

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2023 and 2022

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplementary Information	
Independent Auditors' Report on Supplementary Information	18
Consolidating Statements of Financial Position	19
Consolidating Statements of Activities	20

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Breakthrough Urban Ministries, Inc. and Subsidiary  
Chicago, Illinois

### ***Opinion***

We have audited the accompanying consolidated financial statements of Breakthrough Urban Ministries, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Breakthrough Urban Ministries, Inc. and Subsidiary as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Breakthrough Urban Ministries, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Breakthrough Urban Ministries, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors  
Breakthrough Urban Ministries, Inc. and Subsidiary  
Chicago, Illinois

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Breakthrough Urban Ministries, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Breakthrough Urban Ministries, Inc. and Subsidiary'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.

*Capin Crouse LLP*

Naperville, Illinois  
November 17, 2023

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidated Statements of Financial Position

	June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and cash equivalents	\$ 2,401,276	\$ 2,788,360
Accounts receivable	1,121,986	1,008,918
Prepaid expenses and other assets	98,685	71,518
Contributions receivable–net	1,200	21,969
Cash held for capital projects	2,460,654	236,452
Property and equipment–net	<u>18,266,043</u>	<u>18,776,498</u>
Total Assets	<u>\$ 24,349,844</u>	<u>\$ 22,903,715</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 212,167	\$ 151,701
Accrued expenses	402,156	449,863
Deferred grant revenue	4,653,961	4,866,799
Long term debt	<u>274,587</u>	<u>291,716</u>
Total liabilities	<u>5,542,871</u>	<u>5,760,079</u>
Net assets:		
Without donor restrictions	16,330,119	16,870,215
With donor restrictions	<u>2,476,854</u>	<u>273,421</u>
Total net assets	<u>18,806,973</u>	<u>17,143,636</u>
Total Liabilities and Net Assets	<u>\$ 24,349,844</u>	<u>\$ 22,903,715</u>

See notes to consolidated financial statements

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidated Statements of Activities

	Year Ended June 30,	
	2023	2022
OPERATING ACTIVITIES:		
Change in Net Assets Without Donor Restrictions:		
Revenue, support and other income:		
Contributions	\$ 6,197,594	\$ 6,919,987
Government grants	6,170,108	4,449,623
Program fees	102,446	105,193
Gifts-in-kind	1,252,131	1,066,336
Rental and other income	192,342	295,119
Net assets released from restrictions	20,769	464,253
Total revenue, support and other income	13,935,390	13,300,511
Expenses:		
Salaries	6,570,951	6,380,358
Fringe benefits and related taxes	1,903,535	1,772,245
Assistance to individuals	3,128,414	2,401,599
Fees for services	432,357	419,980
Marketing and promotion	360,413	349,247
Office expenses	374,354	310,242
Occupancy	672,380	613,658
Depreciation	627,013	635,958
Supplies and materials	192,760	163,718
Other operating expenses	239,106	259,895
Total expenses	14,501,284	13,306,900
Change in Net Assets Without Donor Restrictions from Operating Activities	(565,894)	(6,389)

(continued)

See notes to consolidated financial statements

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidated Statements of Activities (continued)

	Year Ended June 30,	
	2023	2022
NON-OPERATING ACTIVITIES:		
Change in Net Assets Without Donor Restrictions:		
Revenue, support and reclassifications:		
Net assets released from restrictions	25,798	27,864
	25,798	27,864
Change in Net Assets Without Donor Restrictions from Non-Operating Activities	25,798	27,864
Total Change in Net Assets Without Donor Restrictions	(540,096)	21,475
Change in Net Assets With Donor Restrictions:		
Revenues, support and reclassifications:		
Contributions for capital projects	2,250,000	182,721
Bad debt losses	-	(37,071)
Net assets released from restrictions	(46,567)	(492,117)
	2,203,433	(346,467)
Change in Net Assets from Non-Operating Activities	2,229,231	(318,603)
Change in Net Assets	1,663,337	(324,992)
Net Assets, Beginning of Year	17,143,636	17,468,628
Net Assets, End of Year	\$ 18,806,973	\$ 17,143,636

See notes to consolidated financial statements

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Activities			Total Expenses
	Housing, Wellness, and Econ. Devel.	Violence Prevention	Education and Youth Devel.	Volunteer Engagement	Total	Management and General	Fundraising	
<b>SALARIES AND RELATED EXPENSES:</b>								
Salaries	\$ 2,010,677	\$ 1,478,250	\$ 2,094,953	\$ 259,444	\$ 5,843,325	\$ 160,182	\$ 567,443	\$ 6,570,951
Fringe benefits and related taxes	555,217	437,310	595,209	77,031	1,664,767	60,232	178,536	1,903,535
<b>Total Salaries and Related Expenses</b>	<b>2,565,894</b>	<b>1,915,560</b>	<b>2,690,163</b>	<b>336,476</b>	<b>7,508,093</b>	<b>220,414</b>	<b>745,979</b>	<b>8,474,486</b>
<b>OTHER EXPENSES:</b>								
Assistance to individuals	1,663,483	1,017,045	435,917	4,378	3,120,824	2,307	5,283	3,128,414
Fees for services	39,025	-	140,916	-	179,942	203,347	49,069	432,357
Marketing and promotion	11,260	86,551	35,045	26,665	159,522	1,592	199,299	360,413
Office expenses	114,969	50,978	140,563	2,720	309,230	49,034	16,090	374,354
Occupancy	315,103	27,341	294,549	824	637,817	17,968	16,595	672,380
Depreciation	440,519	9,077	134,508	5,426	589,530	19,412	18,071	627,013
Supplies and materials	48,790	17,564	117,961	926	185,241	6,868	651	192,760
Other operating expenses	44,879	29,412	61,790	2,864	138,945	79,707	20,455	239,106
<b>Total Other Expenses</b>	<b>2,678,029</b>	<b>1,237,969</b>	<b>1,361,250</b>	<b>43,802</b>	<b>5,321,051</b>	<b>380,235</b>	<b>325,513</b>	<b>6,026,798</b>
<b>Total Expenses</b>	<b>\$ 5,243,923</b>	<b>\$ 3,153,530</b>	<b>\$ 4,051,413</b>	<b>\$ 380,278</b>	<b>\$ 12,829,143</b>	<b>\$ 600,648</b>	<b>\$ 1,071,492</b>	<b>\$ 14,501,284</b>

See notes to consolidated financial statements



# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Supporting Activities			
	Housing, Wellness, and Econ. Devel.	Violence Prevention	Education and Youth Devel.	Volunteer Engagement	Total	Management and General	Fundraising	Total Expenses
<b>SALARIES AND RELATED EXPENSES:</b>								
Salaries	\$ 2,232,219	\$ 1,172,150	\$ 2,106,126	\$ 218,527	\$ 5,729,022	\$ 196,222	\$ 455,114	\$ 6,380,358
Fringe benefits and related taxes	577,749	327,583	580,836	78,388	\$ 1,564,556	66,079	141,610	1,772,245
<b>Total Salaries and Related Expenses</b>	<b>2,809,968</b>	<b>1,499,733</b>	<b>2,686,962</b>	<b>296,915</b>	<b>7,293,578</b>	<b>262,301</b>	<b>596,724</b>	<b>8,152,603</b>
<b>OTHER EXPENSES:</b>								
Assistance to individuals	1,484,125	499,564	409,852	1,075	2,394,616	5,560	1,423	2,401,599
Fees for services	64,759	3,325	112,903	1,500	182,487	194,433	43,060	419,980
Marketing and promotion	10,442	136,710	18,249	22,430	187,831	1,376	160,040	349,247
Office expenses	106,767	45,312	85,719	3,834	241,632	46,486	22,124	310,242
Occupancy	268,810	23,163	284,776	438	577,187	19,356	17,115	613,658
Depreciation	394,295	-	192,128	12,161	598,584	18,687	18,687	635,958
Supplies and materials	55,734	8,512	90,513	833	155,592	3,615	4,511	163,718
Other operating expenses	60,556	36,388	72,198	2,399	171,541	61,723	26,631	259,895
<b>Total Other Expenses</b>	<b>2,445,488</b>	<b>752,974</b>	<b>1,266,338</b>	<b>44,670</b>	<b>4,509,470</b>	<b>351,236</b>	<b>293,591</b>	<b>5,154,297</b>
<b>Total Expenses</b>	<b>\$ 5,255,456</b>	<b>\$ 2,252,707</b>	<b>\$ 3,953,300</b>	<b>\$ 341,585</b>	<b>\$ 11,803,048</b>	<b>\$ 613,537</b>	<b>\$ 890,315</b>	<b>\$ 13,306,900</b>

See notes to consolidated financial statements

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,663,337	\$ (324,992)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for capital projects	(2,250,000)	(141,720)
Change in allowance for doubtful contributions receivable	(1,583)	(15,929)
Change in discount on contributions receivable	-	(2,510)
Depreciation	627,013	635,958
Noncash deferred grant revenue recognition	(175,000)	-
Change in:		
Accounts receivable	(113,068)	(83,112)
Prepaid expenses and other assets	(27,167)	(32,098)
Contributions receivable	22,352	326,692
Accounts payable	60,466	120,678
Accrued expenses	(47,707)	20,123
Deferred grant revenue	(37,838)	37,838
Net Cash Provided (Used) by Operating Activities	(279,195)	540,928
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(116,558)	(158,899)
Net Cash Used by Investing Activities	(116,558)	(158,899)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for capital projects and collections on contributions receivable held for capital projects	2,250,000	141,720
Payments on long term debt	(17,129)	(416,557)
Net Cash Provided (Used) by Financing Activities	2,232,871	(274,837)
Net Change in Cash, Cash Equivalents, and Cash Held for Capital Projects	1,837,118	107,192
Cash, Cash Equivalents, and Cash Held for Capital Projects Beginning of Year	3,024,812	2,917,620
Cash, Cash Equivalents, and Cash Held for Capital Projects End of Year	\$ 4,861,930	\$ 3,024,812
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:</b>		
Cash paid for interest	\$ 8,904	\$ 19,475

See notes to consolidated financial statements

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 1. NATURE OF ORGANIZATION:

Breakthrough Urban Ministries, Inc. (Breakthrough) is a not-for-profit Illinois Corporation exempt from income taxes under section 501(c)(3) of the United States Internal Revenue Code. Breakthrough is not considered to be a private foundation and the primary source of revenue is from private donations. Founded in 1992, Breakthrough began as an emergency shelter for adults experiencing homelessness. In 2000, Breakthrough moved to East Garfield Park, expanded to serve men and women experiencing homelessness, and began to serve local youth and their families. With the move to East Garfield Park, Breakthrough began to focus on a 40-block target zone in the community and provide services to create stability and community transformation. In 2015, Breakthrough opened the FamilyPlex, an innovative community center.

Today, Breakthrough's mission is to demonstrate the compassion of Christ by partnering with those affected by poverty to build connections, develop skills, and open doors of opportunity. Breakthrough works alongside local residents at four facilities through an integration of core service areas focusing on housing, workforce development, health and wellness, violence prevention, and education and youth development.

#### Housing, Wellness, and Economic Development:

Breakthrough believes in a thriving Garfield Park and provides programs that focus on housing, health and wellness, and economic development. These initiatives include:

- Housing support for individuals and families who are experiencing homelessness. This includes emergency drop-in spaces that meet critical basic needs, transitional housing, and permanent supportive housing. Participants receive wraparound services and case management support.
- A choice model food pantry that functions like a free grocery store and also connects people to community healthcare and food assistance programs.
- Behavioral health resources for children and adults. This includes on-site therapy, medical care, and substance use treatment options.
- A spectrum of economic development and employment services, job placement, job retention support, income support, financial coaching, and homeownership education and pathways.

#### Violence Prevention:

Breakthrough provides an integrated violence prevention program in East Garfield Park. Direct interventions include street-level response to violence, case management, services for individuals re-entering the community, and public events that promote alternatives to violence.

#### Education and Youth Development:

Breakthrough seeks to see East Garfield Park become a place where success becomes the norm and families prosper. Breakthrough's core education and youth development programs include early childhood education, after school academic enrichment, high school and post-secondary programs, and a variety of high-quality art, technology, and sports clubs that focus on skill-building and career exploration.

#### Volunteer Engagement:

To carry out its work, Breakthrough is supported by thousands of volunteers who engage across each program area in a variety of ways. Volunteers are responsible for supplementing the efforts of staff and their work can include, but is not limited to, providing meals, acting as mentors, tutors, and coaches, supporting the food pantry, serving on a board, and providing job coaching.

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Breakthrough and Breakthrough Holdings, Inc. NFP (Holdings). Holdings, a 501(c)(2) not-for-profit affiliated corporation of which Breakthrough, the sole member, is a title-holding organization. Intercompany transactions and balances have been eliminated for consolidated financial statement purposes.

#### BASIS OF ACCOUNTING

The consolidated financial statements have been prepared on the accrual basis of accounting. 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 and disclosures. Actual amounts could differ from these estimates. The significant accounting policies followed are described below.

#### INTERMEDIATE MEASURE OF OPERATIONS

Breakthrough presents its consolidated statements of activities using an intermediate measure of operations. Operating activities include support and revenue and expenses related to carrying out Breakthrough's mission of demonstrating the compassion of Christ by partnering with those affected by poverty to build connections, develop skills and open doors of opportunity. Operating activities exclude any contributions received for capital campaign and amortization of the discount and write off of contributions receivable.

#### CASH, CASH EQUIVALENTS, AND CASH HELD FOR CAPITAL PROJECTS

Cash, cash equivalents, and cash held for capital projects consists of bank deposits in federally insured accounts, bank collateralized accounts and money market funds in brokerage accounts. These accounts may, from time to time, exceed federally insured limits. As of June 30, 2023 and 2022, Breakthrough's cash balances exceeded federally insured limits by \$4,490,505 and \$2,621,851, respectively.

Cash, cash equivalents, and cash held for capital projects consists of the following:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 2,401,276	\$ 2,788,360
Cash and cash equivalents held for capital projects	2,460,654	236,452
	<u>\$ 4,861,930</u>	<u>\$ 3,024,812</u>

#### ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of cost reimbursement grants. At June 30, 2023 and 2022, management deemed all receivables as collectable.

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONTRIBUTIONS RECEIVABLE

The promises to give are reflected net of an allowance for uncollectible pledges based on management's estimates using current and prior donor history. Due to the unknown factors, which may affect individual donors' future cash flows, it is reasonably possible that the estimated future cash flows of contributions receivable could increase or decrease by a material amount in the near term.

#### PROPERTY AND EQUIPMENT—NET

Expenditures exceeding \$5,000 for property, equipment and items that substantially increase the useful lives of existing assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years.

#### CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by classes of net assets according to the presence or absence of donor-imposed stipulations. The net asset classes are as follows:

*Net assets without donor restrictions* are those currently available for ministry purposes under the direction of the Board of Directors.

*Net assets with donor restrictions* are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions or those not currently available for use until commitments regarding their use have been fulfilled. Net assets with donor restrictions also include those restricted by donors in perpetuity as endowments. The endowment consists of one fund, the corpus of which must be held in perpetuity, and its earnings used at Breakthrough's discretion. The disclosures required by the *Reporting Endowment Funds* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) have not been included in these consolidated financial statements due to immateriality.

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUES AND EXPENSES

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the consolidated statements of activities as net assets released from restrictions.

#### *Contributions*

Contributions, including unconditional pledges, are recognized in the period received. Conditional gifts, with a barrier and a right of return, are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions received with donor-imposed restrictions that are met in the same year as the contributions are received are reported as revenue in the 'Without Donor Restrictions' net asset class. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue in the 'Without Donor Restrictions' net asset class.

Breakthrough is the beneficiary under various estate plans, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when the estate clears probate and the proceeds are clearly measurable.

#### *Government Grants*

Support funded by government grants are considered conditional contributions. Grant support is recorded as costs are incurred and services are performed. Funding received in advance of incurring allowable costs are recorded as deferred support. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be reported. If the donor restriction is fulfilled in the same year in which the grant is received, Breakthrough reports the grant as without donor restriction.

#### *Student Tuition and Program Fees*

Student tuition revenue is recorded as revenue during the year the related academic services are rendered and is recognized over the academic term. Scholarships provided to students by Breakthrough are reflected as a reduction of gross tuition and fees. Fee revenue, including fees for the fitness center, is charged primarily for other program activities. Fee revenue is recognized as the related benefits are used over the course of the program term.

Student tuition and program fees received in advance of services to be rendered are recorded as deferred revenue. Deferred revenue is generally recognized in the following program period.

#### *Gifts-in-Kind*

Donations of material, equipment, and other non-financial assets are recorded as support at their estimated fair value as of the date of donation.

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUES AND EXPENSES, continued

#### *Gifts-in-Kind, continued*

Breakthrough recognizes donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills. Breakthrough would typically need to purchase these specialized services if the services were not donated. In addition, other individuals contribute significant time and services to Breakthrough to support the accomplishment of its goals, and Breakthrough would not be as effective without these contributions. However, it is Breakthrough's policy not to record contributions from these other individuals because their services do not meet the criteria of skilled services required to be recorded.

Total gifts-in-kind are as follows:

	Year Ended June 30,	
	2023	2022
Food	\$ 1,071,315	\$ 1,066,336
Legal services	180,816	-
	<u>\$ 1,252,131</u>	<u>\$ 1,066,336</u>

Breakthrough recognized gift-in-kind contributions within revenue, which included donated food used in food service operations and distributed through Breakthrough's Fresh Market food pantry. Donated food items are valued based on independent valuations provided by the food bank distributor, and Breakthrough determined the accuracy of those valuations by comparing the price per pound to a study performed by a major food distribution organization. The price per pound was determined to be \$1.92 and \$2.08 in 2023 and 2022, respectively. Gift-in-kind revenue also includes pro-bono legal services, which are valued based on the attorney's average standard rate. The attorney's average rate during 2023 was \$939.30 per hour.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on estimated time of personnel, square footage and usage of services and supplies.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the consolidated statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendment are effective for fiscal years beginning after December 15, 2021. As the effects of implementing this standard would be immaterial to the consolidated financial statements as a whole, Breakthrough has not included the results of the adoption in the consolidated financial statements.

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

3. CONTRIBUTIONS RECEIVABLE:

Contributions receivable consists of donor pledges without donor restrictions for the support of various ministry programs. The pledges are due to be collected according to the schedule below and are reported as contributions receivable and net assets with donor restrictions (due to the time restriction) in the consolidated statements of financial position and are recognized as contributions with donor restrictions in the consolidated statements of activities.

	June 30,	
	2023	2022
Amounts due in:		
Less than one year	\$ 1,200	\$ 23,552
One to five years	-	-
	1,200	23,552
Less allowance for uncollectible pledges	-	(1,583)
	\$ 1,200	\$ 21,969

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment consists of:

	June 30,	
	2023	2022
Land	\$ 845,297	\$ 845,297
Building	22,078,679	22,067,877
Building and leasehold improvements	2,024,493	2,015,663
Vehicles	267,147	196,932
Furniture and equipment	616,905	603,417
	25,832,521	25,729,186
Accumulated depreciation	(7,655,805)	(7,016,217)
Construction in progress	89,327	63,529
	\$ 18,266,043	\$ 18,776,498



# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

5. DEFERRED GRANT ADVANCES:

During 2008, Breakthrough received a grant of \$175,000 from the Federal Home Loan Bank of Chicago. The grant carried with it certain conditions that, if not met, would result in a repayment requirement. The conditional nature of the grant required that it be treated as a liability until such point that it became unconditional at the end of the 15 year term (2023). The agreement had a 15 year term and was non-interest bearing. Because similar programs do not bear interest, it was not necessary to impute interest on this agreement. The lease term ended during the year ended June 30, 2023.

In September 2008, Breakthrough entered into a Redevelopment Agreement (RDA) with the City of Chicago (City) for the renovation of the building to be used as the Breakthrough Men's Center. This RDA was negotiated over the course of fiscal year 2008. The RDA obligated the City to reimburse Breakthrough up to \$1,153,961 from tax-increment financing (TIF) dollars for eligible expenses that qualified as TIF-funded improvements related to the renovation of the building. These funds were used to pay down Breakthrough's construction line of credit in March 2009. The TIF agreement has a 15 year term and is non-interest bearing. Because similar programs do not bear interest, it is not necessary to impute interest on this agreement. Similar to the other government grant revenue, the conditional nature of the loan requires that it be treated as a liability until such point that it becomes unconditional at the end of the 15 year term (December 31, 2023).

In November 2013, Breakthrough entered into a RDA with the City for the construction of Breakthrough's FamilyPlex and renovation of Breakthrough's Women's Center. The RDA obligated the City to reimburse Breakthrough up to \$3,500,000 from TIF dollars for eligible expenses that qualified as TIF-funded improvements related to the construction of the buildings. During the year ending June 30, 2017, the remaining \$1,400,000 of this amount was collected and was used to pay off the TIF Bridge Loan Promissory Note. The TIF agreement has a 10 year term. Included as part of this agreement was a \$2,800,000 City of Chicago Tax Increment Allocation Revenue Note (City Note) which helped offset the cost of financing the FamilyPlex project. The City Note bore an annual interest rate equal to the interest rate per annum charged by PNC Bank on the TIF Bridge Loan Promissory Note (4.12% at June 30, 2016). Pursuant to the agreement, the City Note began accruing interest on September 1, 2015 (the date the Certificate of Expenditure was issued) and ended upon Breakthrough receiving the final TIF payment in March 2017. Similar to the other government grant revenue, the conditional nature of the loan requires that it be treated as a liability until such point that it becomes unconditional at the end of the 10 year term (August 31, 2025).

Deferred grant revenue consisted of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Federal Home Loan Bank of Chicago	\$ -	\$ 175,000
RDA with the City of Chicago for renovation of the Breakthrough Men's Center	1,153,961	1,153,961
RDA with the City of Chicago for construction of Breakthrough's FamilyPlex and renovation of the Breakthrough Women's Center	3,500,000	3,500,000
Other deferred grant advances	-	37,838
	<u>\$ 4,653,961</u>	<u>\$ 4,866,799</u>

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

6. LONG TERM DEBT:

Long term debt consists of a note payable with monthly principal and interest payments totaling \$2,169. Unpaid principal and interest is due April 2026. Interest rate is fixed at 3.10%, and is secured by the assets of Breakthrough. The remaining balance of the loan was \$247,587 and \$291,716 at June 30, 2023 and 2022,

Breakthrough incurred \$8,904 and \$14,433 in interest expense during the years ended June 30, 2023 and 2022, respectively.

Long term debt matures as follows:

<u>Year Ending June 30,</u>	
2024	\$ 17,761
2025	18,320
2026	<u>238,506</u>
	<u>\$ 274,587</u>

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following programs:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash held for capital projects-net	\$ 2,460,654	\$ 236,452
General contributions receivable (time restrictions)	1,200	21,969
Endowment funds restricted in perpetuity	<u>15,000</u>	<u>15,000</u>
	<u>\$ 2,476,854</u>	<u>\$ 273,421</u>

8. RETIREMENT PLAN:

Breakthrough has a 401(k) plan for the benefit of substantially all employees. The plan provides for a discretionary matching contribution and a discretionary employee contribution under a deferred compensation arrangement. During the years ended June 30, 2023 and 2022, Breakthrough contributed \$73,233 and \$62,771, respectively, to the plan.

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

9. CONCENTRATIONS:

During the years ended June 30, 2023 and 2022, \$4,794,996 (34%) and \$3,731,593 (28%), respectively, of total revenue was received from 3 grantors.

10. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Breakthrough's consolidated financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditure within one year.

	June 30,	
	2023	2022
Consolidated financial assets:		
Cash and cash equivalents	\$ 2,401,276	\$ 2,788,360
Accounts receivable, net	1,121,986	1,008,918
Contributions receivable, net	1,200	21,969
Cash held for capital projects–net	2,460,654	236,452
	<u>5,985,116</u>	<u>4,055,699</u>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed purpose restrictions	<u>(2,475,654)</u>	<u>(251,452)</u>
Consolidated financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,509,462</u>	<u>\$ 3,804,247</u>

Breakthrough structures its consolidated financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of Breakthrough's liquidity management, it has established guidelines for making decision related to managing short term cash reserves in a prudent matter. Also, the majority of Breakthrough's annual expenditures are covered through fundraising efforts and annual government contracts.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 17, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Breakthrough Urban Ministries, Inc. and Subsidiary  
Chicago, Illinois

We have audited the consolidated financial statements of Breakthrough Urban Ministries, Inc. and Subsidiary as of and for the years ended June 30, 2023 and 2022, and our report thereon dated November 17, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities on pages 19 and 20 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and it is 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 consolidating information has been subjected to the auditing procedures applied in the audit 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.

*Capin Crouse LLP*

Naperville, Illinois  
November 17, 2023

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidating Statements of Financial Position

	June 30,							
	2023				2022			
	Breakthrough Urban Ministries, Inc.	Breakthrough Holdings, Inc. NFP	Eliminations	Consolidated Totals	Breakthrough Urban Ministries, Inc.	Breakthrough Holdings, Inc. NFP	Eliminations	Consolidated Totals
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 2,401,276	\$ -	\$ -	\$ 2,401,276	\$ 2,788,360	\$ -	\$ -	\$ 2,788,360
Accounts receivable	1,121,986	583	(583)	1,121,986	1,008,918	1,583	(1,583)	1,008,918
Prepaid expenses and other assets	98,685	-	-	98,685	71,518	-	-	71,518
Contributions receivable-net	1,200	-	-	1,200	21,969	-	-	21,969
Cash held for capital projects	2,460,654	-	-	2,460,654	236,452	-	-	236,452
Property and equipment-net	5,319,394	12,946,649	-	18,266,043	5,409,346	13,367,152	-	18,776,498
<b>Total Assets</b>	<b>\$ 11,403,195</b>	<b>\$ 12,947,232</b>	<b>\$ (583)</b>	<b>\$ 24,349,844</b>	<b>\$ 9,536,563</b>	<b>\$ 13,368,735</b>	<b>\$ (1,583)</b>	<b>\$ 22,903,715</b>
<b>LIABILITIES:</b>								
Accounts payable	\$ 212,167	\$ -	\$ -	\$ 212,167	\$ 151,701	\$ -	\$ -	\$ 151,701
Accrued expenses	402,739	-	(583)	402,156	451,446	-	(1,583)	449,863
Deferred grant revenue	4,653,961	-	-	4,653,961	4,866,799	-	-	4,866,799
Long term debt	274,587	-	-	274,587	291,716	-	-	291,716
<b>Total Liabilities</b>	<b>5,543,454</b>	<b>-</b>	<b>(583)</b>	<b>5,542,871</b>	<b>5,761,662</b>	<b>-</b>	<b>(1,583)</b>	<b>5,760,079</b>
<b>NET ASSETS:</b>								
Without donor restrictions	3,382,887	12,947,232	-	16,330,119	3,501,480	13,368,735	-	16,870,215
With donor restrictions	2,476,854	-	-	2,476,854	273,421	-	-	273,421
<b>Total Net Assets</b>	<b>5,859,741</b>	<b>12,947,232</b>	<b>-</b>	<b>18,806,973</b>	<b>3,774,901</b>	<b>13,368,735</b>	<b>-</b>	<b>17,143,636</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,403,195</b>	<b>\$ 12,947,232</b>	<b>\$ (583)</b>	<b>\$ 24,349,844</b>	<b>\$ 9,536,563</b>	<b>\$ 13,368,735</b>	<b>\$ (1,583)</b>	<b>\$ 22,903,715</b>

See notes to consolidated financial statements

# BREAKTHROUGH URBAN MINISTRIES, INC. AND SUBSIDIARY

## Consolidating Statements of Activities

	Year Ended June 30,							
	2023				2022			
	Breakthrough Urban Ministries, Inc.	Breakthrough Holdings, Inc. NFP	Eliminations	Consolidated Totals	Breakthrough Urban Ministries, Inc.	Breakthrough Holdings, Inc. NFP	Eliminations	Consolidated Totals
<b>SUPPORT AND REVENUE:</b>								
Contributions	\$ 8,447,594	\$ -	\$ -	\$ 8,447,594	\$ 7,102,708	\$ -	\$ -	\$ 7,102,708
Government grants	6,170,108	-	-	6,170,108	4,449,623	-	-	4,449,623
Program fees	102,446	-	-	102,446	105,193	-	-	105,193
Gifts-in-kind	1,252,131	-	-	1,252,131	1,066,336	-	-	1,066,336
Rental and other income	192,342	1,000	(1,000)	192,342	295,119	1,000	(1,000)	295,119
Bad debt losses	-	-	-	-	(37,071)	-	-	(37,071)
	<u>16,164,621</u>	<u>1,000</u>	<u>(1,000)</u>	<u>16,164,621</u>	<u>12,981,908</u>	<u>1,000</u>	<u>(1,000)</u>	<u>12,981,908</u>
<b>EXPENSES:</b>								
Program services	12,407,724	422,419	(1,000)	12,829,143	11,383,544	420,504	(1,000)	11,803,048
Supporting activities:								
Management and general	600,564	84	-	600,648	613,537	-	-	613,537
Fundraising	1,071,492	-	-	1,071,492	890,315	-	-	890,315
	<u>14,079,781</u>	<u>422,503</u>	<u>(1,000)</u>	<u>14,501,284</u>	<u>12,887,396</u>	<u>420,504</u>	<u>(1,000)</u>	<u>13,306,900</u>
Change in Net Assets	2,084,840	(421,503)	-	1,663,337	94,512	(419,504)	-	(324,992)
Net Assets, Beginning of Year	<u>3,774,901</u>	<u>13,368,735</u>	<u>-</u>	<u>17,143,636</u>	<u>3,680,389</u>	<u>13,788,239</u>	<u>-</u>	<u>17,468,628</u>
Net Assets, End of Year	<u>\$ 5,859,741</u>	<u>\$ 12,947,232</u>	<u>\$ -</u>	<u>\$ 18,806,973</u>	<u>\$ 3,774,901</u>	<u>\$ 13,368,735</u>	<u>\$ -</u>	<u>\$ 17,143,636</u>

See notes to consolidated financial statements