FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

THE BOTTOM LINE, INC.

JUNE 30, 2013 AND 2012

THE BOTTOM LINE, INC.

JUNE 30, 2013 AND 2012

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Independent Auditor's Report

To the Board of Directors
The Bottom Line, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of The Bottom Line, Inc.(a not-for-profit corporation) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Bottom Line Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America

Cohen + Associates, LLC

Certified Public Accountants
September 26, 2013

THE BOTTOM LINE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	**$ 2,735,779**	$ 2,128,881
Pledges receivable	**1,911,462**	1,218,879
Prepaid expenses and other assets	**70,249**	44,245
	4,717,490	3,392,005
Property and equipment:		
Database and website	**141,563**	141,563
Furniture and equipment	**343,266**	281,334
Leasehold improvements	**71,078**	52,767
	555,907	475,664
Accumulated depreciation	**(380,294)**	(291,635)
	175,613	184,029
Other assets:		
Deposits	**37,274**	35,895
Lease acquisition costs, net	**13,495**	22,257
Pledges receivable	**1,053,000**	75,000
	1,103,769	133,152
TOTAL ASSETS	**$ 5,996,872**	$ 3,709,186

LIABILITIES AND NET ASSETS

	2013	2012
Current liablilites:		
Accounts payable	**$ 79,001**	$ 22,283
Accrued expenses	**92,416**	68,183
Scholarships payable	**134,500**	23,000
	305,917	113,466
Deferred rent	**47,754**	47,166
Net assets:		
Unrestricted	**2,728,100**	2,150,002
Temporarily restricted	**2,915,101**	1,398,552
	5,643,201	3,548,554
TOTAL LIABILITIES AND NET ASSETS	**$ 5,996,872**	$ 3,709,186

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions	$ 738,781	$ 4,153,004	$ 4,891,785
Scholarship contributions	0	169,413	169,413
Special events	1,167,451	0	1,167,451
Cost of special events	(239,139)	0	(239,139)
Program revenue	105,050	0	105,050
Interest	1,593	0	1,593
Net assets released from satisfaction of program restriction	2,805,868	(2,805,868)	0
	4,579,604	1,516,549	6,096,153
Expenses:			
Program services	3,240,926	0	3,240,926
Administration	309,642	0	309,642
Fundraising	450,938	0	450,938
	4,001,506	0	4,001,506
Change in net assets	578,098	1,516,549	2,094,647
Net assets, beginning of year	2,150,002	1,398,552	3,548,554
Net assets, end of year	$ 2,728,100	$ 2,915,101	$ 5,643,201

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions	$ 409,715	$ 1,580,824	$ 1,990,539
Scholarship contributions	0	65,250	65,250
Special events	819,574	45,124	864,698
Cost of special events	(193,929)	0	(193,929)
Program revenue	87,100	0	87,100
Interest and other income	12,058	0	12,058
Net assets released from satisfaction of program restriction	1,911,533	(1,911,533)	0
	3,046,051	(220,335)	2,825,716
Expenses:			
Program services	2,313,561	0	2,313,561
Administration	273,694	0	273,694
Fundraising	288,810	0	288,810
	2,876,065	0	2,876,065
Change in net assets	169,986	(220,335)	(50,349)
Net assets, beginning of year	1,980,016	1,618,887	3,598,903
Net assets, end of year	$ 2,150,002	$ 1,398,552	$ 3,548,554

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services	Administration	Fundraising	Total
EXPENSES:				
Personnel:				
Salaries and wages	$ 1,937,776	$ 124,482	$ 333,695	$ 2,395,953
Payroll taxes and benefits	305,379	36,523	48,943	390,845
	2,243,155	161,005	382,638	2,786,798
Occupancy	322,918	24,914	27,491	375,323
Scholarships	222,090	0	0	222,090
Operational:				
Depreciation and amortization	87,745	3,616	6,061	97,422
Equipment maintenance	17,168	461	941	18,570
Insurance	5,047	1,938	427	7,412
Miscellaneous	759	4,657	2,354	7,770
Postage and shipping	3,736	1,011	3,354	8,101
Printing and publications	6,181	648	10,091	16,920
Professional fees	27,750	49,899	1,758	79,407
Program expenses	168,335	0	0	168,335
Staff recruitment and training	28,859	18,469	7,571	54,899
Supplies	17,898	5,307	1,894	25,099
Technology	72,211	28,334	2,979	103,524
Telecommunications	17,074	9,383	3,379	29,836
	452,763	123,723	40,809	617,295
Total expenses	$ 3,240,926	$ 309,642	$ 450,938	$ 4,001,506
Percent	81%	8%	11%	100%

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services	Administration	Fundraising	Total
EXPENSES:				
Personnel:				
Salaries and wages	$ 1,370,488	$ 131,432	$ 194,567	$ 1,696,487
Payroll taxes and benefits	216,823	35,645	31,533	284,001
	1,587,311	167,077	226,100	1,980,488
Occupancy	278,572	14,793	17,799	311,164
Scholarships	74,281	0	0	74,281
Operational:				
Depreciation and amortization	82,091	3,309	5,052	90,452
Equipment maintenance	13,020	167	655	13,842
Insurance	4,981	1,535	318	6,834
Miscellaneous	942	2,690	4,904	8,536
Postage and shipping	16,222	772	2,706	19,700
Printing and publications	5,256	3,421	10,954	19,631
Professional fees	60,017	35,505	1,245	96,767
Program expenses	91,370	0	0	91,370
Staff recruitment and training	14,177	20,552	11,878	46,607
Supplies	15,698	2,421	951	19,070
Technology	50,902	16,189	3,989	71,080
Telecommunications	18,721	5,263	2,259	26,243
	373,397	91,824	44,911	510,132
Total expenses	$ 2,313,561	$ 273,694	$ 288,810	$ 2,876,065
Percent	80%	10%	10%	100%

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Operating activities:		
Change in net assets:	**$ 2,094,647**	$ (50,349)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	**97,421**	90,451
Capitalized in kind donations		0
(Increase) decrease in assets:		
Restricted cash	**0**	102,950
Pledges receivable	**(1,670,583)**	121,738
Prepaid expenses and other assets	**(27,383)**	(26,522)
Increase (decrease) in liabilities:		
Accounts payable	**56,718**	(17,965)
Accrued expenses	**24,233**	41,585
Scholarship grants payable	**111,500**	(91,450)
Deferred rent	**588**	3,492
Net cash provided by operating activities	**687,141**	173,930
Investing activity:		
Purchase of property and equipment	**(80,243)**	(70,757)
Net cash used in investing activity	**(80,243)**	(70,757)
Net increase in cash	**606,898**	103,173
Cash and cash equivalents, beginning of year	**2,128,881**	2,025,708
Cash and cash equivalents, end of year	**$ 2,735,779**	$ 2,128,881

See auditor's report and notes to financial statements.

1. **Nature of activities:**

The Bottom Line, Inc. (the "Organization"), a not-for-profit corporation located in Boston and Worcester, Massachusetts and New York, New York, was formed in January 1997 under the laws of the Commonwealth of Massachusetts. The mission of the Organization is to provide “at risk” students with assistance in applying to college, succeeding at college and finding financial assistance to meet the costs of higher education. The Organization operates exclusively for charitable and educational purposes and is supported primarily through contributions and fundraising events.

2. **Summary of significant accounting policies:**

Financial statement presentation:

The financial statements have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Classification of net assets:

The Bottom Line’s net assets and changes in net assets are required to be reported into three classes; unrestricted, temporarily restricted and permanently restricted; according to externally (donor) imposed restrictions as follows:

<u>Unrestricted Net Assets</u> - Assets and contributions that are not subject to donor-imposed restrictions or for which restrictions have expired.

<u>Temporarily Restricted Net Assets</u> - carry specific, donor-imposed restrictions on the expenditures or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken which fulfill the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

<u>Permanently Restricted Net Assets</u> - are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently to use or expend part or all of the economic benefits derived from the donated assets. The Organization currently has no net assets reportable as permanently restricted net assets.

2. Summary of significant accounting policies (Continued):

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization considers all money market mutual funds and short-term debt securities purchased with a maturity of three months or less, when purchased, to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits and in uninsured money market mutual funds. The company has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on such accounts.

Property and equipment:

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

The useful lives of property and equipment for purposes of computing depreciation are as follows:

Equipment	5 – 10 years
Leasehold improvements	Life of Lease

Depreciation and amortization expense totaled $97,423 and $90,452 in 2013 and 2012, respectively.

2. Summary of significant accounting policies (Continued):

Fair value of financial instruments

The Organization's significant financial instruments are cash and cash equivalents and pledges receivable, The Organization believes that the carrying value of its financial instruments approximates their fair value because of the short term maturity of those instruments.

Recognition of donor restrictions:

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Contributions and pledges intended for use in future periods are recorded as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions, gifts and grants:

The Organization records contributions, gifts and grants as receivables and revenue. The Organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions are recorded as revenue when the pledge is verified or received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value, and as of the date the gift is received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization recorded $7,502 and $1,511 of donated goods and services in 2013 and 2012, respectively. Substantially all of the donated services were professional fees in 2013 and professional fees for capitalized lease acquisition costs in 2012.

During 2013 and 2012, a significant amount of contributions were provided by a few contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

2. Summary of significant accounting policies (Continued):

Income taxes:

The Organization is a tax-exempt entity, qualifying under section 501(c)(3) of the Internal Revenue Code. The tax exempt status qualifies for both Federal and State taxing authorities; therefore, there is no provision for income taxes. The Organization has not taken any tax positions which would be classified as uncertain. The Organization files returns of organizations exempt from income tax with US and Massachusetts jurisdictions. The Organization's tax returns for the years 2009 through 2012 are subject to examination by these jurisdictions, generally for three years after they were filed.

Advertising:

The Organization expenses advertising costs as incurred.

Functional expenses:

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

3. Pledges receivable:

The Organization has unconditional pledges from several donors at June 30, 2013 and 2012. 84% and 70% of the pledges receivable were from major donors at June 30, 2013 and 2012, respectively. The Organization believes all pledges are collectible as of June 30, 2013. Pledges receivable with a due date extending beyond one year are discounted at a .19% rate.

The Organization's future benefit from pledges at June 30, is as follows:

	2013	2012
Receivable in one year or less	$ 1,911,462	$ 1,218,879
Receivable in over one year and up to five years	1,055,000	75,000
Total pledges to be received in the future	2,966,462	1,293,879
Allowances for uncollectible pledges and discount to net present value	(2,000)	0
Net pledges to be received in the future	$ 2,964,462	$ 1,293,879

During 2008, the Organization received restricted grants totaling $795,000 that contained donor conditions regarding matching fund requirements and future program goals and benchmarks in 2009 through 2013. Since these grants represented conditional promises to give they were not recorded as contributions until donor conditions were met. As of June 30, 2012 all of these conditions had been met.

During 2013, the Organization received restricted grants totaling $3,720,000 that contained donor conditions regarding matching fund requirements and future program goals and benchmarks in 2014 through 2017. Since these grants represent conditional promises to give they are not recorded as contributions until donor conditions are met. As of June 30, 2013 $360,000 of these conditions had been met and the remaining balance of these conditional promises to give were $3,360,000.

4. Note payable, bank:

Bank of America provides short term financing to a maximum of $150,000 through a revolving demand note. Interest is paid monthly at the banks floating prime rate plus 100 basis points. The note is secured by a security interest on all business assets. The note matures February, 2014. As of June 30, 2013, there were no advances on this note.

5. Restrictions on net assets:

Temporarily restricted net assets are available for the following purposes:

	2013	2012
Time restriction	$ 400,000	$ 750,000
Specific purpose restrictions:		
Scholarships	50,736	64,990
Boston	397,285	335,000
New York	1,519,747	248,562
National office	547,333	0
Total temporarily restricted net assets	$ 2,915,101	$ 1,398,552

6. Net assets released from restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2013	2012
Purpose of restriction accomplished:		
Time restriction	$ 300,000	$ 279,000
Specific purpose restrictions:		
Scholarships	183,666	62,805
Boston	1,129,580	829,662
New York	874,961	476,001
Worcester	155,936	161,565
National office	111,725	102,500
Total restrictions released	$ 2,805,868	$ 1,911,533

7. Scholarships:

Scholarships authorized but unpaid at year-end are reported as liabilities. Scholarships authorized and payable at June 30, are as follows:

	2013	2012
To be paid in less than one year	$ 134,500	$ 23,000

8. Special fundraising events:

The following schedule represents the results of the Organization's special fundraising events:

Year ended June 30, 2013

	Gross Revenues	Direct Costs	Net Revenues
Get in, graduate and go far events:			
Boston	$ 745,783	$ 148,992	$ 596,791
New York	168,109	34,676	133,433
Worcester	38,780	7,543	31,237
Boston marathon	122,995	30,601	92,394
Rodman ride for kids	86,811	9,358	77,453
Other	4,973	7,969	(2,996)
	$ 1,167,451	$ 239,139	$ 928,312

Year ended June 30, 2012

	Gross Revenues	Direct Costs	Net Revenues
Get in, graduate and go far events:			
Boston	$ 530,514	$ 127,511	$ 403,003
New York	110,267	21,926	88,341
Worcester	25,455	6,996	18,459
Boston marathon	142,996	25,630	117,366
Rodman ride for kids	45,124	8,267	36,857
Other	10,342	3,599	6,743
	$ 864,698	$ 193,929	$ 670,769

9. Operating leases:

The Organization leases its premises under various operating leases. The Organization is obligated to pay a share of the property's operating expenses and real estate taxes. The Organization also leases space for program events on a short term as needed basis and office equipment.

Minimum future rental payments under all non-cancelable operating leases and lease extensions are as follows:

Year ending June 30,		
2014	$	354,744
2015		254,564
2016		246,433
2017		187,518
2018		187,156
Thereafter		93,578
	$	1,323,993

Rent expense totaled $310,521 and $281,125 in 2013 and 2012, respectively.

10. Retirement plan:

The Organization maintains a qualified retirement plan (the Plan) under Section 403(b) of the Internal Revenue Code. Under the provisions of the Plan, employees can elect to have a portion of their salary withheld and contributed to the Plan, subject to Internal Revenue Service limitations. The plan does not allow contributions by the Organization.

11. Subsequent events:

The Organization has evaluated subsequent events through September 26, 2013, the date which the financial statements were ready to be issued.