2014
AUDIT
036297

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

THE BOTTOM LINE, INC.

JUNE 30, 2014

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2014

THE BOTTOM LINE, INC.

JUNE 30, 2014

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036297

COHEN+ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS ADVISORS

Independent Auditor's Report

2014
AUDIT

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, 2014 and the related statements of activities, functional expenses and cash flows for the year 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, 2014 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Cohen + Associates, LLC

Certified Public Accountants
November 7, 2014

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THE BOTTOM LINE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	$ 3,281,852
Pledges receivable	1,905,978
Prepaid expenses and other assets	100,113
	5,287,943
Property and equipment:	
Database and website	141,563
Furniture and equipment	492,715
Leasehold improvements	92,581
	726,859
Accumulated depreciation	(439,074)
	287,785
Other assets:	
Deposits	59,635
Lease acquisition costs, net	4,731
Pledges receivable	1,014,167
	1,078,533
TOTAL ASSETS	$ 6,654,261

LIABILITIES AND NET ASSETS

Current liablilites:	
Accounts payable	$ 154,108
Accrued expenses	62,943
Scholarships payable	192,436
	409,487
Deferred rent	45,438
Net assets:	
Unrestricted	3,959,301
Temporarily restricted	2,240,035
	6,199,336
TOTAL LIABILITIES AND NET ASSETS	$ 6,654,261

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Contributions	$ 1,703,588	$ 3,056,151	$ 4,759,739
Scholarship contributions	0	225,000	225,000
Special events	1,391,976	0	1,391,976
Cost of special events	(261,318)	0	(261,318)
Program revenue	123,400	0	123,400
Interest and other income	510	0	510
Net assets released from satisfaction of program restriction	3,515,470	(3,515,470)	0
	6,473,626	(234,319)	6,239,307
Expenses:			
Program services	4,334,621	0	4,334,621
Administration	528,691	0	528,691
Fundraising	819,860	0	819,860
	5,683,172	0	5,683,172
Change in net assets	790,454	(234,319)	556,135
Net assets, beginning of year	3,168,847	2,474,354	5,643,201
Net assets, end of year	$ 3,959,301	$ 2,240,035	$ 6,199,336

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	Program Services	Administration	Fundraising	Total
EXPENSES:				
Personnel:				
Salaries and wages	$ 2,651,448	$ 214,084	$ 546,678	$ 3,412,210
Payroll taxes and benefits	455,858	37,056	77,483	570,397
	3,107,306	251,140	624,161	3,982,607
Occupancy	354,867	52,032	39,756	446,655
Scholarships	255,957	0	0	255,957
Operational:				
Advertising	12,546	8,203	59,375	80,124
Depreciation and amortization	59,697	3,636	4,211	67,544
Equipment maintenance	19,308	2,545	1,184	23,037
Insurance	2,116	6,629	105	8,850
Miscellaneous	519	14,019	1,752	16,290
Postage and shipping	7,233	1,673	1,646	10,552
Printing and publications	12,485	3,955	12,735	29,175
Professional fees	89,828	98,902	33,785	222,515
Program expenses	258,809	0	0	258,809
Staff recruitment and training	44,962	38,625	31,780	115,367
Supplies	18,450	7,305	1,909	27,664
Technology	69,261	31,118	5,555	105,934
Telecommunications	21,277	8,909	1,906	32,092
	616,491	225,519	155,943	997,953
Total expenses	$ 4,334,621	$ 528,691	$ 819,860	$ 5,683,172

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

Operating activities:	
Change in net assets:	$ 556,135
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	67,544
(Increase) decrease in assets:	
Pledges receivable	44,317
Prepaid expenses and other assets	(52,225)
Increase (decrease) in liabilities:	
Accounts payable	75,107
Accrued expenses	(29,473)
Scholarship grants payable	57,936
Deferred rent	(2,316)
Net cash provided by operating activities	717,025
Investing activity:	
Purchase of property and equipment	(170,952)
Net cash used in investing activity	(170,952)
Net increase in cash	546,073
Cash and cash equivalents, beginning of year	2,735,779
Cash and cash equivalents, end of year	$ 3,281,852

See auditor's report and notes to financial statements.

THE BOTTOM LINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. **Nature of activities:**

The Bottom Line, Inc. (the "Organization"), a not-for-profit corporation located in Boston and Worcester, Massachusetts, New York, New York and Chicago, Illinois, 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 $67,544 in 2014.

THE BOTTOM LINE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 $79,563 of donated goods and services in 2014. Substantially all of the donated services were for advertising in 2014.

During 2014, 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 2011 through 2014 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, 2014. 84% of the pledges receivable were from major donors at June 30, 2014. The Organization believes all pledges are collectible as of June 30, 2014. 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:

Receivable in one year or less	$ 1,905,978
Receivable in over one year and up to five years	1,016,167
Total pledges to be received in the future	2,922,145
Allowances for uncollectible pledges and discount to net present value	(2,000)
Net pledges to be received in the future	$ 2,920,145

The Organization has received restricted grants totaling $3,720,000 that contained donor conditions regarding matching fund requirements and future program goals and benchmarks 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, 2014 $1,470,000 of these conditions had been met and the remaining balance of these conditional promises to give were $2,250,000.

4. Note payable, bank:

Bank of America provides short term financing to a maximum of $300,000 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 January, 2015. As of June 30, 2014, there were no advances on this note.

5. Restrictions on net assets:

Temporarily restricted net assets are available for the following purposes:

Specific purpose restrictions:		
Scholarships	$	72,416
Massachusetts		968,217
New York		897,069
National office		302,333
Total temporarily restricted net assets	$	2,240,035

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:

Purpose of restriction accomplished:		
Time restriction	$	400,000
Specific purpose restrictions:		
Scholarships		203,320
Massachusetts		1,697219
New York		869,931
National office		345,000
Total restrictions released	$	3,515,470

7. Scholarships:

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

To be paid in less than one year	$	72,416

8. Special fundraising events:

The following schedule represents the results of the Organization's special fundraising events for the year ended June 30, 2014:

	Gross Revenues	Direct Costs	Net Revenues
Get in, graduate and go far events:			
Massachusetts	$ 887,382	$ 160,298	$ 727,084
New York	241,719	42,489	199,230
Boston marathon	168,715	42,697	126,018
Rodman ride for kids	68,303	2,276	66,027
Other	25,857	13,621	12,299
	$ 1,391,976	$ 261,318	$ 1,130,658

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,	
2015	$ 461,084
2016	552,863
2017	484,902
2018	510.232
2019	438,224
Thereafter	1,514,938
	$ 3,962,243

Rent expense totaled $360,267 in 2014.

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. Change in accounting policy:

During 2014 the Organization changed its policy on recording restrictions based solely on geographical locations. Prior to 2014 the Organization recorded as temporarily restricted income those donations whose sole restriction was based on geographical location. Effective July 1, 2013, the Organization now records donations whose sole restriction was based on geographical location as unrestricted income. The cumulative effect of the change was an increase in unrestricted net assets and a decrease in restricted net assets of $440,747 at July 1, 2013 as follows:

	Before Restatement	Adjustment	Restated
Unrestricted net assets	$ 2,728,100	$ 440,747	$ 3,168,847
Temporarily restricted net assets	$ 2,915,101	$ (440,747)	$ 2,474,354

12. Subsequent events:

The Organization has evaluated subsequent events through November 7, 2014, the date which the financial statements were ready to be issued.

COHEN+ASSOCIATES, LLC CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS ADVISORS

November 7, 2014

To the Board of Directors
The Bottom Line, Inc.

We have audited the financial statements of The Bottom Line, Inc. for the year ended June 30, 2014, and have issued our report thereon dated November 7, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of The Bottom Line, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to indentify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planned matters on July 21, 2014.

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Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Bottom Line, Inc.are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the company during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management while performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements indentified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The misstatements found consisted primarily of classifications between unrestricted and restricted income, recording of pledges receivable and the understatement of accrued expenses and scholarships. Management has corrected all such material misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2014.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant check with us to determine that the consultant has all the relevant facts. To our knowledge there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of The Board of Directors and management of The Bottom Line, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Cohen + Associates, LLC

Certified Public Accountants