



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

Financial Statements

June 30, 2016



Kevin P. Martin & Associates, P.C.

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

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June 30, 2016

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of B.E.L.L. Foundation, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, cash flows and functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2015. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the Organization'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



December 13, 2016



Independent Auditors' 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*

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

We have audited, in accordance with the 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, the financial statements of B.E.L.L. Foundation, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nimir P. Martini & Associates, P.C.

December 13, 2016

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

Statement of Financial Position

As of June 30, 2016

With Comparative Totals as of June 30, 2015

Current Assets	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 5,686,817	\$ 6,083,969
Accounts receivable, net	4,077,602	3,301,279
Promises to give	1,609,998	2,155,120
Prepaid curriculum materials	620,696	855,191
Prepaid expenses	<u>183,261</u>	<u>100,495</u>
Total current assets	<u>12,178,374</u>	<u>12,496,054</u>
Fixed Assets		
Leasehold improvements	197,492	200,012
Computers and software	1,623,713	1,582,463
Furniture and equipment	<u>855,079</u>	<u>851,373</u>
Total fixed assets	2,676,284	2,633,848
Less: accumulated depreciation	<u>(2,503,289)</u>	<u>(2,432,026)</u>
Total net fixed assets	<u>172,995</u>	<u>201,822</u>
Other Assets		
Long-term promises to give (net of discount \$25,458 and \$48,786 respectively)	274,542	422,214
Deposits	<u>42,117</u>	<u>159,007</u>
Total other assets	<u>316,659</u>	<u>581,221</u>
Total Assets	<u>\$ 12,668,028</u>	<u>\$ 13,279,097</u>
Current Liabilities		
Accounts payable	\$ 1,495,346	\$ 999,729
Accrued salaries and related expenses	826,089	1,801,599
Deferred revenue	<u>181,481</u>	<u>624,759</u>
Total current liabilities	<u>2,502,916</u>	<u>3,426,087</u>
Net Assets		
Unrestricted	5,215,478	5,113,746
Temporarily restricted	<u>4,949,634</u>	<u>4,739,264</u>
Total net assets	<u>10,165,112</u>	<u>9,853,010</u>
Total Liabilities and Net Assets	<u>\$ 12,668,028</u>	<u>\$ 13,279,097</u>

The accompanying notes are an integral part of the financial statements.

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

Statement of Activities

For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenue and Support				
Contributions and grants	\$ 3,532,786	\$ 4,449,634	\$ 7,982,420	\$ 8,487,426
In-kind contributions	406,259	-	406,259	1,033,076
Special events, net	3,876	-	3,876	384,260
Service fees	11,776,009	-	11,776,009	12,227,268
Interest and dividends	3,846	-	3,846	475
Other	6,096	-	6,096	28,049
Net assets released from restrictions	<u>4,239,264</u>	<u>(4,239,264)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>19,968,136</u>	<u>210,370</u>	<u>20,178,506</u>	<u>22,160,554</u>
Expenses				
Program services	16,868,551	-	16,868,551	19,186,191
General and administrative	2,199,614	-	2,199,614	2,058,118
Fundraising	<u>798,239</u>	<u>-</u>	<u>798,239</u>	<u>603,490</u>
Total expenses	<u>19,866,404</u>	<u>-</u>	<u>19,866,404</u>	<u>21,847,799</u>
Change in net assets	101,732	210,370	312,102	312,755
Net Assets at Beginning of Year	<u>5,113,746</u>	<u>4,739,264</u>	<u>9,853,010</u>	<u>9,540,255</u>
Net Assets at End of Year	<u>\$ 5,215,478</u>	<u>\$ 4,949,634</u>	<u>\$ 10,165,112</u>	<u>\$ 9,853,010</u>

The accompanying notes are an integral part of the financial statements

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

Statement of Cash Flows

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

Cash Flows from Operating Activities	<u>2016</u>	<u>2015</u>
Change in net assets	\$ 312,102	\$ 312,755
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	71,932	140,296
Decrease (increase) in assets:		
Accounts receivable	(776,323)	379,290
Promises to give	692,794	1,084,964
Prepaid curriculum materials	234,495	(133,543)
Prepaid expenses	(82,766)	248,724
Deposits	116,890	-
Increase (decrease) in liabilities:		
Accounts payable	495,617	157,791
Accrued salaries and related expenses	(975,510)	493,241
Deferred revenue	(443,278)	(150,797)
Net Cash (Used in) Provided by Operating Activities	<u>(354,047)</u>	<u>2,532,721</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(51,808)	(134,896)
Proceeds received from return of fixed assets	8,703	-
Net Cash Used in Investing Activities	<u>(43,105)</u>	<u>(134,896)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	600,000	3,925,000
Repayments on line of credit	(600,000)	(5,925,000)
Net Cash Used in Financing Activities	<u>-</u>	<u>(2,000,000)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(397,152)	397,825
Cash and Cash Equivalents - Beginning	<u>6,083,969</u>	<u>5,686,144</u>
Cash and Cash Equivalents - Ending	<u>\$ 5,686,817</u>	<u>\$ 6,083,969</u>

The accompanying notes are an integral part of the financial statements.

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

Statement of Functional Expenses

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

	2016						2015		
	After School Program	+	Summer Program	=	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 2,655,410		\$ 7,682,734		\$ 10,338,144	\$ 1,232,167	\$ 443,286	\$ 12,013,597	\$ 13,932,435
Payroll taxes	286,468		700,067		986,535	94,213	33,894	1,114,642	1,320,849
Fringe benefits	106,300		260,521		366,821	92,219	33,177	492,217	539,685
Subtotal	<u>3,048,178</u>		<u>8,643,322</u>		<u>11,691,500</u>	<u>1,418,599</u>	<u>510,357</u>	<u>13,620,456</u>	<u>15,792,969</u>
Assesment and evaluation	14,806		129,245		144,051	-	-	144,051	142,559
Bad debt	-		-		-	-	-	-	142,770
Books and curriculum	111,779		1,041,444		1,153,223	-	-	1,153,223	1,030,773
Consultants	108,181		337,995		446,176	50,199	18,059	514,434	588,569
Depreciation	8,013		25,213		33,226	27,974	10,064	71,264	140,296
Enrollment and marketing	10,587		46,351		56,938	-	-	56,938	75,729
Field trips and events	172,364		452,710		625,074	-	-	625,074	482,965
Fundraising materials, supplies and printi	-		-		-	-	6,847	6,847	5,865
Hiring and payroll processing	16,034		52,481		68,515	54,466	19,595	142,576	162,830
Insurance	29,120		81,481		110,601	14,313	5,205	130,119	129,054
Interest	2,324		7,313		9,637	8,114	2,919	20,670	63,655
Occupancy	152,245		246,796		399,041	115,148	41,426	555,615	654,927
Office expense	96,707		235,581		332,288	97,397	35,040	464,725	442,097
Other direct program	7,802		398,249		406,051	-	-	406,051	181,051
Other miscellaneous	28,654		84,772		113,426	75,561	27,184	216,171	203,299
Professional fees	34,090		109,268		143,358	104,366	37,547	285,271	234,896
Program supplies	59,248		290,875		350,123	-	-	350,123	229,311
Recruiting	5,932		30,969		36,901	-	-	36,901	91,134
Staff training	62,787		181,028		243,815	-	-	243,815	255,697
Technology	37,981		112,793		150,774	121,957	43,875	316,606	379,641
Travel and transportation	56,484		297,349		353,833	111,520	40,121	505,474	417,712
	<u>\$ 4,063,316</u>		<u>\$ 12,805,235</u>		<u>\$ 16,868,551</u>	<u>\$ 2,199,614</u>	<u>\$ 798,239</u>	<u>\$ 19,866,404</u>	<u>\$ 21,847,799</u>

The accompanying notes are an integral part of these financial statements.

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

Notes to Financial Statement

June 30, 2016

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by the B.E.L.L. Foundation, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Organization is a 501(c)(3) nonprofit organization that partners with schools and communities to expand learning time. Its mission is to transform the academic achievements, self-confidence, and life trajectories of children living in under-resourced communities. The Organization believes in the tremendous potential of all children to excel, and as such, it recognizes them as scholars.

The Organization was founded in Boston in 1992, and has since served students in grades K-8 in Alabama, California, Colorado, Connecticut, Florida, Georgia, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Ohio, South Carolina, Texas, and Washington, D.C.

The Organization's program models are designed to serve scholars who read and perform math below grade-level, and who come from low-income families and disadvantaged neighborhoods. The Organization's scholars achieve strong outcomes each year, and programs are recognized as models of excellence by school districts, policy makers, and leaders in the education and philanthropic communities.

The Organization operates two core programs in a year-round effort to help children excel. Its summer learning program operates up to 5 days per week, 8 hours per day, for 8 weeks. The Organization's after school program operates up to 5 days per week, 3 hours per day, for 30 weeks at school-based sites. The Organization's programs set high expectations for scholars and include elements that are proven to increase their time-on-task and accelerate learning, including small-group instruction in literacy and math; mentorship from teachers and college students; experiential learning through enrichment courses, field trips and community service, parental involvement and ongoing training and professional development for staff. The summer learning and after school programs accounted for 76% and 24% of program expenditures for the year ended June 30, 2016, respectively.

(a) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating activities. Operating revenues consist of those monies earned and contributions received attributable to the Organization's ongoing efforts.

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

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

Notes to Financial Statement

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(c) Standards of Accounting and Reporting - continued

The statement of financial position presents three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at one financial institution located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. The Organization also maintains cash balances at one financial institution located in Massachusetts which are insured by Securities Investor Protection Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance.

Management believes that no significant concentration of credit risk exists with respect to cash balances as of June 30, 2016.

(e) Revenue Recognition

The Organization earns revenue as follows:

Service Fees - Service fee revenue is earned and recognized by the Organization when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts, consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental Organization.

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

Notes to Financial Statement

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

Contributions and Grants - Contributions and grants are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received. Revenue derived from a local event totaled approximately \$14,500.

Deferred revenue represents program service fees received prior to year-end for the following fiscal period. These amounts are recognized as income during the subsequent fiscal period.

The Organization's revenue is derived from its activities in three major regions consisting of: New England, Tri-State and Mid-Atlantic. During the year ended June 30, 2016, the Organization derived approximately 58% of its total revenue from governmental agencies, and 42% from foundations and individual donors. All revenue is recorded at the estimated net realizable amounts.

(f) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2016, the allowance for doubtful accounts was \$131,725.

The Organization does not have a policy to accrue interest on receivables. As of June 30, 2016, 68% of the Organization's accounts receivable is due from government agencies, and 32% is due from foundations and various individuals.

(g) Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

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

Notes to Financial Statement

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(g) Promises to Give - continued

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2016, management has determined any allowance would be immaterial.

(h) Prepaid Curriculum Materials

Prepaid 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 but are typically consumed within one year from purchase. All items are recorded at cost and subject to an annual count at which time a determination is made on any continued useful life.

(i) Fixed Assets

Fixed assets are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. The Organization capitalizes all property and equipment over \$1,000 with a useful life of at least one year.

The Organization computes depreciation using the straight-line method over the following estimated lives:

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

(j) In-kind Contributions

In-kind contributions consist of goods and services donated to the Organization. Contributed goods are recorded at their estimated fair values at the time of receipt. Contributed services are performed by skilled professionals and would otherwise have been purchased or performed by Organization personnel.

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

Notes to Financial Statement

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Measurements

The following section describes the valuation methodologies used to measure financial assets and liabilities at fair value on a recurring basis.

Promises to Give: The promises to give due in more than one year of \$274,542 are reflected at the present value of estimated future cash flows using a discount rate of 3% and were classified as Level 2.

The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2016.

(l) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 10% for the year ended June 30, 2016. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(m) Special Events

The Organization has determined that special events are incidental to its operations. Special events revenue is reported net of the direct costs of benefit to donors.

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

Notes to Financial Statement

June 30, 2016

(1) Summary of Significant Accounting Policies - continued

(n) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Occupancy, payroll and associated costs are allocated to functions based upon time studies or timesheets.

(o) Use of Estimates

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure 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.

(p) Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

(q) Summarized Financial Information for 2015

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(r) Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

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

Notes to Financial Statement

June 30, 2016

(2) Promises to Give

The Organization has received unconditional promises to give related to a fundraising campaign initiated during prior years and is primarily due from Gala Event. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received more than a year after June 30, 2016 are recorded at the present value of their future cash flows using discount rates of 3%. Uncollectible amounts of pledges receivable are expected to be immaterial. Accordingly, no provision has been made for uncollectible amounts.

The following is an analysis of the promises to give as of June 30, 2016:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivable less than 1 year	\$ 1,609,998	\$ -	\$ 1,609,998	\$ -	\$ 1,609,998
Receivable in 1 to 5 years	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>(25,458)</u>	<u>274,542</u>
	<u>\$ 1,909,998</u>	<u>\$ -</u>	<u>\$ 1,909,998</u>	<u>\$ (25,458)</u>	<u>\$ 1,884,540</u>

(3) Line of Credit

The Organization has available a demand line of credit with Sovereign Bank (a Massachusetts bank) of \$7,000,000 to be drawn upon as needed, with interest at the prime rate plus 1% or 4.5%, as of June 30, 2016. An unused fee of 25 basis points is charged for the unused portion of the line. The line is secured by the Organization's general business assets. As of June 30, 2016, there were no outstanding balances.

(4) In-kind Contributions

In-kind contributions for the year ended June 30, 2016 were as follows:

Pro-bono outside services:	
Teachers, program assistants, enrichment teachers, nurses and coordinators	\$ 406,259

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

Notes to Financial Statement

June 30, 2016

(5) Operating Lease Commitments

The Organization also occupies office and program space under non-cancelable, operating lease agreements with various expiration dates through 2020. The Organization is also liable for certain real estate tax increases and operating cost adjustments under the office lease terms. The minimum annual operating non-cancelable lease commitments on property for the Organization are as follows:

2017	\$ 238,509
2018	225,544
2019	202,104
2020	117,894

Rent expense for the year ended June 30, 2016 was \$460,503.

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

New York	\$ 14,625
Boston	23,532
Baltimore	1,725
North Carolina	<u>2,235</u>
Total security deposits	\$ <u>42,117</u>

(6) Commitments and Contingencies

The Organization receives a portion of its funding from government agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Organization's operations are concentrated in the social service provider field. As such, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

United States Department of Education

Various state, city and town government agencies in California, Maryland, Massachusetts, New Jersey, New York, North Carolina, Ohio and South Carolina.

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by the agencies listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

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Notes to Financial Statement

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(7) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2016, temporarily restricted net assets are restricted or the following purposes:

	<u>Total</u>
Summer programs in the following locations:	
Massachusetts	\$ 2,977,500
New York	120,000
Maryland	960,375
North Carolina	221,620
California	120,000
Ohio	40,000
Time restrictions	<u>510,139</u>
Total temporarily restricted net assets	\$ <u>4,949,634</u>

(8) Employee Benefits

(a) Defined Contribution Plan

The Organization has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the IRC for the benefit of eligible employees. All employees, after one full year of employment, are eligible to participate in this plan. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Organization's contributions under this plan amounted to \$16,271 for the year ended June 30, 2016.

(b) Section 125 Plan

The Organization has a plan that qualifies as a "Cafeteria Plan" under Section 125 of the IRC. The plan allows the Organization's employees to pay for medical and dental insurance and daycare on a pre-tax basis. All employees whose customary employment is at least 40 hours per week are eligible to participate in the plan.

(9) Subsequent Events

The Organization has performed an evaluation of subsequent events through D, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in these financial statements.