in capital campaign revenue in the accompanying statement of activities. An allowance for uncollectible contributions receivable is provided based upon management’s judgment of the collectability of outstanding contributions.

Contributions receivable at June 30 are expected to be realized and have been recorded as follows:

	2022	2021
Less than one year	\$ 10,000	\$ 18,250
One to five years	-	10,000
	<u>10,000</u>	<u>28,250</u>
Less allowance for uncollectible contributions receivable	(500)	(1,125)
Present value discount	-	(419)
Contributions receivable, net	<u>\$ 9,500</u>	<u>\$ 26,706</u>

Note 6—Property and equipment, net

The components of property and equipment, net recorded in the financial statements at June 30 are as follows:

	2022	2021
Furniture, fixtures, and equipment	\$ 673,894	\$ 698,174
Less accumulated depreciation	(590,814)	(596,050)
Property and equipment, net	<u>\$ 83,080</u>	<u>\$ 102,124</u>

Depreciation expense for property and equipment totaled \$80,534 and \$79,522 for the years ended June 30, 2022 and 2021, respectively.

Note 7—Retirement plan

The employees of the Organization participated in the School’s defined contribution retirement plan, which allows the Organization’s employees to participate in the Teacher’s Insurance and Annuity Association – College Retirement Equities Fund (“TIAA-CREF”) retirement program. Individual employees contract directly with TIAA-CREF in accordance with Section 403(b) of the Internal Revenue Code. The Organization withholds employees’ bi-weekly contributions and remits them to TIAA-CREF. The Plan provides for automatic enrollment for elective deferrals, as well as employer-matching contributions up to 6% of compensation and discretionary-employer contributions of 2% to 6% of compensation. Employer contributions totaled \$14,701 and \$8,125 for the years ended June 30, 2022 and 2021, respectively. Employer contributions made on behalf of the Organization by the School totaled \$34,424 and \$35,353 for the years ended June 30, 2022 and 2021, respectively, and are recorded as in-kind contributions and employee benefits expense (see Note 11).

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 8—Net assets

Net assets without donor restrictions at June 30 consisted of the following:

	2022	2021
Investment in property and equipment	\$ 83,080	\$ 102,124
Board-designated endowment	616,033	725,358
Undesignated	413,755	340,997
Total net assets without donor restrictions	<u>\$ 1,112,868</u>	<u>\$ 1,168,479</u>

Net assets with donor restrictions at June 30 consisted of the following:

	2022	2021
Subject to expenditure for specified purpose:		
Educational programs	\$ 651,475	\$ 751,695
Total subject to expenditure for specified purpose	<u>651,475</u>	<u>751,695</u>
Subject to passage of time:		
Accumulated endowment gains subject to spending policy and appropriation	574,955	1,011,844
Total subject to passage of time	<u>574,955</u>	<u>1,011,844</u>
Total restricted for specified purpose and time	1,226,430	1,763,539
Restricted in perpetuity:		
Contributions receivable – endowment	9,500	19,831
Endowment funds subject to spending policy and appropriation as follows:		
Programs	1,949,542	1,938,992
Total restricted in perpetuity	<u>1,959,042</u>	<u>1,958,823</u>
Total net assets with donor restrictions	<u>\$ 3,185,472</u>	<u>\$ 3,722,362</u>

Net assets with donor restrictions for the years ended June 30 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2022	2021
Specified purpose - educational	\$ 181,421	\$ 72,445
Passage of time	-	307,000
Appropriated endowment return	91,463	79,601
Total releases from restrictions	<u>\$ 272,884</u>	<u>\$ 459,046</u>
Released for operating activities	\$ 181,421	\$ 379,445
Released for nonoperating activities	91,463	79,601
Total releases from restrictions	<u>\$ 272,884</u>	<u>\$ 459,046</u>

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Endowment funds

Interpretation of Relevant Law Related to Endowment Funds – The Organization’s endowment assets consist of approximately seven individual endowment funds established for educational purposes. Endowment assets include those donor-restricted funds the Organization must hold in perpetuity (donor-restricted endowments). The School’s Board, who manages the Organization’s endowments, has interpreted Georgia’s adoption of the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original donor-restricted endowment gift as of the date of the gift, absent explicit donor stipulations to the contrary. The School, therefore, classifies the original value of the donor-restricted endowment gift (initial or subsequent), under net assets with donor restrictions. Investment return accumulates in net assets with donor restrictions until such time as it is appropriated for expenditure by the School’s Board using the School’s spending policy. Even though appropriated by the School’s Board for expenditure, if a donor stipulates a purpose restriction, then it must be met before the assets can be released from restriction.

Investment and Spending Policies of Endowment Funds – The School has established prudent investment and spending policies related to the management and expenditure from its endowment funds. These policies have been established and are reviewed periodically by the School’s management and the Finance and Endowment Committees of the School’s Board. The School takes into account the need to preserve the fair value of the original gift, the purposes for which the fund was established, overall economic conditions (to include the effects of inflation and deflation), the expected total investment return, and other resources of the Organization in determining the expenditure of endowment funds.

The School’s spending policy for the years ended June 30, 2022 and 2021 was calculated based on 4.5% of the 12-quarter moving average of the market value as of September 30 of the previous year. Endowment assets are transferred to the operating budget each July.

The investment objective of the endowment is to attain an average annual real total return (net of investment management fees) in excess of the spending rate over the long term. It is recognized that the real return objective will be difficult to attain in every three-year period but should be attainable over a series of three-year periods.

The endowment net asset composition by type of fund is as follows at June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments:			
Restricted in perpetuity	\$ -	\$ 1,949,542	\$ 1,949,542
Accumulated investment gains	-	574,955	574,955
Board-designated endowment	616,033	-	616,033
Total endowment funds	<u>\$ 616,033</u>	<u>\$ 2,524,497</u>	<u>\$ 3,140,530</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowments:			
Restricted in perpetuity	\$ -	\$ 1,938,992	\$ 1,938,992
Accumulated investment gains	-	1,011,844	1,011,844
Board-designated endowment	725,358	-	725,358
Total endowment funds	<u>\$ 725,358</u>	<u>\$ 2,950,836</u>	<u>\$ 3,676,194</u>

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Endowment funds (continued)

The changes in endowment net assets for the years ended June 30 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	\$ 725,358	\$ 2,950,836	\$ 3,676,194
Additions	-	-	-
Contributions	-	10,550	10,550
Investment returns, net	(83,286)	(345,426)	(428,712)
Amounts appropriated for expenditure	(26,039)	(91,463)	(117,502)
End of the year	<u>\$ 616,033</u>	<u>\$ 2,524,497</u>	<u>\$ 3,140,530</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of the year	\$ 577,103	\$ 2,232,044	\$ 2,809,147
Additions	-	-	-
Contributions	-	99,479	99,479
Investment returns, net	174,096	698,914	873,010
Amounts appropriated for expenditure	(25,841)	(79,601)	(105,442)
End of the year	<u>\$ 725,358</u>	<u>\$ 2,950,836</u>	<u>\$ 3,676,194</u>

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as reductions in net assets with donor restrictions. There were no such deficiencies at June 30, 2022 and 2021.

The School's Board has determined it remains prudent, for the uses, benefits, purposes, and duration for which the endowments were established, for the Organization to continue to utilize its existing spending policy for endowments, including those that are underwater.

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10—Expenses by nature and function

Expenses have been classified on a functional basis on the statements of activities. Expenses related to the salaries and wages, employee benefits, supplies and other services and occupancy and maintenance, are allocated to operating programs, general and administrative and fundraising expenses based on employee headcount.

Operating expenses by natural classification are as follows as of June 30:

	Program Activities	General and Administrative	Fundraising	Total June 30, 2022
Salaries and wages	\$ 552,293	\$ 81,982	\$ 158,304	\$ 792,579
Employee benefits	135,572	27,372	44,872	207,816
Supplies and other services	164,203	46,067	150,975	361,245
Occupancy and maintenance	138,930	6,345	6,880	152,155
Depreciation	80,534	-	-	80,534
Bad debt recoveries	-	-	(375)	(375)
	<u>\$ 1,071,532</u>	<u>\$ 161,766</u>	<u>\$ 360,656</u>	<u>\$ 1,593,954</u>

	Program Activities	General and Administrative	Fundraising	Total June 30, 2021
Salaries and wages	\$ 468,894	\$ 62,984	\$ 199,928	\$ 731,806
Employee benefits	122,815	19,133	42,973	184,921
Supplies and other services	222,562	41,574	17,322	281,458
Occupancy and maintenance	102,100	7,160	7,740	117,000
Depreciation	79,522	-	-	79,522
Bad debt recoveries	-	-	(3,088)	(3,088)
	<u>\$ 995,893</u>	<u>\$ 130,851</u>	<u>\$ 264,875</u>	<u>\$ 1,391,619</u>

BREAKTHROUGH ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 11—In-kind contributions

The Organization receives contributed goods and services from the School. The Organization's in-kind contributions consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 92,800	\$ 72,690
Employee benefits	79,799	105,720
Classroom rental	103,600	53,200
Office rent	28,800	28,800
Bus maintenance and fuel	-	30,000
Supplies and other services	36,557	53,862
Total in-kind contributions	<u>\$ 341,556</u>	<u>\$ 344,272</u>

The Organization values in-kind contributions of goods and services using estimated average prices of identical or similar products or services using pricing data of similar products or services under a "like-kind" methodology, considering the utility of the services and goods at the date of the contribution. Contributed facilities were valued using like-kind methodology for similar size facilities in the surrounding area. No in-kind contributions were restricted. The Organization does not sell donated gifts in-kind and only uses services, goods, and facilities for its own program or supporting service activities.

Note 12—Subsequent events

Management of the Organization has evaluated subsequent events through December 20, 2022, the date the financial statements were available for issuance and has determined that there are no subsequent events requiring disclosure.