



OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024



OPERATION BREAKTHROUGH, INC. AND SUBSIDIARIES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
 Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows.....	8
 Notes to Consolidated Financial Statements	 9-27
 Supplementary Information	
Consolidated Statements of Financial Position	28-29
Consolidated Statements of Activities and Changes in Net Assets	30-31
Consolidated Statements of Functional Expenses	32-33
Notes to Supplementary Information – Consolidated Statements	34

Independent Auditors' Report

To the Board of Directors

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

Opinion

We have audited the consolidated financial statements of Operation Breakthrough, Inc. & Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of October 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of October 31, 2025 and 2024, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' 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 audit. 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 Consolidated 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 for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Consolidated 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 auditors' 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statements and related notes to the consolidating statements on pages 28 to 34 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CBIZ CPAs P.C.

Kansas City, Missouri
March 25, 2026

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

October 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents and restricted cash	\$ 6,596,699	\$ 5,222,603
Receivables, less allowances	4,451,541	2,651,820
Inventory	125,445	--
Pledges receivable, net of unamortized discount	1,088,966	1,232,347
Leverage loan receivable	--	7,602,700
Investments	9,983,264	8,853,222
Right of use asset	98,790	131,921
Property and equipment, at cost, less accumulated depreciation	<u>25,485,158</u>	<u>25,387,967</u>
Total Assets	<u>\$ 47,829,863</u>	<u>\$ 51,082,580</u>
Liabilities		
Accounts payable	\$ 125,779	\$ 226,524
Other accrued liabilities	25,340	21,183
Accrued compensated absences	833,531	555,742
Deferred revenue	--	13,600
Lease liability	102,171	134,434
Long-term debt, net of debt issuance costs	<u>220,828</u>	<u>10,963,459</u>
Total Liabilities	<u>1,307,649</u>	<u>11,914,942</u>
Net Assets Without Donor Restrictions		
Undesignated	34,714,471	28,699,508
Board designated	11,615,604	10,028,121
Net Assets With Donor Restrictions	<u>192,139</u>	<u>440,009</u>
Total Net Assets	<u>46,522,214</u>	<u>39,167,638</u>
Total Liabilities and Net Assets	<u>\$ 47,829,863</u>	<u>\$ 51,082,580</u>

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

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended October 31, 2025 and 2024

	2025	2024
Net Assets Without Donor Restrictions		
Revenue and Support		
Contributions and grants	\$ 11,256,850	\$ 9,697,933
Federal grants	4,948,926	4,887,641
Fundraising income	3,161,272	2,923,870
School age programs and transportation fees	2,885,991	1,610,492
Releases from restrictions	<u>257,780</u>	<u>392,325</u>
Total Revenue and Support	<u>22,510,819</u>	<u>19,512,261</u>
Expenses		
Program	17,400,070	15,031,138
Fundraising	1,022,682	995,689
Management and general	<u>1,946,434</u>	<u>1,871,150</u>
Total Expenses	<u>20,369,186</u>	<u>17,897,977</u>
Changes in Net Assets Before Other Revenue and (Expenses)	<u>2,141,633</u>	<u>1,614,284</u>
Other Revenue and (Expenses)		
Rental income	61,831	120,226
Net investment income	1,437,349	1,694,720
Excess of liabilities assumed over assets acquired in acquisition	--	(91,512)
Loss on disposal of debt issuance costs	(166,078)	--
Gain on related party debt forgiveness from NMTC	3,177,300	--
Miscellaneous income (expense)	<u>950,411</u>	<u>35,325</u>
Total Other Revenue and (Expenses)	<u>5,460,813</u>	<u>1,758,759</u>
Changes in Net Assets Without Donor Restrictions	<u>7,602,446</u>	<u>3,373,043</u>
Net Assets (Deficit) With Donor Restrictions		
Contributions and grants	9,910	1,756,421
Releases from restrictions	<u>(257,780)</u>	<u>(392,325)</u>
Changes in Net Assets (Deficit) With Donor Restrictions before Deconsolidation	(247,870)	1,364,096
Deconsolidation of OB Foundation	<u>--</u>	<u>(4,446,190)</u>
Changes in Net Assets (Deficit) With Donor Restrictions	<u>(247,870)</u>	<u>(3,082,094)</u>
Changes in Net Assets	7,354,576	290,949
Net Assets - Beginning of Year	<u>39,167,638</u>	<u>38,876,689</u>
Net Assets - End of Year	<u>\$ 46,522,214</u>	<u>\$ 39,167,638</u>

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

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended October 31, 2025

	Program Services			Supporting Services			Total Expenses
	Early Childhood, School Age, and Parent Services	MindDrive	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 10,025,511	\$ --	\$ 10,025,511	\$ 447,827	\$ 1,298,406	\$ 1,746,233	\$ 11,771,744
Benefits	1,138,140	--	1,138,140	42,052	185,433	227,485	1,365,625
Payroll taxes	782,578	--	782,578	36,423	110,704	147,127	929,705
Depreciation	1,264,615	1,894	1,266,509	42,308	54,011	96,319	1,362,828
Cafeteria costs	478,155	28,798	506,953	--	--	--	506,953
Equipment, maintenance and repairs	490,870	16,259	507,129	18,745	37,601	56,346	563,475
Professional fees	240,111	6,743	246,854	34,111	72,160	106,271	353,125
Supplies	605,648	158,192	763,840	47,453	12,595	60,048	823,888
Direct assistance	511,632	--	511,632	--	--	--	511,632
Contract labor	464,011	46,800	510,811	70,787	61,530	132,317	643,128
Utilities	292,956	12,426	305,382	11,286	14,904	26,190	331,572
Fundraising consultants	--	--	--	240,012	--	240,012	240,012
Interest	48,293	--	48,293	1,475	3,926	5,401	53,694
Insurance	237,865	11,055	248,920	9,248	12,207	21,455	270,375
Communications	157,895	18,299	176,194	17,455	13,752	31,207	207,401
Service contracts	--	--	--	--	--	--	--
Training staff and volunteers	139,913	3,254	143,167	60	7,521	7,581	150,748
Recognition	46,864	126	46,990	1,922	1,830	3,752	50,742
Bank charges	--	134	134	8	54,539	54,547	54,681
Telephone	21,577	--	21,577	875	1,812	2,687	24,264
Field Trip	35,589	2,573	38,162	--	--	--	38,162
Vehicle	59,109	858	59,967	616	--	616	60,583
Rent	--	47,367	47,367	--	868	868	48,235
Other	3,960	--	3,960	19	2,635	2,654	6,614
Total	\$ 17,045,292	\$ 354,778	\$ 17,400,070	\$ 1,022,682	\$ 1,946,434	\$ 2,969,116	\$ 20,369,186
Percentage of Total Expenses	84%	2%	86%	5%	9%	14%	100%

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

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended October 31, 2024

	Program Services			Supporting Services			Total Expenses
	Early Childhood, School Age, and Parent Services	MindDrive	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 8,367,969	\$ 90,517	\$ 8,458,486	\$ 416,220	\$ 1,265,483	\$ 1,681,703	\$ 10,140,189
Benefits	853,548	2,087	855,635	30,671	174,035	204,706	1,060,341
Payroll taxes	693,381	7,615	700,996	36,523	107,201	143,724	844,720
Depreciation	1,288,225	--	1,288,225	30,821	40,695	71,516	1,359,741
Cafeteria costs	451,703	4,690	456,393	--	696	696	457,089
Equipment, maintenance and repairs	456,378	600	456,978	16,332	30,923	47,255	504,233
Professional fees	212,765	--	212,765	36,104	80,461	116,565	329,330
Supplies	657,640	30,619	688,259	55,040	28,312	83,352	771,611
Direct assistance	365,796	12,116	377,912	2,351	8,316	10,667	388,579
Contract labor	218,975	31,102	250,077	63,731	36,323	100,054	350,131
Utilities	284,516	5,403	289,919	10,783	14,240	25,023	314,942
Fundraising consultants	456	--	456	221,187	--	221,187	221,643
Interest	181,788	--	181,788	4,132	20,834	24,966	206,754
Insurance	227,151	6,657	233,808	9,144	16,013	25,157	258,965
Communications	6,017	--	6,017	8,835	10,011	18,846	24,863
Service contracts	100,113	--	100,113	--	6,168	6,168	106,281
Training staff and volunteers	211,672	45	211,717	49	8,997	9,046	220,763
Recognition	109,428	--	109,428	8,302	498	8,800	118,228
Bank charges	789	--	789	22	18,457	18,479	19,268
Telephone	30,155	--	30,155	1,221	2,630	3,851	34,006
Vehicle	70,818	2,424	73,242	--	520	520	73,762
Other	34,891	13,089	47,980	44,221	337	44,558	92,538
Total	<u>\$ 14,824,174</u>	<u>\$ 206,964</u>	<u>\$ 15,031,138</u>	<u>\$ 995,689</u>	<u>\$ 1,871,150</u>	<u>\$ 2,866,839</u>	<u>\$ 17,897,977</u>
Percentage of Total Expenses	83%	1%	84%	6%	10%	16%	100%

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

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended October 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Changes in net assets	\$ 7,354,576	\$ 290,949
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation	1,362,828	1,359,741
Interest attributable to debt issuance costs	6,151	6,151
Net realized and unrealized gain on investments	(824,385)	(1,322,257)
Decrease (increase) on discount on long-term promises to give	--	3,092
Amortization of right to use asset	33,131	8,090
Deconsolidation of OB Foundation	--	4,446,190
Loss on disposal of debt issuance costs	166,078	--
Gain from forgiveness of debt	(3,177,300)	--
Decrease (increase) in operating assets		
Receivables	(1,799,721)	(467,494)
Pledges receivable	8,521	(190,720)
Prepaid expenses	--	45,023
Inventory	(125,445)	--
Increase (decrease) in operating liabilities		
Accounts payable	(100,745)	193,182
Other accrued liabilities	4,157	(43,313)
Accrued compensated absences	277,789	(291,343)
Operating lease liabilities	(32,263)	(7,803)
Deferred revenue	(13,600)	13,600
Net Cash Flows from Operating Activities	3,139,772	4,043,088
Cash Flows from Investing Activities		
Cash acquired in acquisition	--	19,854
Purchase of investments	(335,000)	(4,137,231)
Proceeds from the sale of investments	29,343	--
Purchase of property and equipment	(1,460,019)	(590,791)
Net Cash Flows from Investing Activities	(1,765,676)	(4,708,168)
Cash Flows from Financing Activities		
Excess of liabilities assumed over assets acquired in acquisition	--	91,512
Receipts to finance long-term debt	134,860	187,385
Repayment of long-term debt	(134,860)	(140,034)
Net Cash Flows from Financing Activities	--	138,863
Net Changes in Cash and Cash Equivalents and Restricted Cash	1,374,096	(526,217)
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	5,222,603	5,748,820
Cash and Cash Equivalents and Restricted Cash - End of Year	\$ 6,596,699	\$ 5,222,603
Supplemental Information:		
Cash paid for interest	\$ --	\$ 206,754
Cash per Consolidated Statements of Financial Position:		
Cash and cash equivalents	\$ 6,587,784	\$ 5,149,043
Restricted cash and cash equivalents	8,915	73,560
Total Cash and Cash Equivalents and Restricted Cash	\$ 6,596,699	\$ 5,222,603

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

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Operation Breakthrough, Inc. (“OBI”) is a nonprofit organization which provides child education programs, wrap-around family support including social, clinical, and physical support services, and parenting programs to low income and homeless families in the Kansas City metropolitan area.

PRINCIPLES OF CONSOLIDATION

Operation Breakthrough, Inc. & Subsidiaries’ (the “Organization”) consolidated financial statements include the accounts of OBI, Operation Brighter Future, Inc. (“OBF”), MindDrive, Incorporated (“MindDrive”), and the Operation Breakthrough Foundation (the “OB Foundation”) through July 29, 2024. All inter-organizational accounts and transactions have been eliminated. OBF and the OB Foundation were organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of OBI.

In conjunction with its charitable purpose, OBF constructed a building in Kansas City, Missouri critical to OBI’s mission. OBF participated in transactions that qualify under the Federal New Markets Tax Credit (“NMTC”) program, pursuant to Section 45D of the Internal Revenue Code of 1986, as amended. Through OBF’s participation in the NMTC program, OBF secured financing related to eligible capital projects. During the year ended October 31, 2025 the assets and liabilities of OBF were transferred to OBI, see additional details related to the NMTC transaction at Note 7.

The OB Foundation was created on October 25, 2022, and in conjunction with its charitable purpose, the OB Foundation holds the Sisters Berta and Corita Bright Futures Fund, which is an endowment of the Organization. On July 29, 2024, the Board of the OB Foundation voted to amend its articles of incorporation to remove the requirement that Board Members be members of the Operation Breakthrough, Inc. Board of Directors. As a result, as of that date, OB Foundation is no longer considered a subsidiary of Operation Breakthrough, Inc. and its financial activities are shown through that date, which is the date of deconsolidation. While OB Foundation is no longer controlled and consolidated with OBI, it’s sole purpose per its bylaws is still to support the work and mission of Operation Breakthrough, Inc.

On August 1, 2024, Operation Breakthrough, Inc’s Board became the controlling organization for MindDrive Incorporated, a Missouri not for profit entity. The activity of MindDrive included within the consolidated financial statements began on the acquisition at August 1, 2024. MindDrive is a project-based experiential learning program that serves low income students from around the Kansas City Metro.

BASIS OF PRESENTATION

The Organization’s consolidated financial statements are prepared on the accrual basis of accounting. Balances and transactions are presented in accordance with the existence or absence of donor-imposed restrictions.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

- Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Items that affect (i.e., increase or decrease) this category of net assets primarily consist of certain types of philanthropic support - namely, contributions and grants without donor restrictions, including those designated by the Board to function as reserves, as well as investment income.
- Board designated net assets are net assets without donor restrictions which the Board has set specific priorities for their use. Operation Breakthrough has three board designated funds, a general reserve, a capital reserve, and a capital campaign reserve which were created to support the Organization's strategic plan and guiding principles. During the years ended October 31, 2025 and 2024, \$3,060,860 and \$2,250,000 was contributed, and \$1,473,375 and \$347,581 was released for expenditures, resulting in balances of \$11,615,604 and \$10,028,120, respectively, for the years ended October 31, 2025 and 2024.
- Net assets with donor restrictions are net assets subject to donor-imposed restrictions, or restricted for a future period, that may or will be met either by actions of the Organization and/or the passage of time. Items that affect this category of net assets are restricted contributions and grants. Contributions and grants received with donor-imposed restrictions are reported as support in the net assets with donor restrictions.

CONTRIBUTIONS OF NON-FINANCIAL ASSETS

Contributed nonfinancial assets are presented in accordance with Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which increases the transparency regarding contributed nonfinancial assets through presentation and disclosure, both quantitative and qualitative. Donated assets, which are described below, are reflected as in-kind contributions at their estimated fair value.

At times, the Organization receives donated clothing, food, books, renovation costs, various household items, and furniture. No amounts are reflected in the consolidated financial statements for these donated goods as they are considered to be immaterial in relation to the consolidated financial statements taken as a whole.

Many individuals volunteer their time and perform a variety of tasks including assisting with children's activities, tutoring, and data entry; these services do not meet the criteria to be recognized as contributions received, and, accordingly, have not been recorded in the consolidated financial statements.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash consists of available cash balances on deposit at financial institutions. The Organization considers cash equivalents to be short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. At times, the Organization maintains deposits in financial institutions in excess of federally insured limits. Management monitors the soundness of the institutions involved and feels that the Organization's risk is negligible. The Organization has not experienced any losses in such accounts. As of October 31, 2025 and 2024, the Organization had deposits in excess of FDIC insurance of \$6,044,335 and \$3,985,721, respectively.

RESTRICTED CASH AND CASH EQUIVALENTS

Amounts included in restricted cash represent those required to be set aside by contractual agreement or donor restrictions. These restricted cash amounts are reflected as assets on the consolidated statements of financial position and net assets with donor restrictions. The restriction will lapse when the Organizations' contractual agreements expire.

PLEDGES AND RECEIVABLES

Pledges and receivables from unconditional promises to give are recognized as revenue in the year the promise is made. Amounts expected to be collected in one year are recorded at net realizable value. Amounts to be collected in future years are recorded at the present value of estimated cash flows. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve. An account is considered uncollectible when all efforts to collect the account have been exhausted. The allowance for doubtful accounts was \$0 at October 31, 2025 and 2024.

Receivables generated by contracts from customers are included in the accompanying balance sheets at amounts billed to customers net of any allowance for credit losses. Such allowance is based on the credit losses expected to arise over the life of the asset, which requires management judgment. When evaluating the adequacy of the allowance for credit losses and the overall collectability of receivables, management considers the history of past bad debts, collections, current credit conditions, and other relevant factors. An allowance for credit losses of \$0 was recorded at October 31, 2025 and 2024.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment acquired by the Organization greater than \$1,000 are capitalized at cost or recorded at fair value if donated and depreciated on the straight-line basis over the following estimated useful lives:

Automobiles	5 Years
Buildings	10 - 40 Years
Equipment and software	3 - 10 Years
Furniture and fixtures	3 - 10 Years
Leasehold improvements	5 - 32 Years

INVESTMENTS

At October 31, 2025 and 2024, investments consisted of pooled investments in equity, fixed income securities, and money market accounts.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment return is reported in other revenue on the statements of activities and consists of interest, dividends, realized and unrealized gains and losses and fees.

ACCRUED COMPENSATED ABSENCES

The Organization accrues paid time off for certain employees according to the Organization's policies. Management has estimated the maximum amount that could be paid and has reflected that amount on the consolidated statements of financial position.

REVENUES AND OTHER SUPPORT

Contributions and grants, including unconditional promises to give, are recognized in accordance with Accounting Standards Codification ("ASC") Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities* ("Topic 958"). Under this guidance, revenue is considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions. The Organization records special events revenue when pledged or received, and includes the costs of the event within the statement of functional expenses as a cost of fundraising.

Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUES AND OTHER SUPPORT (CONTINUED)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain measurable performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred qualifying expenditures in compliance with specific contract or grant provisions, or met the measurable performance requirements. The Organization has been awarded cost-reimbursable grants of approximately \$1,470,416 and \$1,778,570, respectively, that have not been recognized as revenue at October 31, 2025 and 2024 because qualifying expenditures have not yet been incurred.

Program revenue is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). Under Topic 606, revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue as each performance obligation is satisfied. If it is determined that a contract with enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met.

The Organization has two major earned revenue streams, which are school age programs and transportation fees.

School age programs consists of the fees charged to the associated schools for providing educational services. These fees are charged, and revenue is recognized, as these services are performed based on the number of students and number of sessions provided.

Transportation income consists of the fees charged by the Organization to other companies and organizations. These fees are charged, and revenue is recognized, as these services are performed based on the length and number of sessions provided.

CONDITIONAL PROMISES TO GIVE

Conditional promises to give are those with a measurable performance or other barrier and a right to return within the consolidated financial statements and are not recognized until the conditions on which they depend have been met. Conditional promises to give at October 31, 2025 and 2024 amounted to \$1,218,834 and \$1,292,500, respectively.

INCOME TAXES

OBI is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. OBF is exempt from federal income taxes under the provisions of Section 501(c)(2) and was organized for the exclusive purpose of holding title to property for the benefit of OBI. The OB Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) and was organized for the exclusive purpose of holding an endowment for the benefit of OBI. MindDrive is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal and state income taxes.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the consolidated financial statements during the period, which, based on all available evidence, it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. No accrual has been recorded at October 31, 2025 and 2024, as management does not believe any material uncertainties exist.

FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Expenses that can be identified with a specific program, general and administrative function, or fundraising effort are allocated directly to those functional categories. Expenses that are common to several functions are allocated by management's estimate of resources devoted using an allocation based on square footage, or payroll costs, used by each program. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include depreciation, equipment, insurance, maintenance and repairs, supplies, telephone, utilities, and other. Allocations are based on the estimated percentage of the building square footage used, or the allocation of staff salaries, to support the programs. The Organization separates its accounts into various department categories to assist in tracking expenses. The amount of salary expense recorded to program, management and general, and fundraising is based on these department codes and job responsibilities.

RECLASSIFICATIONS

Certain items in the October 31, 2024 consolidated financial statements have been reclassified to conform to the October 31, 2025 presentation. There was no impact to the changes in net assets from these reclassifications.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following at October 31, 2025 and 2024:

	2025	2024
Due within one year	\$ 1,088,966	\$ 1,127,689
Due in one to five years	--	133,225
Total Pledges Receivable	<u>1,088,966</u>	<u>1,260,914</u>
Less:		
Unamortized discount	--	(28,567)
Net Pledges Receivable	<u>\$ 1,088,966</u>	<u>\$ 1,232,347</u>

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 2 - PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable with due dates extending beyond one year have been discounted. The applicable rate at October 31, 2025 and 2024 was 3.25%, and the balance of the discount was \$0 and \$28,567, respectively.

NOTE 3 - RECEIVABLES

Receivables consisted of the following at October 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Federal grants	\$ 2,799,418	\$ 1,475,758
Program receivables	1,632,412	1,169,421
Employee receivables	<u>19,711</u>	<u>6,641</u>
Total Receivables	<u>\$ 4,451,541</u>	<u>\$ 2,651,820</u>

NOTE 4 - INVESTMENTS

The Organization has pooled investments held with the Greater Kansas City Community Foundation (“GKCCF”). The Organization’s investment consists of shares in a pooled investment fund, held at the GKCCF, comprised of the items detailed in the table below. The fair value of the Organization’s shares is calculated using the quoted market prices for the underlying investments in equity and fixed income securities. It is reasonably possible that changes in values of the Organization’s investments will occur in the near-term and that such changes could materially affect amounts reported in the Organization’s consolidated financial statements.

Pooled investments at fair value are comprised of the following as of October 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Equity pool	\$ 4,031,704	\$ 3,549,612
Fixed income pool	4,961,918	4,405,376
Money market pool	<u>989,642</u>	<u>898,234</u>
Total Investments	<u>\$ 9,983,264</u>	<u>\$ 8,853,222</u>

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 4 - INVESTMENTS (CONTINUED)

Investment income is comprised of the following:

	2025	2024
Interest and dividends	\$ 628,642	\$ 393,468
Realized and unrealized gains	824,385	1,322,257
Administrative fees	<u>(15,678)</u>	<u>(21,005)</u>
Total Investment Income	<u>\$ 1,437,349</u>	<u>\$ 1,694,720</u>

Investment income is being reflected net of administrative fees on the consolidated statements of activities and changes in net assets.

The Organization measures financial assets and liabilities at fair value in accordance with ASC 820-10, *Fair Value Measurements and Disclosures*. Fair value measurement involves various valuation techniques and assumes that the transaction would occur between market participants in the most advantageous market for the Organization. ASC 820-10 establishes a fair value hierarchy and prioritizes the valuation techniques used to measure fair value into three tiers and gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The maximization of observable inputs and the minimization of the use of unobservable inputs are required.

Classification within the fair value hierarchy is based upon the objectivity of the inputs that are significant to the valuation of an asset or liability as of the measurement date. The three levels within the fair value hierarchy are characterized as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Unobservable inputs for the asset or liability for which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the Organization's own assumptions about what market participants would use to price the asset or liability. These inputs may include internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 4 - INVESTMENTS (CONTINUED)

The management of the Organization endeavors to utilize the best available information in measuring fair value. Fair value for all of the Organization's investments was determined by using Level 2 valuation inputs on a market-based approach.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at October 31, 2025 and 2024 consisted of the following:

	2025	2024
Cost		
Automobiles	\$ 433,127	\$ 417,391
Buildings	28,454,201	30,628,282
Construction in progress	275,633	103,372
Equipment and software	2,488,184	2,679,753
Furniture and fixtures	150,983	221,532
Land	1,904,365	1,317,572
Leasehold improvements	3,758,469	3,758,469
Total Cost	<u>37,464,962</u>	<u>39,126,371</u>
Accumulated depreciation	<u>(11,979,804)</u>	<u>(13,738,404)</u>
Property and Equipment, Net	<u>\$ 25,485,158</u>	<u>\$ 25,387,967</u>

Depreciation expense charged to operations was \$1,362,828 and \$1,359,741 for the years ended October 31, 2025 and 2024, respectively.

NOTE 6 - LEVERAGE LOAN RECEIVABLE

During the year ended October 31, 2018, as a part of the NMTC transactions, OBI issued a \$7,602,700 loan to Twain Investment Fund 295, LLC. The loan had an interest rate of 1% and required monthly interest payments beginning January 1, 2018, and required monthly interest and principal payments beginning April 1, 2025, with all unpaid principal and interest due December 31, 2047.

As described in Note 7, on December 28, 2024, and as part of the NMTC recapture event described in Note 7, the \$7,602,700 leverage loan was forgiven.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 7 - NEW MARKET TAX CREDIT FINANCING TRANSACTION

During the year ended October 31, 2018, OBI sponsored a financing of its Kansas City, Missouri site expansion under the NMTC program. NMTC financing allows organizations such as OBF, to receive low-interest loans or investment capital from certified community development entities (“CDEs”) which allows third-party investors to receive federal income tax credits based upon the amount of total investment in projects in certain “low-income communities.”

As an inducement to such third-party tax credit investors and a CDE to invest in the project, OBI committed \$7,602,700 via a leverage loan to Twain Investment Fund 295, LLC (the “Fund”), a Missouri limited liability company. The leverage loan of \$7,602,700 was reflected as a leverage loan receivable on the consolidated statement of financial position as of October 31, 2024. U.S. Bancorp Community Development Corporation (“USBCDC”) invested \$3,732,300 in the Fund. The Fund was a wholly owned subsidiary of USBCDC.

The Fund then contributed \$11,000,000 to CBKC CDC SUB-CDE 43, LLC (“CDE 43”) and the entity having the authority to provide the Federal income tax credits to investors, as a capital contribution. CDE 43 is 99.99% owned by the Fund and is .01% owned by CBKC CDC, LLC (“CBKC”) the organization that manages the CDE.

CDE 43 made qualified low-income community investments (the “QLICIs”) in OBF, in the form of loans: (i) \$7,602,700 (Loan A) and (ii) \$3,177,300 (Loan B). Such loans were secured by the assets and property of OBF, which consists of cash, land, buildings, and equipment financed by the loans under the program. As part of the financing, OBI contributed its 3036 Troost facility to OBF. OBI and OBF then entered into a lease for the 3036 Troost facility that began October 26, 2018. The real estate lease was for 28 years. All intercompany leases have been eliminated in the consolidated financial statements.

OBI entered into a put and call agreement with USBCDC during the year ended October 31, 2018. The agreement granted USBCDC the right to exercise the requirement that OBI purchase USBCDC’s interest in the Fund and in CDE 43 for a put exercise price of \$1,000. This right was able to be exercised upon the occurrence of the first day following the end of the tax credit investment period, which is defined by Section 45D of the Internal Revenue Code of 1986 as the date on which the investment is initially made and each of the six anniversary dates of such date thereafter. This right could also be exercised upon the occurrence of a NMTC recapture event, which is a disallowance of any NMTCs attributable to any Qualified Equity Investment (“QEI”) in the Community Development Entity (“CDE”), the proceeds of which were or will be used to fund the QLICIs or related fees, but only to the extent such recapture or disallowance is the direct or indirect result of certain events as disclosed in the Guaranty Agreement.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 7 - NEW MARKET TAX CREDIT FINANCING TRANSACTION (CONTINUED)

The compliance period for the NMTC transaction ended as of December 2024. On December 30, 2024, OBI initiated its call of the loan from Twain for \$1,000 to US Bancorp in exchange for the membership interest in Twain. As a result, Twain and Sub-CDE became subsidiaries of OBI. On the same day, Sub-CDE assigned its OBF loan receivables to Twain in exchange for its 99.9% interest and Twain assigned its leverage payable to OBI in exchange for its 100% member interest. Sub-CDE and Twain were subsequently dissolved and liquidated as of December 30, 2024. Finally, as of August 27, 2025, OBF resolved its loan payable with OBI through the transfer of assets to OBI. Additionally, all remaining net assets of OBF were contributed to OBI on the same date. OBF was dissolved on August 27, 2025.

The result of these transactions is that the OBI and OBF leverage loan receivable/payable are resolved and all assets have been conveyed to OBI, resulting in all OBF assets being reflect on OBI's statement of financial position as of October 31, 2025. Additionally, during the fiscal year ended October 31, 2025, the non-operating income impact of these transactions resulted in a contribution of \$12,906,490 of assets, net of liabilities, to Operation Breakthrough.

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following at October 31, 2025 and 2024:

	2025	2024
Operation Breakthrough, Inc.		
Mortgage loan with a private party, with an original balance of \$1,000,000, and interest accruing at 6%. Monthly payments of principal and interest of \$11,102 with all unpaid principal and accrued interest due at maturity on September 1, 2027. This loan is collateralized by the Organization's 3036 Troost property. This loan was transferred from Operation Brighter Future, Inc. during the year ended October 31, 2025 as part of the NMTC entries described in Note 7.	\$ 220,828	\$ --
Operation Brighter Future, Inc.		
Mortgage loan with a private party, with an original balance of \$1,000,000 and interest that accrued at 6%. Monthly payments of principal and interest were \$11,102, with all unpaid principal and accrued interest due at maturity on September 1, 2027. The loan was collateralized by the Organization's 3036 Troost property. The loan was transferred from Operation Brighter Future, Inc. during the year ended October 31, 2025 as part of the NMTC entries described in Note 7.	--	355,689

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Term loan A with CBKC CDC SUB-CDE 43, LLC, had an original balance of \$7,602,700, and interest accrued at 1.37%. Monthly payments of interest only were required through March 31, 2025, converting to monthly payments of principal and interest of \$27,470 beginning April 1, 2025, with all unpaid principal and accrued interest due at maturity on December 31, 2052. The loan was collateralized by the assets and personal property of Operation Brighter Future, Inc. During the year ended October 31, 2025, and in accordance with the new market tax credits agreements, this loan entered the wind-down period wherein it was eligible for repayment. This loan was forgiven as part of the NMTC entries described in Note 7.

-- 7,602,700

Term loan B with CBKC CDC SUB-CDE 43, LLC, had an original balance of \$3,177,300, and interest accrued at 1.37%. Monthly payments of interest only were required through March 31, 2025, converting to monthly payments of principal and interest of \$11,083 beginning April 1, 2025, with all unpaid principal and accrued interest due at maturity on December 31, 2052. The loan was collateralized by the assets and personal property of Operation Brighter Future, Inc. During the year ended October 31, 2025, and in accordance with the new market tax credits agreements, this loan entered the wind-down period wherein it was eligible for repayment. This loan was forgiven as part of the NMTC entries described in Note 7.

 -- 3,177,300

Total Debt

 220,828 11,135,689

Less: Unamortized debt issuance costs

 -- (172,230)

Total Debt, Net of Unamortized Debt Issuance Costs

\$ 220,828 \$ 10,963,459

Maturities on long-term debt are as follows:

For the Years Ending October 31,	Amount
2026	\$ 115,014
2027	105,814
Total	<u><u>\$ 220,828</u></u>

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released from restriction consisted of the following for the years ended October 31, 2025 and 2024:

	2025	2024
Purpose restricted		
Educational programs	\$ 8,032	\$ 2,400
College assistance	63,523	--
Organization initiatives	3,000	--
Long-term debt payments	<u>108,332</u>	<u>197,541</u>
	182,887	199,941
Endowment	--	8,634
Time restricted	<u>74,893</u>	<u>183,750</u>
Net Assets With Donor Restrictions Released	257,780	392,325
Deconsolidation of OB Foundation	<u>--</u>	<u>4,446,190</u>
Total Net Assets With Donor Restrictions Released	<u>\$ 257,780</u>	<u>\$ 4,838,515</u>

Net assets with donor restrictions are available for the following purposes as of October 31, 2025 and 2024:

	2025	2024
Purpose restricted		
Educational programs	\$ --	\$ 8,032
College assistance	--	53,613
Organization initiatives	8,915	11,915
Long-term debt payments	<u>133,224</u>	<u>266,449</u>
	142,139	340,009
Time restricted	<u>50,000</u>	<u>100,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 192,139</u>	<u>\$ 440,009</u>

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 10 - ENDOWMENT

The Organization's endowment consists of a single fund established by the Board of the OB Foundation and funded by donors for the purpose of continuing the Organization's mission. As required by generally accepted accounting principles, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

On July 29, 2024, the Board of the OB Foundation voted to amend its articles of incorporation to remove the requirement that Board Members be members of the Operation Breakthrough, Inc. Board of Directors. As a result, as of that date, OB Foundation is no longer considered a subsidiary of Operation Breakthrough, Inc. and its financial activities are shown through that date, which is the date of deconsolidation. As a result, and as of July 29, 2024, \$4,446,190 of endowment assets have been deconsolidated.

At October 31, 2023, funds with an original gift value of \$1,658,053 and a fair value of \$1,516,367, and deficiencies of \$74,211 were reported in net assets with donor restrictions.

Changes in endowment net assets for the years ended October 31, 2025 and 2024 were:

Endowment Net Assets - November 1, 2023	\$ 1,895,412
Contribution of assets to endowment	2,090,619
Investment return	468,793
Appropriation of endowment assets for expenditure	<u>(8,634)</u>
Endowment Net Assets - July 29, 2024	4,446,190
Deconsolidation of endowment	<u>(4,446,190)</u>
Endowment Net Assets - October 31, 2024	<u><u>\$ --</u></u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Organization is periodically involved in litigation arising in the normal course of business. It is not possible to state the ultimate liability, if any, in this matter. In the opinion of management, such litigation will have no material effect on the financial position or results of operations of the Organization.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 12 - CONCENTRATIONS

During the years ended October 31, 2025 and 2024 approximately 84% and 43% of the Organization's accounts receivables were due from two and one entities, respectively.

During the years ended October 31, 2025 and 2024 approximately 71% and 83% of the Organization's pledges receivables were due from four and two entities, respectively.

During the years ended October 31, 2025 and 2024 approximately 27% and 31% of the Organization's revenue and support came from two entities, respectively.

NOTE 13 - BENEFICIAL INTEREST IN A FOUNDATION

The Organization has a beneficial interest in assets held by OB Foundation. The fair value of this interest at year-end was \$6,154,031. The assets are held and invested by the Foundation, and contributions to the Organization are made as determined by the Foundation's governing board, as they have variance power over the activities of the Foundation. The Organization does not have access to the underlying assets except through the contribution approved by the Foundation.

NOTE 14 - OPERATING LEASES

The Organization leases office space under a long-term lease expiring July 2028. Future minimum leases payments under the operating lease is as follows:

For the Years Ending October 31,	Amount
2026	\$ 38,479
2027	39,633
2028	<u>30,278</u>
Total future undiscounted lease payments	108,390
Less portion representing interest	<u>(6,219)</u>
Operating Lease Liability Ending Balance	<u>\$ 102,171</u>

In addition, ASU 2016-02, *Leases* ("Topic 842") requires the disclosure of other information pertaining to the operating cash flows from the operating lease, the weighted-average remaining lease term for the operating lease, and the weighted average discount rate for the operating lease. These items are disclosed below for the year ended October 31, 2025:

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 14 - OPERATING LEASES (CONTINUED)

Other Information

Cash paid for amounts included in the measurement of lease liabilities - operating cash flows from operating lease	32,263
Weighted-average remaining lease term	
Operating lease (years)	2.67
Weighted-average discount rate	
Operating lease (percentage)	4.24%

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) in exchange for consideration. The Organization determines this asset is leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use ("ROU") asset and lease liability for its office space. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

The lease results in the recognition of a ROU asset and liability on the consolidated statement of financial position. The ROU asset represents the right to use an underlying asset for the lease term, and the lease liability represents the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. The Organization did not have any ROU assets related to finance leases as of October 31, 2025 or 2024.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 14 - OPERATING LEASES (CONTINUED)

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the risk-free rate for the term of the lease based on the information available at the commencement date to determine the present value of lease payments. The lease term may include options to extend or terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. During the year ended October 31, 2025, the rate utilized matched the risk-free rate as of August 1, 2024 for the remaining term of the lease.

The Organization has elected not to record leases for an initial term of 12 months or less on the consolidated statements of activities. Lease expense on such leases is recognized on a straight-line basis over the lease term.

The Organization has an intercompany lease between OBI and OBF that has been eliminated in the consolidated financial statements.

NOTE 15 - LIQUIDITY

The Organization regularly monitors liquidity to meet its operating needs and other commitments while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, and operating reserve. For purposes of analyzing resources available over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing childcare services, family health services, child education programs, and parenting programs and other mission-based activities as well as the conduct of services undertaken to support those activities to be general expenditures. Long term pledges receivable and cash restricted for specific donor purposes, the majority of which relate to capital projects, are not generally available to meet current operating needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates in a manner in which it anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the years ended October 31, 2025 and 2024.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 15 - LIQUIDITY (CONTINUED)

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

	2025	2024
Cash and cash equivalents	\$ 6,596,699	\$ 5,222,603
Accounts receivable	4,451,541	2,651,820
Pledges receivable due within one year	1,088,966	1,127,689
Investments	9,983,264	8,853,222
	22,120,470	17,855,334
Less: Restricted cash	(8,915)	(73,560)
Total Financial Assets Available for Use	\$ 22,111,555	\$ 17,781,774

NOTE 16 - ACQUISITION

On August 1, 2024, OBI acquired MindDrive Incorporated through an action of the MindDrive board of directors, and became the controlling organization. Though now controlled by OBI, MindDrive is a separate 501(c)(3) not-for-profit organization, and will continue to file its own tax return, separately from OBI. No consideration was paid as part of the acquisition, and as a result the initial activity shown for MindDrive includes a cost of acquisition amounting to \$91,512.

The following table summarizes the identifiable assets and liabilities acquired.

Cash	\$ 19,854
Receivables	69,000
Property and equipment	12,440
Other assets	13,877
Right of use asset – operating lease	140,011
Accounts payable	(12,845)
Accrued liabilities	(36,285)
Note payable – NBKC	(31,702)
Note payable – Operation Breakthrough, Inc.	(123,625)
Right of use liability – operating lease	(142,237)
Total Identifiable Net Assets	(91,512)
Excess of Liabilities Assumed Over Assets Acquired in Acquisition	\$ 91,512

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 17 - RISKS AND UNCERTAINTIES

The Organization receives federal grants that are subject to review, audit, and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although the Organization expects such amounts, if any, to be insignificant.

NOTE 18- EMPLOYEE RETENTION CREDITS

During the year ended October 31, 2024, the Organization filed claims for refundable credits under the Employee Retention Credit program of approximately \$1,333,803 and \$2,414,868, for activity during the first and second quarters of the calendar year ended December 31, 2021, as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and subsequently amended by the Consolidated Appropriations Act, 2021.

Under the terms of the program the Organization must incur qualifying wage or health insurance costs and have either suspended operations under governmental order or experienced specified declines in gross receipts. Laws and regulations concerning government programs, including this Act, are complex and subject to varying interpretations. Claims made under this Act may also be subject to retroactive audit and review.

There can be no assurance that regulatory authorities will not challenge the Organization's claim to the tax credit, and it is not possible to determine the impact, if any, this would have on the Organization.

The Organization has accounted for its participation in programs deemed to be government grants as conditional contributions under ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*, which requires that all program conditions be substantially met before recognition into income. During the year ended October 31, 2025, the Organization was notified that the claim related to the first quarter of 2021 of \$1,333,803 was approved, and therefore recorded a receivable and recognized income of \$1,754,431 (including interest of \$420,628). The remaining \$2,414,868 was not recorded during the years ended October 31, 2025 and 2024 as it is pending recognition upon the barriers and conditions being met, as required under ASC 958.

NOTE 19 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 25, 2026, which is the date the consolidated financial statements were available to be issued. No additional matters were identified for disclosure during this evaluation.

SUPPLEMENTARY INFORMATION

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF FINANCIAL POSITION

October 31, 2025

	OBI	MindDrive	Eliminations	Total
Assets				
Cash and cash equivalents and restricted cash	\$ 6,527,366	\$ 69,333	\$ --	\$ 6,596,699
Receivables, less allowances	4,896,813	44,951	(490,223)	4,451,541
Inventory	120,235	5,210	--	125,445
Pledges receivable, net of unamortized discount	1,005,536	83,430	--	1,088,966
Investments	9,983,185	79	--	9,983,264
Right of use asset	--	98,790	--	98,790
Property and equipment, at cost, less accumulated depreciation	<u>25,479,822</u>	<u>5,336</u>	<u>--</u>	<u>25,485,158</u>
Total Assets	<u>\$ 48,012,957</u>	<u>\$ 307,129</u>	<u>\$ (490,223)</u>	<u>\$ 47,829,863</u>
Liabilities				
Accounts payable	\$ 31,880	\$ 93,899	\$ --	\$ 125,779
Other accrued liabilities	21,810	3,530	--	25,340
Accrued compensated absences	833,531	--	--	833,531
Lease liability	--	102,171	--	102,171
Long-term debt, net of debt issuance costs	<u>220,828</u>	<u>490,223</u>	<u>(490,223)</u>	<u>220,828</u>
Total Liabilities	<u>1,108,049</u>	<u>689,823</u>	<u>(490,223)</u>	<u>1,307,649</u>
Net Assets (Deficit) Without Donor Restrictions				
Undesignated	35,097,165	(382,694)	--	34,714,471
Board designated	11,615,604	--	--	11,615,604
Net Assets With Donor Restrictions	<u>192,139</u>	<u>--</u>	<u>--</u>	<u>192,139</u>
Total Net Assets (Deficit)	<u>46,904,908</u>	<u>(382,694)</u>	<u>--</u>	<u>46,522,214</u>
Total Liabilities and Net Assets	<u>\$ 48,012,957</u>	<u>\$ 307,129</u>	<u>\$ (490,223)</u>	<u>\$ 47,829,863</u>

See Notes to Supplementary Information – Consolidating Statements.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF FINANCIAL POSITION

October 31, 2024

	OBI	OBF	MindDrive	Eliminations	Total
Assets					
Cash and cash equivalents and restricted cash	\$ 3,606,483	\$ 1,609,199	\$ 6,921	\$ --	\$ 5,222,603
Receivables, less allowances	3,007,578	783,641	--	(1,139,399)	2,651,820
Pledges receivables, net of unamortized discount	1,173,347	--	59,000	--	1,232,347
Leverage loan receivable	7,602,700	--	--	--	7,602,700
Investments	8,853,143	--	79	--	8,853,222
Right of use asset	6,617,619	--	131,921	(6,617,619)	131,921
Property and equipment, at cost, less accumulated depreciation	14,376,333	10,999,194	12,440	--	25,387,967
Total Assets	<u>\$ 45,237,203</u>	<u>\$ 13,392,034</u>	<u>\$ 210,361</u>	<u>\$ (7,757,018)</u>	<u>\$ 51,082,580</u>
Liabilities					
Accounts payable	\$ 225,183	\$ --	\$ 1,341	\$ --	\$ 226,524
Other accrued liabilities	15,594	--	5,589	--	21,183
Accrued compensated absences	555,742	--	--	--	555,742
Deferred revenue	13,600	--	--	--	13,600
Lease liability	7,392,060	--	134,434	(7,392,060)	134,434
Long-term debt, net of debt issuance costs	--	10,963,459	364,958	(364,958)	10,963,459
Total Liabilities	<u>8,202,179</u>	<u>10,963,459</u>	<u>506,322</u>	<u>(7,757,018)</u>	<u>11,914,942</u>
Net Assets (Deficit) Without Donor Restrictions					
Undesignated	26,566,894	2,428,575	(295,961)	--	28,699,508
Board designated	10,028,121	--	--	--	10,028,121
Net Assets With Donor Restrictions	<u>440,009</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>440,009</u>
Total Net Assets (Deficit)	<u>37,035,024</u>	<u>2,428,575</u>	<u>(295,961)</u>	<u>--</u>	<u>39,167,638</u>
Total Liabilities and Net Assets	<u>\$ 45,237,203</u>	<u>\$ 13,392,034</u>	<u>\$ 210,361</u>	<u>\$ (7,757,018)</u>	<u>\$ 51,082,580</u>

See Notes to Supplementary Information – Consolidating Statements.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended October 31, 2025

	OBI	OBF	MindDrive	Eliminations	Total
Net Assets Without Donor Restrictions					
Revenue & Support					
Contributions and grants	\$ 10,644,737	\$ --	\$ 612,113	\$ --	\$ 11,256,850
Federal grants	4,948,926	--	--	--	4,948,926
Fundraising income	3,111,272	--	50,000	--	3,161,272
School age programs and transportation fees	3,222,301	--	243,182	(579,492)	2,885,991
Releases from restrictions	257,780	--	--	--	257,780
Total Revenue & Support	<u>22,185,016</u>	<u>--</u>	<u>905,295</u>	<u>(579,492)</u>	<u>22,510,819</u>
Expenses					
Program	17,035,909	190,362	934,270	(760,471)	17,400,070
Fundraising	1,000,465	539	28,571	(6,893)	1,022,682
Management and general	1,894,269	31,737	29,187	(8,759)	1,946,434
Total Expenses	<u>19,930,643</u>	<u>222,638</u>	<u>992,028</u>	<u>(776,123)</u>	<u>20,369,186</u>
Change in Net Assets Before Other Revenue and (Expenses)	<u>2,254,373</u>	<u>(222,638)</u>	<u>(86,733)</u>	<u>196,631</u>	<u>2,141,633</u>
Other Revenue and (Expenses)					
Rental income	61,831	196,631	--	(196,631)	61,831
Net investment gain	1,437,349	--	--	--	1,437,349
Transfer of assets from NMTC	12,906,490	(12,906,490)	--	--	--
Related party forgiveness of leverage notes receivable	(10,670,000)	10,670,000	--	--	--
Loss on disposal of debt issuance costs	--	(166,078)	--	--	(166,078)
Gain on related party debt forgiveness from NMTC	3,177,300	--	--	--	3,177,300
Miscellaneous income (expense)	950,411	--	--	--	950,411
Total Other Revenue and (Expenses)	<u>7,863,381</u>	<u>(2,205,937)</u>	<u>--</u>	<u>(196,631)</u>	<u>5,460,813</u>
Changes in Net Assets Without Donor Restrictions	<u>10,117,754</u>	<u>(2,428,575)</u>	<u>(86,733)</u>	<u>--</u>	<u>7,602,446</u>
Net Assets (Deficit) With Donor Restrictions					
Restricted contributions and grants	9,910	--	--	--	9,910
Releases from restrictions	(257,780)	--	--	--	(257,780)
Changes in Net Assets (Deficit) With Donor Restrictions	<u>(247,870)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(247,870)</u>
Change in Net Assets (Deficit)	9,869,884	(2,428,575)	(86,733)	--	7,354,576
Net Assets (Deficit)- Beginning of Year	<u>37,035,024</u>	<u>2,428,575</u>	<u>(295,961)</u>	<u>--</u>	<u>39,167,638</u>
Net Assets (Deficit) - End of Year	<u>\$ 46,904,908</u>	<u>\$ --</u>	<u>\$ (382,694)</u>	<u>\$ --</u>	<u>\$ 46,522,214</u>

See Notes to Supplementary Information – Consolidating Statements.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended October 31, 2024

	OBI	OBF	Foundation	MindDrive	Eliminations	Total
Net Assets Without Donor Restrictions						
Revenue & Support						
Contributions and grants	\$ 9,692,224	\$ --	\$ --	\$ 5,709	\$ --	\$ 9,697,933
Federal grants	4,887,641	--	--	--	--	4,887,641
Fundraising income	2,923,870	--	--	--	--	2,923,870
School age programs and transportation fees	1,610,492	--	--	--	--	1,610,492
Releases from restrictions	383,691	--	8,634	--	--	392,325
Total Revenue & Support	<u>19,497,918</u>	<u>--</u>	<u>8,634</u>	<u>5,709</u>	<u>--</u>	<u>19,512,261</u>
Expenses						
Program	14,952,028	647,834	--	206,964	(775,688)	15,031,138
Fundraising	1,025,684	3,634	--	--	(33,629)	995,689
Management and general	1,902,803	32,400	4,900	3,194	(72,147)	1,871,150
Total Expenses	<u>17,880,515</u>	<u>683,868</u>	<u>4,900</u>	<u>210,158</u>	<u>(881,464)</u>	<u>17,897,977</u>
Change in Net Assets Before						
Other Revenue and (Expenses)	<u>1,617,403</u>	<u>(683,868)</u>	<u>3,734</u>	<u>(204,449)</u>	<u>881,464</u>	<u>1,614,284</u>
Other Revenue and (Expenses)						
Rental income	120,226	681,464	--	--	(681,464)	120,226
Net investment income	1,225,927	--	468,793	--	--	1,694,720
Excess of liabilities assumed over assets acquired in acquisition	--	--	--	(91,512)	--	(91,512)
Miscellaneous income	33,561	1,764	--	--	--	35,325
Total Other Revenue and (Expenses)	<u>1,379,714</u>	<u>683,228</u>	<u>468,793</u>	<u>(91,512)</u>	<u>(681,464)</u>	<u>1,758,759</u>
Changes in Net Assets Without Donor Restrictions	<u>2,997,117</u>	<u>(640)</u>	<u>472,527</u>	<u>(295,961)</u>	<u>200,000</u>	<u>3,373,043</u>
Net Assets (Deficit) With Donor Restrictions						
Restricted contributions and grants	38,317	--	1,918,104	--	(200,000)	1,756,421
Releases from restrictions	(383,691)	--	(8,634)	--	--	(392,325)
Changes in Net Assets (Deficit) With Donor Before						
Deconsolidation	<u>(345,374)</u>	<u>--</u>	<u>1,909,470</u>	<u>--</u>	<u>(200,000)</u>	<u>1,364,096</u>
Deconsolidation of OB Foundation	--	--	(4,446,190)	--	--	(4,446,190)
Changes in Net Assets (Deficit) With Donor Restrictions	<u>(345,374)</u>	<u>--</u>	<u>(2,536,720)</u>	<u>--</u>	<u>(200,000)</u>	<u>(3,082,094)</u>
Change in Net Assets (Deficit)	2,651,743	(640)	(2,064,193)	(295,961)	--	290,949
Net Assets - Beginning of Year	<u>34,383,281</u>	<u>2,429,215</u>	<u>2,064,193</u>	<u>--</u>	<u>--</u>	<u>38,876,689</u>
Net Assets (Deficit) - End of Year	<u>\$ 37,035,024</u>	<u>\$ 2,428,575</u>	<u>\$ --</u>	<u>\$ (295,961)</u>	<u>\$ --</u>	<u>\$ 39,167,638</u>

See Notes to Supplementary Information – Consolidating Statements.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended October 31, 2025

	Program Services			Supporting Services			Total Expenses
	Early Childhood, School Age, and Parent Services	MindDrive	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Operation Breakthrough, Inc.							
Salaries	\$ 10,025,511	\$ --	\$ 10,025,511	\$ 447,827	\$ 1,298,406	\$ 1,746,233	\$ 11,771,744
Benefits	1,138,140	--	1,138,140	42,052	185,433	227,485	1,365,625
Payroll taxes	782,578	--	782,578	36,423	110,704	147,127	929,705
Depreciation	1,097,982	--	1,097,982	42,308	54,011	96,319	1,194,301
Cafeteria costs	478,155	--	478,155	--	--	--	478,155
Equipment, maintenance and repairs	490,870	--	490,870	18,745	37,601	56,346	547,216
Professional fees	240,111	--	240,111	34,111	41,589	75,700	315,811
Supplies	605,648	--	605,648	47,453	10,814	58,267	663,915
Direct assistance	511,632	--	511,632	--	--	--	511,632
Contract labor	464,011	--	464,011	70,787	39,030	109,817	573,828
Utilities	292,956	--	292,956	11,286	14,904	26,190	319,146
Fundraising expenses	--	--	--	211,441	--	211,441	211,441
Interest	24,564	--	24,564	936	1,230	2,166	26,730
Insurance	237,865	--	237,865	9,248	12,207	21,455	259,320
Communications	157,895	--	157,895	17,455	13,752	31,207	189,102
Training staff and volunteers	139,913	--	139,913	60	7,521	7,581	147,494
Recognition	46,864	--	46,864	1,922	1,830	3,752	50,616
Bank charges	--	--	--	8	52,051	52,059	52,059
Telephone	21,577	--	21,577	875	1,812	2,687	24,264
Field Trip	35,589	--	35,589	--	--	--	35,589
Vehicle	59,109	--	59,109	616	--	616	59,725
Other	3,960	--	3,960	19	2,615	2,634	6,594
Subtotal	<u>16,854,930</u>	<u>--</u>	<u>16,854,930</u>	<u>993,572</u>	<u>1,885,510</u>	<u>2,879,082</u>	<u>19,734,012</u>
Operation Brighter Future							
Professional fees	--	--	--	--	26,750	26,750	26,750
Depreciation	166,633	--	166,633	--	--	--	166,633
Bank Charges	--	--	--	--	2,291	2,291	2,291
Interest	23,729	--	23,729	539	2,696	3,235	26,964
Subtotal	<u>190,362</u>	<u>--</u>	<u>190,362</u>	<u>539</u>	<u>31,737</u>	<u>32,276</u>	<u>222,638</u>
MindDrive							
Cafeteria costs	--	28,798	28,798	--	--	--	28,798
Equipment, maintenance and repairs	--	16,259	16,259	--	--	--	16,259
Professional fees	--	6,743	6,743	--	3,821	3,821	10,564
Supplies	--	158,192	158,192	--	1,781	1,781	159,973
Contract labor	--	46,800	46,800	--	22,500	22,500	69,300
Utilities	--	12,426	12,426	--	--	--	12,426
Fundraising expenses	--	--	--	28,571	--	28,571	28,571
Rent Expense	--	47,367	47,367	--	868	868	48,235
Insurance	--	11,055	11,055	--	--	--	11,055
Communications	--	18,299	18,299	--	--	--	18,299
Training staff and volunteers	--	3,254	3,254	--	--	--	3,254
Bank charges	--	134	134	--	197	197	331
Recognition	--	126	126	--	--	--	126
Vehicle	--	858	858	--	--	--	858
Field Trip	--	2,573	2,573	--	--	--	2,573
Depreciation	--	1,894	1,894	--	--	--	1,894
Other	--	--	--	--	20	20	20
Subtotal	<u>--</u>	<u>354,778</u>	<u>354,778</u>	<u>28,571</u>	<u>29,187</u>	<u>57,758</u>	<u>412,536</u>
Total	<u>\$ 17,045,292</u>	<u>\$ 354,778</u>	<u>\$ 17,400,070</u>	<u>\$ 1,022,682</u>	<u>\$ 1,946,434</u>	<u>\$ 2,969,116</u>	<u>\$ 20,369,186</u>

See Notes to Supplementary Information – Consolidating Statements.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended October 31, 2024

	Program Services			Supporting Services			
	Early Childhood, School Age, and Parent Services	MindDrive	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Operation Breakthrough, Inc.							
Salaries	\$ 8,367,969	\$ --	\$ 8,367,969	\$ 416,220	\$ 1,265,483	\$ 1,681,703	\$ 10,049,672
Benefits	853,548	--	853,548	30,671	174,035	204,706	1,058,254
Payroll taxes	693,381	--	693,381	36,523	107,201	143,724	837,105
Depreciation	800,274	--	800,274	30,821	40,695	71,516	871,790
Cafeteria costs	451,703	--	451,703	--	696	696	452,399
Equipment, maintenance and repairs	456,378	--	456,378	16,332	30,923	47,255	503,633
Professional fees	212,765	--	212,765	36,104	59,130	95,234	307,999
Supplies	657,640	--	657,640	55,040	28,312	83,352	740,992
Direct assistance	365,796	--	365,796	2,351	8,316	10,667	376,463
Contract labor	218,975	--	218,975	63,731	36,323	100,054	319,029
Utilities	284,516	--	284,516	10,783	14,240	25,023	309,539
Fundraising expenses	456	--	456	221,187	--	221,187	221,643
Interest	21,905	--	21,905	498	2,489	2,987	24,892
Insurance	227,151	--	227,151	9,144	16,013	25,157	252,308
Communications	6,017	--	6,017	8,835	9,782	18,617	24,634
Service contracts	100,113	--	100,113	--	6,168	6,168	106,281
Training staff and volunteers	211,672	--	211,672	49	8,997	9,046	220,718
Recognition	109,428	--	109,428	8,302	498	8,800	118,228
Bank charges	789	--	789	22	18,150	18,172	18,961
Telephone	30,155	--	30,155	1,221	2,630	3,851	34,006
Vehicle	70,818	--	70,818	--	520	520	71,338
Other	34,891	--	34,891	44,221	55	44,276	79,167
Subtotal	<u>14,176,340</u>	<u>--</u>	<u>14,176,340</u>	<u>992,055</u>	<u>1,830,656</u>	<u>2,822,711</u>	<u>16,999,051</u>
Operation Brighter Future							
Professional fees	--	--	--	--	14,231	14,231	14,231
Depreciation	487,951	--	487,951	--	--	--	487,951
Interest	159,883	--	159,883	3,634	18,169	21,803	181,686
Subtotal	<u>647,834</u>	<u>--</u>	<u>647,834</u>	<u>3,634</u>	<u>32,400</u>	<u>36,034</u>	<u>683,868</u>
Operation Breakthrough Foundation							
Professional fees	--	--	--	--	4,900	4,900	4,900
Subtotal	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,900</u>	<u>4,900</u>	<u>4,900</u>
MindDrive							
Salaries	--	90,517	90,517	--	--	--	90,517
Benefits	--	2,087	2,087	--	--	--	2,087
Payroll taxes	--	7,615	7,615	--	--	--	7,615
Cafeteria costs	--	4,690	4,690	--	--	--	4,690
Equipment, maintenance and repairs	--	600	600	--	--	--	600
Professional fees	--	--	--	--	2,200	2,200	2,200
Supplies	--	30,619	30,619	--	--	--	30,619
Direct assistance	--	12,116	12,116	--	--	--	12,116
Contract labor	--	31,102	31,102	--	--	--	31,102
Utilities	--	5,403	5,403	--	--	--	5,403
Interest	--	--	--	--	176	176	176
Insurance	--	6,657	6,657	--	--	--	6,657
Communications	--	--	--	--	229	229	229
Training staff and volunteers	--	45	45	--	--	--	45
Bank charges	--	--	--	--	307	307	307
Vehicle	--	2,424	2,424	--	--	--	2,424
Other	--	13,089	13,089	--	282	282	13,371
Subtotal	<u>--</u>	<u>206,964</u>	<u>206,964</u>	<u>--</u>	<u>3,194</u>	<u>3,194</u>	<u>210,158</u>
Total	<u>\$ 14,824,174</u>	<u>\$ 206,964</u>	<u>\$ 15,031,138</u>	<u>\$ 995,689</u>	<u>\$ 1,871,150</u>	<u>\$ 2,866,839</u>	<u>\$ 17,897,977</u>

See Notes to Supplementary Information – Consolidating Statements.

OPERATION BREAKTHROUGH, INC. & SUBSIDIARIES

NOTES TO SUPPLEMENTARY INFORMATION – CONSOLIDATING STATEMENTS

For the Years Ended October 31, 2025 and 2024

NOTE 1 - PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of OBI, OBF, MindDrive, and the OB Foundation. All inter-organizational accounts and transactions have been eliminated.

The supplemental consolidating financial statements therefore show certain accounts and transactions that were otherwise eliminated in the consolidated financial statements, which are described below.

During the years ended October 31, 2025 and 2024, OBI paid rent to OBF in the amount of \$196,631 and \$779,041, respectively.

During the years ended October 31, 2025 and 2024, OBI made a contribution to the OB Foundation of \$0 and \$200,000, respectively.

During the years ended October 31, 2025 and 2024, OBF made a contribution to OBI of \$1,389,934 and \$0, respectively, pursuant to the new market tax credit transaction as described in Note 7.

During the year ended October 31, 2025 and 2024, OBI loaned to MindDrive \$125,265 and \$241,333, respectively. Prior to the acquisition, OBI had loaned MindDrive \$123,625.