



**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended October 31, 2021 and 2020





## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors

### **OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

#### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Operation Breakthrough, Inc. & Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of October 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

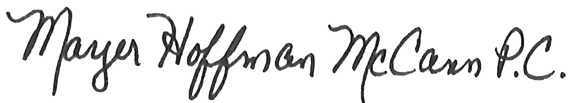
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of October 31, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, during the year ended October 31, 2021, the Organization adopted Accounting Standards Update (“ASU”) No. 2014-9, Revenue from Contracts with Customers (Topic 606), under the modified retrospective approach. Our opinion is not modified with respect to this matter.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, activities and changes in net assets, and functional expenses 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Kansas City, Missouri  
March 30, 2022

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

October 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b><u>ASSETS</u></b>		
CASH AND CASH EQUIVALENTS	\$ 5,792,731	\$ 5,477,055
ACCOUNTS RECEIVABLE, less allowance for losses	1,513,482	1,303,792
PREPAID EXPENSES	56,954	41,363
CERTIFICATES OF DEPOSIT	3,908,228	3,839,285
PLEDGES RECEIVABLE, net of unamortized discount	1,776,434	1,993,397
LEVERAGE LOAN RECEIVABLE	7,602,700	7,602,700
ENDOWMENT	879,077	-
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	26,691,654	24,063,662
TOTAL ASSETS	\$ 48,221,260	\$ 44,321,254
<b><u>LIABILITIES</u></b>		
ACCOUNTS PAYABLE	\$ 121,024	\$ 77,797
ACCRUED LIABILITIES	21,810	23,473
ACCRUED COMPENSATED ABSENCES	853,516	849,726
DEFERRED REVENUE	11,345	44,079
LONG-TERM DEBT, net of debt issuance costs	11,251,487	11,335,863
TOTAL LIABILITIES	12,259,182	12,330,938
<b><u>NET ASSETS</u></b>		
NET ASSETS WITHOUT DONOR RESTRICTIONS	31,332,046	27,791,891
NET ASSETS WITH DONOR RESTRICTIONS	4,630,032	4,198,425
TOTAL NET ASSETS	35,962,078	31,990,316
TOTAL LIABILITIES AND NET ASSETS	\$ 48,221,260	\$ 44,321,254

See Notes to the Consolidated Financial Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

Years Ended October 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE & SUPPORT		
Contributions and grants	\$ 5,224,637	\$ 5,184,144
Federal grants	4,500,711	4,035,348
Special events	2,580,530	1,828,571
School age programs and transportation fees	277,763	213,908
Releases from restrictions	5,997,886	2,850,755
TOTAL REVENUE & SUPPORT	18,581,527	14,112,726
EXPENSES		
Program	12,168,695	11,340,826
Fundraising	946,838	838,121
Management and general	2,170,706	2,085,680
TOTAL EXPENSES	15,286,239	14,264,627
CHANGES IN NET ASSETS BEFORE OTHER REVENUE	3,295,288	(151,901)
OTHER REVENUE		
Rental income	119,727	114,778
Investment income	117,036	177,685
Miscellaneous income	8,104	31,573
TOTAL OTHER REVENUE	244,867	324,036
CHANGES IN NET ASSETS WITHOUT RESTRICTIONS	3,540,155	172,135
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	6,429,493	4,441,914
Releases from restrictions	(5,997,886)	(2,850,755)
CHANGES IN NET ASSETS WITH RESTRICTIONS	431,607	1,591,159
CHANGES IN NET ASSETS	3,971,762	1,763,294
NET ASSETS, BEGINNING OF YEAR	31,990,316	30,227,022
NET ASSETS, END OF YEAR	\$ 35,962,078	\$ 31,990,316

See Notes to the Consolidated Financial Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended October 31, 2021

	Program Services	Supporting Services			Total Expenses
	Early Childhood, School Age, and Parent Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 7,085,941	\$ 396,720	\$ 1,234,404	\$ 1,631,124	\$ 8,717,065
Benefits	957,488	38,751	122,127	160,878	1,118,366
Payroll taxes	682,586	34,470	120,260	154,730	837,316
Depreciation	1,133,170	15,452	28,625	44,077	1,177,247
Cafeteria costs	397,491	-	-	-	397,491
Equipment, maintenance and repairs	324,823	7,470	65,002	72,472	397,295
Professional fees	100,265	121,696	174,364	296,060	396,325
Supplies	338,970	2,278	13,138	15,416	354,386
Direct assistance	281,237	39,204	11,061	50,265	331,502
Contract labor	171,434	33,117	44,709	77,826	249,260
Utilities	221,882	5,210	16,692	21,902	243,784
Fundraising consultants	691	227,383	198	227,581	228,272
Interest	-	-	223,026	223,026	223,026
Insurance	143,862	7,985	24,030	32,015	175,877
Communications	71,790	12,609	29,280	41,889	113,679
Service contracts	96,442	2,945	6,438	9,383	105,825
Training staff and volunteers	43,765	324	9,663	9,987	53,752
Recognition	45,600	-	51	51	45,651
Bank charges	24	662	36,686	37,348	37,372
Telephone	30,312	562	4,799	5,361	35,673
Vehicle	15,033	-	6,024	6,024	21,057
Other	25,889	-	129	129	26,018
<b>Total</b>	<b>\$ 12,168,695</b>	<b>\$ 946,838</b>	<b>\$ 2,170,706</b>	<b>\$ 3,117,544</b>	<b>\$ 15,286,239</b>
Percentage of total expenses	80%	6%	14%	20%	100%

See Notes to the Consolidated Financial Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended October 31, 2020

	Program Services	Supporting Services			Total Expenses
	Early Childhood, School Age, and Parent Services	Fundraising	Management and General	Total Supporting Services	
Salaries	\$ 7,092,016	\$ 485,125	\$ 1,096,116	\$ 1,581,241	\$ 8,673,257
Benefits	774,225	39,172	115,942	155,114	929,339
Payroll taxes	527,734	38,445	120,378	158,823	686,557
Depreciation	1,028,643	16,930	72,450	89,380	1,118,023
Cafeteria costs	309,208	-	-	-	309,208
Equipment, maintenance and repairs	261,586	7,003	66,800	73,803	335,389
Professional fees	177	132,615	228,746	361,361	361,538
Supplies	326,619	8,325	20,779	29,104	355,723
Direct assistance	166,917	-	-	-	166,917
Contract labor	72,018	800	2,507	3,307	75,325
Utilities	208,012	6,507	31,388	37,895	245,907
Fundraising consultants	-	75,967	-	75,967	75,967
Interest	-	-	233,794	233,794	233,794
Insurance	254,707	14,364	9,056	23,420	278,127
Communications	18,680	8,183	13,751	21,934	40,614
Service contracts	158,108	-	-	-	158,108
Training staff and volunteers	59,373	116	14,520	14,636	74,009
Recognition	32,066	3,017	15,424	18,441	50,507
Bank charges	-	-	32,266	32,266	32,266
Telephone	29,380	1,262	4,730	5,992	35,372
Vehicle	6,749	-	483	483	7,232
Other	14,608	290	6,550	6,840	21,448
<b>Total</b>	<b>\$ 11,340,826</b>	<b>\$ 838,121</b>	<b>\$ 2,085,680</b>	<b>\$ 2,923,801</b>	<b>\$ 14,264,627</b>
Percentage of total expenses	80%	6%	14%	20%	100%

See Notes to the Consolidated Financial Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended October 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 3,971,762	\$ 1,763,294
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation	1,177,247	1,118,023
Interest attributable to debt issuance costs	6,151	6,151
Decrease (increase) on discount on long-term promises to give	24,984	(39,186)
Changes in operating assets and liabilities		
Accounts receivable	(209,690)	(307,091)
Pledges receivable	(2,926,881)	145,507
Prepaid expenses	(15,591)	(3,773)
Accounts payable	43,227	10,133
Accrued liabilities	(1,663)	2,527
Accrued compensated absences	3,790	94,490
Deferred revenue	(32,734)	10,966
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,040,602</b>	<b>2,801,041</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposits	(3,408,685)	(1,771,382)
Purchase of investments	(879,077)	-
Proceeds from the sale of certificate of deposits	3,339,742	1,738,996
Purchase of property and equipment	(3,805,239)	(377,200)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(4,753,259)</b>	<b>(409,586)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts for capital campaign	2,985,757	1,299,042
Receipts to finance long-term debt	133,103	-
Repayment of long-term debt	(90,527)	(85,269)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>3,028,333</b>	<b>1,213,773</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>315,676</b>	<b>3,605,228</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>5,477,055</b>	<b>1,871,827</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 5,792,731</b>	<b>\$ 5,477,055</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest	\$ 223,026	\$ 233,795
<b>CASH PER CONSOLIDATED STATEMENTS OF FINANCIAL POSITION:</b>		
Cash and cash equivalents	\$ 3,036,764	\$ 3,099,873
Restricted cash and cash equivalents	2,755,967	2,377,182
<b>TOTAL CASH AND RESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>\$ 5,792,731</b>	<b>\$ 5,477,055</b>

See Notes to the Consolidated Financial Statements



## OPERATION BREAKTHROUGH, INC. & SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies

**Organization** - Operation Breakthrough, Inc. ("OBI") is a nonprofit organization which provides child care services, family health services, child education programs, and parenting programs to low income and homeless families in the Kansas City metropolitan area.

**Principles of consolidation** - Operation Breakthrough, Inc. & Subsidiary's (the "Organization") consolidated financial statements include the accounts of OBI and Operation Brighter Future, Inc. ("OBF"). All inter-organizational accounts and transactions have been eliminated. OBF is 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 owns a building in Kansas City, Missouri critical to OBI's mission. OBF participates 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 has secured financing related to eligible capital projects. See additional details related to the NMTC transaction at Note 6.

**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.

- 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.
- Net assets with donor restrictions are net assets subject to donor-imposed restrictions 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. Net assets with donor restrictions associated with the capital campaign are to be released from restriction when the assets are placed in service or expenses associated with the campaign are incurred.

**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.

**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 donor restricted funds. The restriction will lapse when the Organizations' contractual agreements expire.

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 1 ) Summary of significant accounting policies (continued)**

**Certificates of deposit** - Certificates of deposit are maintained at cost-basis plus accrued interest, which approximates fair market value, with interest being paid out on a varying schedule through the year. The certificates earn interest at rates between 0.10%-0.30% with maturity dates ranging from May 2022 to July 2023.

**Pledges and accounts receivable** - Pledges and accounts receivable are reported at the present value of the amount management expects to collect on balances outstanding at year end. 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, 2021 and 2020.

**Conditional promises to give** - Conditional promises to give at October 31, 2021 and 2020 amounted to \$0 and \$500,000, respectively. As the barrier to entitlement has not been met, these conditional promises to give are not recorded in the consolidated financial statements.

**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	5 - 40 Years
Equipment and software	3 - 10 Years
Furniture and fixtures	3 - 7 Years
Leasehold improvements	5 - 32 Years

**Investments** - At October 31, 2021 investments consisted of pooled investments in equity and fixed income securities.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the 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. 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.

## OPERATION BREAKTHROUGH, INC. & SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

Contributions other than cash, including unconditional promises to give and donated materials with clearly measurable bases, are recorded at their estimated fair value at the date of receipt. Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement.

Contributions other than cash, including unconditional promises to give and donated materials with clearly measurable bases, are recorded at their estimated fair value at the date of receipt. Revenue from fees and grants from government agencies are recognized as they are earned through expenditure in accordance with the agreement.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of approximately \$1,016,000 that have not been recognized at October 31, 2021 because qualifying expenditures have not yet been incurred.

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) criteria to be recognized as contributions received, and, accordingly, have not been recorded in the consolidated financial statements. The Organization receives other donated goods that are greater in value and held for extended periods of time and has reflected those as contributions in the statements of activities and changes in net assets at their estimated fair value at the date of receipt. The Organization received approximately \$15,000 for certain donated goods and services for the years ended October 31, 2021 and 2020.

Program revenue is recognized in accordance with Topic 606, Revenue from Contracts with Customers ("Topic 606"), which was adopted on November 1, 2020 using the modified retrospective transition method applied to contracts that were not complete as of November 1, 2020. The adoption of ASC Topic 606 did not have a material impact on the Organization's financial position, results of operations, or cash flows. As such, the Organization did not make any adjustments to its financial position upon adoption and there are no differences between ASC Topic 606 and prior revenue recognition guidance.

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 (or 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, school age programs and transportation fees.

School age programs consists of the fees charged to the State of Missouri for providing child care services. These fees are charged, and revenue is recognized, as these services are performed based on the length 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.

**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. Accordingly, no provision has been made for federal and state income taxes.

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 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, 2021 and 2020, 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 statement 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 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 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.

**Recent accounting pronouncements** - On November 1, 2020 the Organization adopted ASC Topic 606 in ASU 2014-09, Revenues from Contracts with Customers. The adoption of the ASC did not have a material impact on the Organization's consolidated statements of financial position, activities or cash flows. As such, the Organization did not make any adjustments to its financial position upon adoption and there are no differences in 2021 as reported under ASC Topic 606 and prior guidance. Amounts reported related to 2020 are unadjusted for the effects of ASC Topic 606.

**( 2 ) Pledges receivable**

Pledges receivable consist of the following at October 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 938,036	\$ 1,194,962
Due in one to five years	<u>935,972</u>	<u>871,025</u>
Total pledges receivable	1,874,008	2,065,987
Less:		
Unamortized discount	<u>(97,574)</u>	<u>(72,590)</u>
Net pledges receivable	<u>\$ 1,776,434</u>	<u>\$ 1,993,397</u>

Pledges receivable with due dates extending beyond one year have been discounted. The applicable rate at October 31, 2021 and 2020 was 3.25%.

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 3 ) Property and equipment**

Property and equipment at October 31, 2021 and 2020 consisted of the following:

	<b>2021</b>	<b>2020</b>
Cost		
Automobiles	\$ 207,654	\$ 170,355
Buildings	30,178,827	27,023,812
Equipment and software	2,058,076	1,747,869
Furniture and fixtures	211,588	206,391
Land	1,267,572	1,267,572
Leasehold improvements	2,424,044	2,126,525
Total cost	36,347,761	32,542,524
Accumulated depreciation	(9,656,107)	(8,478,862)
Net property and equipment	\$ 26,691,654	\$ 24,063,662

Depreciation expense charged to operations was \$1,177,247 and \$1,118,023 for the years ended October 31, 2021 and 2020.

**( 4 ) 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 "Fund"). The loan has an interest rate of 1% and requires monthly interest payments beginning January 1, 2018 and requires monthly interest and principal payments beginning April 1, 2025, with all unpaid principal and interest due December 31, 2047.

**( 5 ) 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 is reflected as a leverage loan receivable on the consolidated statement of financial position as of October 31, 2021 and 2020. U.S. Bancorp Community Development Corporation ("USBCDC") invested \$3,732,300 in the Fund. The Fund is 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 "QLICs") in OBF, in the form of loans: (i) \$7,602,700 (Loan A) and (ii) \$3,177,300 (Loan B). Such loans are 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 is for 28 years.

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 5 ) New market tax credit financing transaction (continued)**

OBI entered into a put and call agreement with USBCDC during the year ended October 31, 2018. The agreement grants 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 may 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 may 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 QLICs 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 HCFN Guaranty Agreement.

**( 6 ) Long-term debt**

Long-term debt consists of the following at October 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
<b>Operation Brighter Future, Inc.</b>		
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 3039 Troost property. This loan was transferred from Operation Breakthrough, Inc. during the year ended October 31, 2018.	\$ 662,170	\$ 752,697
Term loan A with CBKC CDC SUB-CDE 43, LLC, with an original balance of \$7,602,700, and interest accruing at 1.37%. Monthly payments of interest only 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 is collateralized by the assets and personal property of Operation Brighter Future, Inc.	7,602,700	7,602,700
Term loan B with CBKC CDC SUB-CDE 43, LLC, with an original balance of \$3,177,300, and interest accruing at 1.37%. Monthly payments of interest only 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 is collateralized by the assets and personal property of Operation Brighter Future, Inc.	3,177,300	3,177,300
Total debt	11,442,170	11,532,697
Less: Unamortized debt issuance costs	(190,683)	(196,834)
Total debt, net of unamortized debt issuance costs	11,251,487	11,335,863
Less: Current portion	(96,111)	(85,268)
Non-current portion	\$ 11,155,376	\$ 11,250,595

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(6) Long-term debt (continued)**

Maturities on long-term debt are as follows:

<u>Years ending October 31,</u>	
2022	\$ 96,111
2023	102,039
2024	218,332
2025	353,178
2026	439,926
Thereafter	<u>10,232,584</u>
Total	<u><u>\$ 11,442,170</u></u>

**(7) Net assets with donor restrictions**

Net assets with donor restrictions are available for the following purposes as of October 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restricted		
Educational programs	\$ 53,278	\$ 99,258
Direct assistance	187,295	125,419
Organization initiatives	-	256,774
Staffing	60,000	-
Long-term debt payments	662,140	595,090
Capital campaign	<u>1,576,317</u>	<u>1,895,731</u>
	2,539,030	2,972,272
Time restricted	1,211,925	1,226,153
Endowment (restricted in perpetuity)	<u>879,077</u>	-
Total net assets with donor restrictions	<u><u>\$ 4,630,032</u></u>	<u><u>\$ 4,198,425</u></u>

Net assets with donor restrictions released from restriction consisted of the following for the years ended October 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Purpose restricted		
Educational programs	\$ 164,792	\$ 650,434
Direct assistance	200,970	7,176
Organization initiatives	356,774	4,522
Staffing	-	16,979
Paycheck protection program	-	1,150,323
Capital campaign	3,486,459	-
Long-term debt payments	<u>189,724</u>	-
	4,398,719	1,829,434
Time restricted	<u>1,599,167</u>	<u>1,021,321</u>
Total net assets with donor restrictions released	<u><u>\$ 5,997,886</u></u>	<u><u>\$ 2,850,755</u></u>

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 8 )    Endowment**

The Organization's endowment consists of a single fund established by the Board and funded by donors for the purpose of continuing the organization's mission. As required by accounting principles generally accepted in the United States of America ("GAAP"), 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.

The Organization's Management has reviewed and interpreted the State of Missouri Prudent Management of Institutional Funds Act ("SPMIFA") as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any accumulation within the endowment above these amounts will be governed and appropriated at the direction of the Board in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets for the endowment fund at October 31, 2021 was:

<b>2021</b>	
Donor-restricted Endowment Fund	<u><u>\$     879,077</u></u>
<b>2020</b>	
Donor-restricted Endowment Fund	<u><u>\$           -</u></u>

Changes in endowment net assets for the year October 31, 2021 was:

Endowment net assets, November 1, 2020	-
Contribution of assets to endowment	\$     878,319
Investment return	758
Appropriation of endowment assets for expenditure	<u>          -</u>
Endowment net assets, October 31, 2021	<u><u>\$     879,077</u></u>



OPERATION BREAKTHROUGH, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

( 8 ) **Endowment (continued)**

**Return objectives and risk parameters** - The Organization has adopted an investment policy for endowment assets that attempts to target long-term growth of the endowment assets, while also providing a consistent and predictable stream of funding to program support. Endowment assets include those assets of donor-restricted funds. In order to obtain maximum benefits from the assets of the Organization, the investment goals include achieving long-term growth of capital within specific risk constraints, production of a reasonable rate of return on the investment assets, consistent with the assumption of a prudent level of risk, and protection of the Organization's assets from inflation, so that they will be available for long-term use.

**Spending policy** - The purpose of the Organization's invested assets in the endowment is to provide on-going funding that allows the Organization to expand its programming activity in the future. Distributions will be made annually as of November 1. The distribution amount will equal 50% of the net earnings from the previous year of the invested assets, not to exceed 5% of the current total market value of the endowment assets. In years in which the endowment generates a loss, no distribution will be made. In the year following a loss, distributions may be made as long as there continue to be cumulative net earnings overall. The Board has established this spending policy and has directed Management to work with the endowment Advisory Board and Board finance committee to oversee the annual distribution.

**Funds with deficiencies** - From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the level of the original donor invested assets. No such deficiencies existed as of October 31, 2021

( 9 ) **Retirement plan**

The Organization maintains a retirement plan in which all employees who are 21 years of age or greater are eligible to participate after completing six months of service. All employer contributions are discretionary and are allocated to all eligible employees whether or not they were employees on the last day of the plan year. Management can also contribute additional discretionary amounts to the plan on an annual basis. Participants are fully vested after six years of service. No employer contributions were made during the years ended October 31, 2021 and 2020.

( 10 ) **Concentrations**

During the years ended October 31, 2021 and 2020 approximately 75% and 76% of the Organization's accounts receivables were due from three and two entities, respectively.

During the years ended October 31, 2021 and 2020 approximately 65% and 70% of the Organization's pledges receivables were due from three and four entities, respectively.

During the years ended October 31, 2021 and 2020 approximately 15% and 17% of the Organization's revenue and support came from one and two entities, respectively.

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 11 ) 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 certificates of deposit. 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.

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,792,731	\$ 5,477,055
Accounts receivable	1,513,482	1,303,792
Certificates of deposits	3,908,228	3,839,285
Pledges receivable due within one year	<u>938,036</u>	<u>1,194,962</u>
	12,152,477	11,815,094
Less: Capital campaign	<u>(1,576,317)</u>	<u>(1,895,731)</u>
Total financial assets available for use	<u>\$ 10,576,160</u>	<u>\$ 9,919,363</u>

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization generally has cash and cash equivalents at its disposal to meet general operating expenditures.

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 child care 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, 2021 and 2020.

**( 12 ) 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. & SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**( 13 ) Paycheck Protection Program**

During the year ended October 31, 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$1,150,323, granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of-return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (rent and utilities) incurred following the receipt of the funds. The Organization recognized the amount received as contribution income during the year ended October 31, 2020 as qualified expenses occurred and barriers to entitlement were met. The Organization's application for forgiveness of the loan was received on April 26, 2021.

**( 14 ) Risks and uncertainties**

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak began disrupting operations and affecting a wide range of industries and their employees. The extent of the impact of COVID-19 on the Organization's operational and financial performance as of October 31, 2021 was not deemed significant, with exception of the Paycheck Protection Program funding discussed in Note 13. The extent of the impact moving forward will depend on certain developments, including the duration and spread of the outbreak and the related impact on its programs, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain and cannot be reasonably estimated.

**( 15 ) Subsequent events**

The Organization has evaluated subsequent events through March 30, 2022, which is the date the consolidated financial statements were available to be issued. No material subsequent events have occurred that require adjustment or disclosure in the consolidated financial statements or accompanying notes.

**SUPPLEMENTARY INFORMATION**

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

October 31, 2021

	<b>OBI</b>		<b>OBF</b>	<b>Eliminations</b>	<b>Total</b>
	<b>General Operations</b>	<b>Capital Campaign</b>			
<b><u>ASSETS</u></b>					
CASH AND CASH EQUIVALENTS	\$ 3,400,471	\$ 1,576,317	\$ 815,943	\$ -	\$ 5,792,731
ACCOUNTS RECEIVABLE, less allowance for losses	1,513,482	-	308,299	(308,299)	1,513,482
PREPAID EXPENSES	56,954	-	-	-	56,954
CERTIFICATES OF DEPOSIT	3,908,228	-	-	-	3,908,228
PLEDGES RECEIVABLE, net of unamortized discount	1,776,434	-	-	-	1,776,434
LEVERAGE LOAN RECEIVABLE	7,602,700	-	-	-	7,602,700
INVESTMENTS	879,077	-	-	-	879,077
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	14,239,831	-	12,451,823	-	26,691,654
TOTAL ASSETS	<u>\$ 33,377,177</u>	<u>\$ 1,576,317</u>	<u>\$ 13,576,065</u>	<u>\$ (308,299)</u>	<u>\$ 48,221,260</u>
<b><u>LIABILITIES</u></b>					
ACCOUNTS PAYABLE	\$ 429,323	\$ -	\$ -	\$ (308,299)	\$ 121,024
ACCRUED LIABILITIES	21,810	-	-	-	21,810
ACCRUED COMPENSATED ABSENCES	853,516	-	-	-	853,516
DEFERRED REVENUE	11,345	-	-	-	11,345
LONG-TERM DEBT, net of debt issuance costs	-	-	11,251,487	-	11,251,487
TOTAL LIABILITIES	<u>1,315,994</u>	<u>-</u>	<u>11,251,487</u>	<u>(308,299)</u>	<u>12,259,182</u>
<b><u>NET ASSETS</u></b>					
NET ASSETS WITHOUT DONOR RESTRICTIONS	29,007,468	-	2,324,578	-	31,332,046
NET ASSETS WITH DONOR RESTRICTIONS	3,053,715	1,576,317	-	-	4,630,032
TOTAL NET ASSETS	<u>32,061,183</u>	<u>1,576,317</u>	<u>2,324,578</u>	<u>-</u>	<u>35,962,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,377,177</u>	<u>\$ 1,576,317</u>	<u>\$ 13,576,065</u>	<u>\$ (308,299)</u>	<u>\$ 48,221,260</u>

See Notes to Supplementary Information – Consolidating Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**SUPPLEMENTAL INFORMATION – CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

October 31, 2020

	<b>OBI</b>		<b>OBF</b>	<b>Eliminations</b>	<b>Total</b>
	<b>General Operations</b>	<b>Capital Campaign</b>			
<b><u>ASSETS</u></b>					
CASH AND CASH EQUIVALENTS	\$ 3,017,279	\$ 1,895,731	\$ 564,045	\$ -	\$ 5,477,055
ACCOUNTS RECEIVABLE, less allowance for losses	1,303,792	-	308,299	(308,299)	1,303,792
PREPAID EXPENSES	41,363	-	-	-	41,363
CERTIFICATES OF DEPOSIT	3,839,285	-	-	-	3,839,285
PLEDGES RECEIVABLE, net of unamortized discount	1,993,397	-	-	-	1,993,397
LEVERAGE LOAN RECEIVABLE	7,602,700	-	-	-	7,602,700
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	11,122,723	-	12,940,939	-	24,063,662
TOTAL ASSETS	<u>\$ 28,920,539</u>	<u>\$ 1,895,731</u>	<u>\$ 13,813,283</u>	<u>\$ (308,299)</u>	<u>\$ 44,321,254</u>
<b><u>LIABILITIES</u></b>					
ACCOUNTS PAYABLE	\$ 386,096	\$ -	\$ -	\$ (308,299)	\$ 77,797
ACCRUED LIABILITIES	23,473	-	-	-	23,473
ACCRUED COMPENSATED ABSENCES	849,726	-	-	-	849,726
DEFERRED REVENUE	44,079	-	-	-	44,079
LONG-TERM DEBT, net of debt issuance costs	-	-	11,335,863	-	11,335,863
TOTAL LIABILITIES	<u>1,303,374</u>	<u>-</u>	<u>11,335,863</u>	<u>(308,299)</u>	<u>12,330,938</u>
<b><u>NET ASSETS</u></b>					
NET ASSETS WITHOUT DONOR RESTRICTIONS	25,314,471	-	2,477,420	-	27,791,891
NET ASSETS WITH DONOR RESTRICTIONS	2,302,694	1,895,731	-	-	4,198,425
TOTAL NET ASSETS	<u>27,617,165</u>	<u>1,895,731</u>	<u>2,477,420</u>	<u>-</u>	<u>31,990,316</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,920,539</u>	<u>\$ 1,895,731</u>	<u>\$ 13,813,283</u>	<u>\$ (308,299)</u>	<u>\$ 44,321,254</u>

See Notes to Supplementary Information – Consolidating Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**  
**SUPPLEMENTAL INFORMATION – CONSOLIDATING**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

Year Ended October 31, 2021

	<u>OBI</u>		<u>OBF</u>	<u>Eliminations</u>	<u>Total</u>
	<u>General Operations</u>	<u>Capital Campaign</u>			
NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUE & SUPPORT					
Contributions and grants	\$ 5,224,637	\$ -	\$ -	\$ -	\$ 5,224,637
Federal grants	4,500,711	-	-	-	4,500,711
Special events	2,580,530	-	-	-	2,580,530
School age programs and transportation fees	277,763	-	-	-	277,763
Releases from restrictions	5,997,886	-	-	-	5,997,886
TOTAL REVENUE & SUPPORT	<u>18,581,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,581,527</u>
EXPENSES					
Program	12,700,572	-	-	(531,877)	12,168,695
Fundraising	946,838	-	-	-	946,838
Management and general	1,485,987	-	684,719	-	2,170,706
TOTAL EXPENSES	<u>15,133,397</u>	<u>-</u>	<u>684,719</u>	<u>(531,877)</u>	<u>15,286,239</u>
CHANGE IN NET ASSETS BEFORE					
OTHER REVENUE (EXPENSE)	<u>3,448,130</u>	<u>-</u>	<u>(684,719)</u>	<u>531,877</u>	<u>3,295,288</u>
OTHER REVENUE (EXPENSE)					
Rental income	119,727	-	531,877	(531,877)	119,727
Investment income	117,036	-	-	-	117,036
Miscellaneous income	8,104	-	-	-	8,104
TOTAL OTHER REVENUE (EXPENSE)	<u>244,867</u>	<u>-</u>	<u>531,877</u>	<u>(531,877)</u>	<u>244,867</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>3,692,997</u>	<u>-</u>	<u>(152,842)</u>	<u>-</u>	<u>3,540,155</u>
NET ASSETS WITH DONOR RESTRICTIONS					
Restricted contributions and grants	3,005,673	3,423,820	-	-	6,429,493
Releases from restrictions	(2,254,652)	(3,743,234)	-	-	(5,997,886)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	<u>751,021</u>	<u>(319,414)</u>	<u>-</u>	<u>-</u>	<u>431,607</u>
CHANGE IN NET ASSETS	4,444,018	(319,414)	(152,842)	-	3,971,762
NET ASSETS, BEGINNING OF YEAR	27,617,165	1,895,731	2,477,420	-	31,990,316
NET ASSETS, END OF YEAR	<u>\$ 32,061,183</u>	<u>\$ 1,576,317</u>	<u>\$ 2,324,578</u>	<u>\$ -</u>	<u>\$ 35,962,078</u>

See Notes to Supplementary Information – Consolidating Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**  
**SUPPLEMENTAL INFORMATION – CONSOLIDATING**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

Year Ended October 31, 2020

	<u>OBI</u>		<u>OBF</u>	<u>Eliminations</u>	<u>Total</u>
	<u>General Operations</u>	<u>Capital Campaign</u>			
NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUE & SUPPORT					
Contributions and grants	\$ 5,184,144	\$ -	\$ -	\$ -	\$ 5,184,144
Federal grants	4,035,348	-	-	-	4,035,348
Special events	1,828,571	-	-	-	1,828,571
School age programs and transportation fees	213,908	-	-	-	213,908
Releases from restrictions	2,850,755	-	-	-	2,850,755
TOTAL REVENUE & SUPPORT	<u>14,112,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,112,726</u>
EXPENSES					
Program	11,981,467	-	-	(640,641)	11,340,826
Fundraising	838,121	-	-	-	838,121
Management and general	1,404,377	-	681,303	-	2,085,680
TOTAL EXPENSES	<u>14,223,965</u>	<u>-</u>	<u>681,303</u>	<u>(640,641)</u>	<u>14,264,627</u>
CHANGE IN NET ASSETS BEFORE					
OTHER REVENUE (EXPENSE)	<u>(111,239)</u>	<u>-</u>	<u>(681,303)</u>	<u>640,641</u>	<u>(151,901)</u>
OTHER REVENUE (EXPENSE)					
Rental income	114,778	-	640,641	(640,641)	114,778
Investment income	177,685	-	-	-	177,685
Miscellaneous expenses	31,573	-	-	-	31,573
TOTAL OTHER REVENUE (EXPENSE)	<u>324,036</u>	<u>-</u>	<u>640,641</u>	<u>(640,641)</u>	<u>324,036</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>212,797</u>	<u>-</u>	<u>(40,662)</u>	<u>-</u>	<u>172,135</u>
NET ASSETS WITH DONOR RESTRICTIONS					
Restricted contributions and grants	2,590,083	1,851,831	-	-	4,441,914
Releases from restrictions	<u>(2,850,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,850,755)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(260,672)</u>	<u>1,851,831</u>	<u>-</u>	<u>-</u>	<u>1,591,159</u>
CHANGE IN NET ASSETS	<u>(47,875)</u>	<u>1,851,831</u>	<u>(40,662)</u>	<u>-</u>	<u>1,763,294</u>
NET ASSETS, BEGINNING OF YEAR	<u>27,665,040</u>	<u>43,900</u>	<u>2,518,082</u>	<u>-</u>	<u>30,227,022</u>
NET ASSETS, END OF YEAR	<u>\$ 27,617,165</u>	<u>\$ 1,895,731</u>	<u>\$ 2,477,420</u>	<u>\$ -</u>	<u>\$ 31,990,316</u>

See Notes to Supplementary Information – Consolidating Statements



**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**SUPPLEMENTAL INFORMATION – CONSOLIDATING  
STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended October 31, 2021

	Program Services		Supporting Services		Total Supporting Services	Total Expenses
	Early Childhood, School Age, and Parent Services	Fundraising	Management and General			
<b>Operation Breakthrough, Inc.</b>						
Salaries	\$ 7,085,941	\$ 396,720	\$ 1,234,404	\$ 1,631,124	\$ 8,717,065	
Benefits	957,488	38,751	122,127	160,878	1,118,366	
Payroll taxes	682,586	34,470	120,260	154,730	837,316	
Depreciation	644,053	15,452	28,625	44,077	688,130	
Cafeteria costs	397,491	-	-	-	397,491	
Equipment, maintenance and repairs	324,823	7,470	65,002	72,472	397,295	
Professional fees	100,265	121,696	160,449	282,145	382,410	
Supplies	338,970	2,278	13,138	15,416	354,386	
Direct assistance	281,237	39,204	11,061	50,265	331,502	
Contract labor	171,434	33,117	44,709	77,826	249,260	
Utilities	221,882	5,210	16,692	21,902	243,784	
Fundraising consultants	691	227,383	198	227,581	228,272	
Interest	-	-	41,340	41,340	41,340	
Insurance	143,862	7,985	24,030	32,015	175,877	
Communications	71,790	12,609	29,280	41,889	113,679	
Service contracts	96,442	2,945	6,438	9,383	105,825	
Training staff and volunteers	43,765	324	9,663	9,987	53,752	
Recognition	45,600	-	51	51	45,651	
Bank charges	24	662	36,686	37,348	37,372	
Telephone	30,312	562	4,799	5,361	35,673	
Vehicle	15,033	-	6,024	6,024	21,057	
Other	25,889	-	129	129	26,018	
subtotal	11,679,578	946,838	1,975,105	2,921,943	14,601,521	
<b>Operation Brighter Future</b>						
Professional fees	-	-	13,915	13,915	13,915	
Depreciation	489,117	-	-	-	489,117	
Interest	-	-	181,686	181,686	181,686	
subtotal	489,117	-	195,601	195,601	684,718	
Total	\$ 12,168,695	\$ 946,838	\$ 2,170,706	\$ 3,117,544	\$ 15,286,239	
Percentage of total expenses	80%	6%	14%	20%	100%	

See Notes to Supplementary Information – Consolidating Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**SUPPLEMENTAL INFORMATION – CONSOLIDATING  
STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended October 31, 2020

	Program Services		Supporting Services			Total Expenses
	Early Childhood, School Age, and Parent Services	Fundraising	Management and General	Total		
				Supporting Services	Total	
Salaries	\$ 7,092,016	\$ 485,125	\$ 1,096,116	\$ 1,581,241	\$ 8,673,257	
Benefits	774,225	39,172	115,942	155,114	929,339	
Payroll taxes	527,734	38,445	120,378	158,823	686,557	
Depreciation	541,026	16,930	72,450	89,380	630,406	
Cafeteria costs	309,208	-	-	-	309,208	
Equipment, maintenance and repairs	261,586	7,003	66,800	73,803	335,389	
Professional fees	177	132,615	216,746	349,361	349,538	
Supplies	326,619	8,325	20,779	29,104	355,723	
Direct assistance	166,917	-	-	-	166,917	
Contract labor	72,018	800	2,507	3,307	75,325	
Utilities	208,012	6,507	31,388	37,895	245,907	
Fundraising consultants	-	75,967	-	75,967	75,967	
Interest	-	-	52,108	52,108	52,108	
Insurance	254,707	14,364	9,056	23,420	278,127	
Communications	18,680	8,183	13,751	21,934	40,614	
Service contracts	158,108	-	-	-	158,108	
Training staff and volunteers	59,373	116	14,520	14,636	74,009	
Recognition	32,066	3,017	15,424	18,441	50,507	
Bank charges	-	-	32,266	32,266	32,266	
Telephone	29,380	1,262	4,730	5,992	35,372	
Vehicle	6,749	-	483	483	7,232	
Other	14,608	290	6,550	6,840	21,448	
subtotal	10,853,209	838,121	1,891,994	2,730,115	13,583,324	
<b>Operation Brighter Future</b>						
Professional fees	-	-	12,000	12,000	12,000	
Depreciation	487,617	-	-	-	487,617	
Interest	-	-	181,686	181,686	181,686	
subtotal	487,617	-	193,686	193,686	681,303	
<b>Total</b>	<b>\$ 11,340,826</b>	<b>\$ 838,121</b>	<b>\$ 2,085,680</b>	<b>\$ 2,923,801</b>	<b>\$ 14,264,627</b>	
Percentage of total expenses	80%	6%	15%	21%	101%	

See Notes to Supplementary Information – Consolidating Statements

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**NOTES TO SUPPLEMENTARY INFORMATION – CONSOLIDATING STATEMENTS**

**( 1 ) Principles of consolidation**

The consolidated financial statements include the accounts of OBI and OBF (the “Organization”). 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, 2021 and 2020, OBI paid rent to OBF in the amount of \$531,877 and \$640,641, respectively.

**OPERATION BREAKTHROUGH, INC. & SUBSIDIARY**

**SUPPLEMENTARY INFORMATION**

**JACKSON COUNTY CONTRACT RESOLUTION NUMBER 19682**

Year Ended October 31, 2021

	<b>(Unaudited) Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
REVENUE & SUPPORT			
Grants	\$ 70,000	\$ 70,000	\$ -
Expenditures			
Part I Speech & Occupational Therapy program specialist salary	40,856	40,856	-
Part II Family Therapy Psychiatric Services salary	18,971	18,971	-
Part III Food Assistance			
Case manager salary	3,000	3,000	-
FICA	173	173	-
Groceries	7,000	6,953	47
Total expenditures	70,000	69,953	47
CHANGE IN NET ASSETS	-	47	
DEFERRED REVENUE, BEGINNING OF YEAR	-	-	
DEFERRED REVENUE, END OF YEAR	\$ -	\$ 47	