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The B.E.L.L. Foundation, Inc.
Financial Statements
June 30, 2012
(with comparative totals for June 30, 2011)

 **SANDBERG & CREEDEN, P.C.**
Certified Public Accountants
331 Page Street
Stoughton, MA 02072



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2012

THE B.E.L.L. FOUNDATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

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Audit

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To the Board of Directors of
The B.E.L.L. Foundation, Inc.
Dorchester, Massachusetts

Independent Auditor's Report on the Financial Statement and on the Supplementary Schedule of Expenditures of Federal Awards

We have audited the accompanying statement of financial position of The B.E.L.L. Foundation, Inc. as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The B.E.L.L. Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The B.E.L.L. Foundation, Inc.'s 2011 financial statements and, in our report dated October 31, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The B.E.L.L. Foundation, Inc. as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of The B.E.L.L. Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Sandberg & Creeden P.C.
SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
October 26, 2012



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THE B.E.L.L. FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 11,590,873	\$ 5,907,987
Pledges receivable	1,191,259	2,725,748
Accounts receivable	1,698,109	2,201,509
Curriculum materials	1,247,019	1,359,341
Prepaid expenses	<u>337,548</u>	<u>142,816</u>
Total current assets	16,064,808	12,337,401
 <u>Property and Equipment</u>		
Leasehold improvements	153,494	153,494
Computers and software	1,411,015	1,225,871
Furniture and equipment	<u>740,457</u>	<u>740,457</u>
Subtotal	2,304,966	2,119,822
Less: accumulated depreciation	<u>2,002,836</u>	<u>1,764,234</u>
Total property and equipment	302,130	355,588
 <u>Other Assets</u>		
Deposits	162,408	160,830
Long-term pledges receivable (net of discount of \$97,845 and \$37,528, respectively)	<u>904,155</u>	<u>324,514</u>
Total other assets	<u>1,066,563</u>	<u>485,344</u>
 <u>Total Assets</u>	 <u>\$ 17,433,501</u>	 <u>\$ 13,178,333</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accrued expenses	\$ 631,578	\$ 379,754
Accrued salaries and related expenses	1,527,108	1,013,441
Deferred service fees	<u>332,500</u>	<u>961,010</u>
Total current liabilities	2,491,186	2,354,205
 <u>Net Assets</u>		
Unrestricted	4,761,616	4,386,858
Temporarily restricted	<u>10,180,699</u>	<u>6,437,270</u>
Total net assets	<u>14,942,315</u>	<u>10,824,128</u>
 <u>Total Liabilities and Net Assets</u>	 <u>\$ 17,433,501</u>	 <u>\$ 13,178,333</u>

See accompanying notes. See Independent Auditors' Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.



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THE B.E.L.L. FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Contributions:				
Individuals	\$ 84,280	\$ 841,055	\$ 925,335	\$ 83,538
Grants	308,358	13,022,878	13,331,236	7,109,998
in kind	1,904,503		1,904,503	3,609,651
Special events (net)	342,316		342,316	111,046
Released from restrictions	10,120,504	(10,120,504)		
Service fees:				
Contracts	13,273,452		13,273,452	13,518,964
Vouchers and tuition				68,698
Interest and dividends	505		505	1,486
Other	<u>21,637</u>		<u>21,637</u>	<u>11,218</u>
<u>Total Support and Revenue</u>	26,055,555	3,743,429	29,798,984	24,514,599
<u>Expenses</u>				
Program services	23,016,256		23,016,256	20,656,456
General and administrative	1,860,569		1,860,569	2,278,870
Fundraising	<u>803,972</u>		<u>803,972</u>	<u>880,823</u>
<u>Total Expenses</u>	<u>25,680,797</u>		<u>25,680,797</u>	<u>23,816,149</u>
<u>Change in Net Assets</u>	374,758	3,743,429	4,118,187	698,450
<u>Net Assets – Beginning of Year</u>	<u>4,386,858</u>	<u>6,437,270</u>	<u>10,824,128</u>	<u>10,125,678</u>
<u>Net Assets – End of Year</u>	<u>\$ 4,761,616</u>	<u>\$ 10,180,699</u>	<u>\$ 14,942,315</u>	<u>\$ 10,824,128</u>

See accompanying notes. See Independent Auditors' Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.





THE B.E.L.L. FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012					2011	
	After School Program	Summer Program	Total Program	General and Administrative	Fundraising	Total	Total
Salaries	\$ 6,424,233	\$ 8,366,175	\$ 14,790,408	\$ 1,271,167	\$ 573,076	\$ 16,734,651	\$ 15,455,124
Payroll taxes	636,565	621,761	1,258,326	120,527	54,598	1,433,451	1,239,851
Employee benefits	229,223	279,701	508,924	87,767	35,849	632,540	615,754
Subtotal	7,290,021	9,267,637	16,557,658	1,579,461	663,523	18,800,642	17,310,729
Assessments and evaluations	42,841	64,095	106,936			106,936	235,693
Books and curriculum	357,197	584,578	941,775			941,775	822,881
Capacity building	316,211		316,211			316,211	537,406
Depreciation/amortization	84,482	126,399	210,881	19,550	8,171	238,602	301,865
Enrollment and marketing	71,940	191,712	263,652			263,652	271,344
Field trips & Events		226,456	226,456			226,456	213,847
Fundraising expense					31,213	31,213	41,984
Human resources	105,597	157,786	263,383	11,986		275,369	154,219
Insurance	56,621	80,945	137,566	8,172	3,338	149,076	130,370
Interest				26,908		26,908	24,480
Occupancy	268,197	243,553	511,750	49,115	20,061	580,926	595,897
Office expense	216,889	298,308	515,197	46,512	18,998	580,707	491,311
Other direct program	422,659	375,874	798,533			798,533	1,355,239
Other miscellaneous	21,240	60,525	81,765	36,560	15,190	133,515	55,978
Professional fees		500,221	500,221	13,910		514,131	23,043
Program supplies	72,281	124,592	196,873			196,873	205,319
Recruiting	40,135	57,194	97,329			97,329	117,348
Staff training	75,791	151,801	227,592			227,592	190,127
Technology	216,761	324,530	541,291	29,088	10,908	581,287	357,442
Travel & transportation	117,503	403,684	521,187	39,307	32,570	593,064	379,627
Total	<u>\$ 9,776,366</u>	<u>\$ 13,239,890</u>	<u>\$ 23,016,256</u>	<u>\$ 1,860,569</u>	<u>\$ 803,972</u>	<u>\$ 25,680,797</u>	<u>\$ 23,816,149</u>

See accompanying notes. See Independent Auditors' Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.

THE B.E.L.L. FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 4,118,187	\$ 698,450
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	238,602	301,865
(Increase) decrease in:		
Pledges receivable	954,848	(190,415)
Accounts receivable	503,400	66,008
Curriculum materials	112,322	(1,807)
Prepaid expenses	(194,732)	(76,926)
Increase (decrease) in:		
Accrued expenses	251,824	(616,867)
Accrued salary	513,667	374,455
Deferred revenue	<u>(628,510)</u>	<u>653,099</u>
<u>Net Cash Provided by in Operating Activities</u>	<u>5,869,606</u>	<u>1,207,862</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of fixed assets	(185,144)	(126,964)
Increase in rental deposit	<u>(1,578)</u>	<u>(102,731)</u>
<u>Net Cash (Used) in Investing Activities</u>	<u>(186,722)</u>	<u>(229,695)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from line of credit	6,000,000	2,000,000
Repayment of line of credit	<u>(6,000,000)</u>	<u>(2,000,000)</u>
<u>Net Cash Provided by in Financing Activities</u>	<u>0</u>	<u>0</u>
<u>Increase in Cash and Cash Equivalents</u>	5,682,886	978,167
<u>Cash and Cash Equivalents – Beginning</u>	<u>5,907,987</u>	<u>4,929,820</u>
<u>Cash and Cash Equivalents – Ending</u>	<u>\$ 11,590,873</u>	<u>\$ 5,907,987</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 26,908</u>	<u>\$ 24,481</u>

See accompanying notes. See Independent Auditors' Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.



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THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Note 1. Organization

The B.E.L.L. Foundation, Inc. ("BELL") is a national provider of educational summer and after school programs. Its mission is to transform the academic achievements, self-confidence, and life trajectories of children living in under-resourced, urban communities. Because BELL believes in the tremendous potential of all children to excel, it recognizes them as scholars.

BELL was founded in Boston in 1992. To date, BELL has served more than 75,000 students in grades K-8 in Massachusetts, Maryland, Michigan, New Jersey, New York, North Carolina, South Carolina, Georgia, and California. In fiscal year 2012, approximately 15,000 elementary and middle school students benefited from BELL's summer and after school learning experiences.

BELL focuses on delivering its programs in under-performing schools and serving scholars who read and perform math below grade-level, and qualify for free or reduced lunch. Despite such challenges, BELL scholars achieve strong outcomes each year, and BELL's programs are recognized as models of excellence by school districts, policy makers, and leaders in the education and philanthropic communities.

BELL operates two programs in a year-round effort to help children excel. BELL Summer operates 5 days per week, 6.5-8 hours per day, for 5-6 weeks. BELL After School operates 3-5 days per week, 2.5-3 hours per day in school-based sites. BELL programs set high expectations for scholars and include elements that are proven to increase their time-on-task and accelerate learning, including academic tutoring in literacy and math; mentorship from teachers and college students; experiential learning through cultural activities, field trips and community service; parental involvement; and ongoing training and professional development for staff.

Each year, BELL helps thousands of school children make significant academic and social gains. On average:

- Scholars gain at least three months of grade-equivalent reading and math skills;
- Scholars outpace national norms in acquiring new academic skills and narrow the achievement gap between them and their higher-income peers;
- The majority of BELL parents agree that BELL programs help increase their child's self-esteem and motivation to learn. Parents also report that they feel more engaged in their child's education as a result of BELL.

The consistent academic and social gains achieved by children in BELL programs have led to considerable national acclaim and opened up pathways for the organization to expand its impact.

For example:

- Over the last several years, several school districts, including Boston Public Schools, Springfield Public Schools, Charlotte Mecklenburg School District, and Detroit Public Schools, partnered with BELL to provide the BELL Summer program model in place of traditional summer school. This partnership model is leading schools and districts throughout the country to rethink the role of summer learning in turning around low-performing schools and helping all children excel.



THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 1. Organization (Continued)

In summer 2012, subsequent to the year under audit, BELL launched new partnerships in Winston-Salem, NC; Spartanburg, SC; Detroit, MI (with the newly created Educational Achievement Authority of Michigan); San Rafael, CA; and San Jose, CA.

- In the summer of 2012, subsequent to the year under audit, BELL served roughly 8,750 scholars – in a total of 11 cities – thanks to public-private partnerships with school districts and federal agencies.
- In the spring of 2011, BELL was selected to receive a Social Innovation Fund grant from the Edna McConnell Clark Foundation and the Corporation for National and Community Service. This grant will help BELL expand its programs nationally while further developing an evidence base second to none in the expanded learning field.

BELL is working to deepen and expand its impact. Guided by its 2012 - 2014 strategic plan, BELL is building new partnerships to reach more children and communities. It is pursuing a next-generation independent evaluation to tie participation in BELL Summer to increased student performance and attendance in schools. Through its work, BELL is helping establish high-quality extended learning programs like BELL Summer as standard elements of education reform in America.

Note 2. Summary of Significant Accounting Policies

a. Standards of Accounting and Reporting

The Organization follows standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations."

b. Financial Statement Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.



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THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- b. Financial Statement Presentation (Continued)
 - Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2012 and 2011 and accordingly, these financials do not reflect any activity related to this class of net assets for 2012 and 2011.

- c. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows and Statement of Financial Position, The B.E.L.L. Foundation, Inc. considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

- d. Promises To Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

- e. Curriculum Materials

Curriculum materials consist of books for the various site libraries, kits and workbooks used by scholars, and other materials purchased for use in programs. These materials are estimated to have a useful content life of three years. All items are recorded at cost and subject to an annual inventory count at which time a determination is made on any continued useful life.

- f. Property and Equipment

These assets are stated at cost or if donated, at fair market value at date of receipt. Maintenance repairs and minor renewals are expensed as incurred. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized.

- g. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. When a 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.



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THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

h. Contributed Goods and Services

Contributed services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BELL. The Organization received and recorded the following donated goods and services:

	<u>FY 2012</u>	<u>FY 2011</u>
Curriculum material	\$ 196,735	\$ 203,230
Operation warm winter coats	51,000	49,260
Transportation		874,069
Teachers, tutors, site managers	<u>1,656,768</u>	<u>2,483,092</u>
	<u>\$ 1,904,503</u>	<u>\$ 3,609,651</u>

i. Contracts

Financial awards from governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

j. Depreciation

Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful life of the asset. The Organization depreciates over the following class life:

Leasehold improvements	7 years
Computers and software	3 years
Furniture and equipment	3-7 years

k. Allocated Expenses

Expenses by function have been allocated among program and supporting service classifications directly or on the basis of time records and on estimates made by the Organization's management.

l. Use of Estimates

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



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THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

m. Summarized Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Note 3. Tax Status

The B.E.L.L. Foundation, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (a) and has been classified as an Organization that is not a private foundation under Section 509(a) (1).

Unrelated business income, of which the Organization had none for the year ending June 30, 2011, would be subject to Federal and State taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Note 4. Concentrations of Credit Risk

The Organizations maintains its cash balances in various financial institutions. The operating balance of \$5,099,004, held at Sovereign Bank is fully insured through the Federal Deposit Insurance Corporation. The balance of \$6,353,762, held Fidelity Investments, is insured by the Federal Deposit Insurance Corporation up to \$250,000. Investment accounts are invested in treasury-backed money market funds deemed to be low risk.

Credit risk with respect to receivables is considered low as a significant portion are from governmental entities.

In addition, credit risk with respect to pledges receivable is considered low as a significant portion are from foundations which have been in operation for a number of years and have reported significant assets.

Note 5. Pledges Receivable

Unconditional grants and promises to give at June 30, 2012 consist of the following:

Due 2017	\$ 150,000
Due 2016	158,000
Due 2015	158,000
Due 2014	536,000
Due 2013	<u>1,191,259</u>
Subtotal	2,193,259
Discount	<u>(97,845)</u>
Net pledges receivable	<u>\$ 2,095,414</u>



THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 5. Pledges Receivable (Continued)

Due Current FY 2012	\$ 1,191,259
Due Long-term, less discount	<u>904,155</u>
Total pledges receivable (net)	<u>\$ 2,095,414</u>

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5%.

Note 6. Line of Credit

The Organization maintains a revolving line of credit from a local bank to help finance its short-term operating needs. The maximum amount available on the line of credit is \$7,000,000. The line is collateralized by the Organization's assets, and interest is payable monthly on the outstanding balance at an interest rate of 1.00% over prime. An unused fee of 25 basis points is charged for the unused portion of the line. At June 30, 2012, the Organization had no outstanding balance. The line of credit must be renewed annually; the current term expires January 31, 2013.

Note 7. Prepaid Expenses

Prepaid expenses consist of payments made to various vendors for services and program use in future fiscal year activities. At June 30, 2012, approximately 80% of the account balance consists of expenditures necessary in advance of program services to be provided in the Summer of 2012.

Note 8. Deferred Service Fees

Deferred service fees are comprised of funds received in advance of the approved service delivery of the contracted activity as follows:

Charlotte, NC Summer Program	\$ 25,000
Baltimore, MD 2012 and 2013 Summer Programs	<u>307,500</u>
Total Deferred Service Fees	<u>\$ 332,500</u>

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consists of contributions received or receivable that contain written donor restriction on their use limited to a program or time period not met by the Organization in FY2012 as follows:

	<u>Total</u>
Summer program location:	
Boston, MA	\$ 487,500
Springfield, MA	439,500
New York, NY	1,694,500
Newark, NJ	40,000
Baltimore, MD	292,500
Detroit, MI	5,000
Carolinas	812,000
California	188,500



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THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 9. Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets consists of the following: (Continued)

	<u>Total</u>
Capacity Building Campaign	2,903,257
Alumni Scholarship Fund	110,000
Time restrictions	<u>3,305,787</u>
Subtotal	10,278,004
Less discount	<u>(97,845)</u>
Total temporarily restricted net assets	<u>\$ 10,180,699</u>

Note 10. Economic Dependency

The Organization receives significant revenue from the State of New York SES Program as follows:

Total New York State – SES	<u>\$6,522,795</u>
Percent of unrestricted income	<u>25%</u>

Note 11. Occupancy

The Organization received the free use of space from some of its local educational partners for the program. No reasonable basis exists to value the use for 2012 and 2011.

The Organization entered into a 60-month renewable lease for the Boston location commencing on February 1, 2010 and expiring on January 31, 2015. The lease requires monthly payments of the following:

July 2012 – January 2013	11,483
February 2013 – January 2014	12,282
February 2014 – January 2015	13,425

The Organization entered into 60-month renewable lease for the New York location which expires on September 30, 2015. The lease requires monthly payments of the following:

July 2011 – September 2012	\$20,655
October 2012 – September 2013	\$21,068
October 2013 – September 2014	\$21,489
October 2014 – September 2015	\$21,919

The Organization entered into a 60-month lease in Baltimore which expires June 30, 2014. The lease requires monthly payments as follows:

July 2012 – June 2013	\$3,571
July 2013 – June 2014	\$3,678



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THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 11. Occupancy (Continued)

The Organization entered into a 26-month lease in California which expires May 31, 2014. The lease requires monthly payments as follows:

July 2012 – May 2013	\$2,053
June 2013 – May 2014	\$2,115

In addition, the Organization rents storage space and other short-term space on a monthly basis. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>New York</u>	<u>Baltimore MD</u>	<u>Boston</u>	<u>California</u>	<u>Total</u>
2013	251,577	42,852	141,791	24,698	436,220
2014	256,605	44,138	153,099	23,265	453,842
2015	261,738		93,975		355,713
2016	65,757				65,757

Rent expense for 2012 and 2011 totaled \$466,232 and \$417,025, respectively.

Security and last month rental deposits on various sites are as follows:

New York	\$ 125,945
Boston	25,425
Springfield	1,200
Detroit	3,492
Baltimore, MD	3,268
North Carolina	1,025
California	2,053
Total	<u>\$ 162,408</u>

Note 12. Pension Plan

The Organization offers a 401(k) plan available to all employees after one full year of employment. Through this Plan, each pay period eligible employees may make contributions from their salaries on a pre-tax basis, up to the maximum annual amount permitted by applicable law. The Organization provides a matching contribution equal to twenty five percent (25%) of the first four percent (4%) of the employee's contribution. During 2012 and 2011, BELL contributed \$18,046 and \$21,340 to the Plan, respectively.

Note 13. Related Party Transactions

The CEO of the Organization is President of the Board of Directors. Compensation for her services as the CEO is approved annually by the Board of Directors without her vote. One board member leases program space to the Organization in Baltimore at market rates. One board member provided executive search services to the Organization at market rates. Both of the described transactions were deemed to be arms-length transactions.



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THE B.E.L.L. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 14. The Evaluation of Subsequent Events

The Organization has evaluated subsequent events through November 30, 2012, the date which the financial statements were available to be issued.

There was no subsequent events to be disclosed based on this evaluation.



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THE B.E.L.L. FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>CFDA Number</u>	<u>Document Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education, Office of Elementary and Secondary Education</u>				
<u>Pass Through City of Baltimore Public School System</u>				
Title 1 SES Program	84.010	PO 399364	\$ 311,989	\$ 311,989
<u>Pass Through City of New York Public School System</u>				
Title 1 SES Program	84.010	9817200	7,657,190	6,522,795
<u>Pass Through City of Detroit Public School System</u>				
Title 1 Summer Program	84.010	10-0796-2	1,981,686	1,349,019
<u>Pass Through Springfield Public School System</u>				
Title 1 Summer Program	84.010	20110643	1,113,000	1,004,996
			CFDA subtotal	<u>9,188,799</u>
<u>Pass Through The After-School Corporation (TASC)</u>				
21st Century Community Learning Center – After School	84.287	C400860	1,642,355	328,368
<u>Pass Through The After-School Corporation (TASC)</u>				
21st Century Community Learning Center – MSDE	84.287	C400860	540,000	146,724
<u>Pass Through The After School Corporation (TASC)</u>				
After School Program	84.287	G10077	81,000	75,435
			CFDA subtotal	<u>550,527</u>
<u>Total U.S. Department of Education</u>				<u>9,739,326</u>

See accompanying notes. See Independent Auditors' Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.



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THE B.E.L.L. FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(Continued)

	<u>CFDA Number</u>	<u>Document Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<u>Corporation for National and Community Service</u>				
<u>Direct</u>				
AmeriCorps	94.006	11NDHMA001	380,709	<u>141,908</u>
<u>Pass Through Social Innovation Fund</u>				
<u>Edna McConnell Clark Foundation</u>				
CNCS Social Innovation Fund	94.019	10S1HNY003	2,500,000	<u>1,000,000</u>
<u>Total Corporation for National and Community Service</u>				<u>1,141,908</u>
<u>Economic Development and Industrial Corporation</u>				
<u>Direct</u>				
AmeriCorps	14.218	31458	20,000	<u>20,000</u>
<u>Total Expenditures of Federal Awards</u>				<u>\$ 10,901,234</u>

<u>CFDA</u>	<u>Total</u>
84.010	\$ 9,188,799
84.287	550,527
94.006	141,908
94.019	1,000,000
14.218	<u>20,000</u>
Total	<u>\$ 10,901,234</u>

Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The B.E.L.L. Foundation, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See accompanying notes. See Independent Auditors' Report on the Financial Statements and the Supplementary Schedule of Expenditures of Federal Awards.



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To the Board of Directors of
The B.E.L.L. Foundation, Inc.
Dorchester, Massachusetts

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of The B.E.L.L. Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of The B.E.L.L. Foundation, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The B.E.L.L. Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The B.E.L.L. Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The B.E.L.L. Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through agencies providing federal funds and is not intended to be and should not be used by anyone other than these specified parties.

Sandberg & Creeden, P.C.

SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
October 26, 2012



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To the Board of Directors of
The B.E.L.L. Foundation, Inc.
Dorchester, Massachusetts

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited The B.E.L.L. Foundation, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The B.E.L.L. Foundation, Inc.'s major federal programs for the year ended June 30, 2012. The B.E.L.L. Foundation, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The B.E.L.L. Foundation, Inc.'s management. Our responsibility is to express an opinion on The B.E.L.L. Foundation, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The B.E.L.L. Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The B.E.L.L. Foundation, Inc.'s compliance with those requirements.

In our opinion, The B.E.L.L. Foundation, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of The B.E.L.L. Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The B.E.L.L. Foundation, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The B.E.L.L. Foundation, Inc.'s internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2012-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The B.E.L.L. Foundation, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The B.E.L.L. Foundation, Inc.'s response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through agencies providing federal funds and is not intended to be and should not be used by anyone other than these specified parties.



SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
October 26, 2012



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THE B.E.L.L. FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of The B.E.L.L. Foundation, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of The B.E.L.L. Foundation, Inc. were disclosed during the audit.
4. No material weaknesses and one significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for The B.E.L.L. Foundation, Inc. expresses an unqualified opinion.
6. Not applicable.
7. The programs tested as major programs include:

Title 1 – After School and Summer Program	84,010
21 st Century Community Learning	84,287
Social Innovation Fund	94,019
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The B.E.L.L. Foundation, Inc. did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

SIGNIFICANT DEFICIENCY 2012 -1

Criteria: The Organization received reimbursement from the Corporation for National and Community Service (CNCS), Social Innovation Fund (SIF), administered by the Edna McConnell Clark Foundation (EMCF) that required criminal history checks on personnel charged to the contract prior to their date charged.



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THE B.E.L.L. FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITORS' RESULTS (Continued)

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

SIGNIFICANT DEFICIENCY 2012 -1 (Continued)

Condition: The Organization failed to maintain documentation to substantiate the date that criminal history checks were performed on specific personnel charged to the Social Innovation Fund award.

Cause: The Organizations' system of internal control over compliance did not require that sufficient documentation including the specific date of completion of the criminal history checks be maintained in the records of the agency.

~~*Effect:* The Organization was subject to a subrecipient financial operations and grant reporting review for the months of August 2011 and May 2012. That review identified insufficient documentation concerning the date of the criminal history checks for personnel charged to the grant. The deficiency noted is only related to the lack of documentation of the actual date the history check was made not whether the agency failed to run the test. The Organization reprocessed the history checks and, as directed by the reviewer, calculated the total of personnel costs from the first date charged to the contract to the documented date of re-performance of the checks and identified \$302,511 of Questioned Costs. None of those costs were charged to the federal contract. \$273,009 was reduced from the allowable matching costs during the fiscal year and the remaining balance were attributed to costs in excess of the budget.~~

Recommendation: The Organization developed oversight controls to ensure compliance on a timely basis as recommended by the grantee's audit firm and the accepted Corrective Action Plan. The implemented system is pending approval by CNCS as of the financial statement date.

Agency response: It is BELL's position that the organization performed appropriate criminal history checks both prior to the beginning of the SIF contract and during the year in accordance with the guidance and requirements of CNCS. In no cases were criminal history checks found to disqualify an employee who had been charged to the SIF grant. As a result of the finding, BELL has enhanced and improved its documentation standards for state criminal history checks and national sex offender registry checks throughout the year, beginning with self-dated documents, moving to the use of an outside vendor, and finally, re-running checks on all employees to include system-generated date-stamped evidence of completion. This improvement was completed prior to the end of the fiscal year under audit (June 30, 2012) and is part of BELL's policies and procedures going forward.

