



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

Financial Statements

June 30, 2018



building educated  
leaders for life

---

Kevin P. Martin & Associates, P.C.

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

Index

June 30, 2018

**Independent Auditors' Report**

**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***

**Financial Statements:**

Statement of Financial Position as of June 30, 2018 with Comparative Totals as of June 30, 2017	1
Statement of Activities for the Year Ended June 30, 2018 with Comparative Totals for the Year Ended June 30, 2017	2
Statement of Cash Flows for the Year Ended June 30, 2018 with Comparative Totals for the Year Ended June 30, 2017	3
Statement of Functional Expenses for the Year Ended June 30, 2018 with Comparative Totals for the Year Ended June 30, 2017	4
Notes to Financial Statements	5-15



## **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, 2018, and the related statements 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, 2018, and the changes in its net assets and its cash flows for the year 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 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2017. 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, 2017, 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 November 20, 2018, 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 solely 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 effectiveness of the Organization's 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.

 Nimir P. Martini & Associates, P.C.

November 20, 2018



**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, 2018, and the related statements 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 November 20, 2018.

**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.



November 20, 2018

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

## Statement of Financial Position

As of June 30, 2018

With Comparative Totals as of June 30, 2017

<b>Current Assets</b>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 8,081,276	\$ 7,054,533
Accounts receivable, net	1,869,275	2,290,919
Short-term promises to give	3,788,763	5,113,837
Short-term investments	4,000,000	-
Prepaid curriculum materials	676,995	719,348
Prepaid expenses	<u>72,987</u>	<u>315,050</u>
Total current assets	<u>18,489,296</u>	<u>15,493,687</u>
<b>Fixed Assets</b>		
Leasehold improvements	197,492	197,492
Computers and software	1,634,891	1,634,891
Furniture and equipment	<u>857,933</u>	<u>857,933</u>
Total fixed assets	2,690,316	2,690,316
Less: accumulated depreciation	<u>(2,635,811)</u>	<u>(2,577,898)</u>
Total net fixed assets	<u>54,505</u>	<u>112,418</u>
<b>Other Assets</b>		
Long-term promises to give (net of discount \$4,762 and \$25,458, respectively)	95,238	499,542
Internally developed software	295,000	-
Deposits	<u>43,670</u>	<u>43,670</u>
Total other assets	<u>433,908</u>	<u>543,212</u>
<b>Total Assets</b>	<u>\$ 18,977,709</u>	<u>\$ 16,149,317</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 1,501,105	\$ 1,539,570
Accrued salaries and related expenses	697,193	814,312
Deferred revenue	<u>388,217</u>	<u>619,754</u>
Total current liabilities	<u>2,586,515</u>	<u>2,973,636</u>
<b>Net Assets</b>		
Unrestricted	10,108,367	5,706,384
Temporarily restricted	<u>6,282,827</u>	<u>7,469,297</u>
Total net assets	<u>16,391,194</u>	<u>13,175,681</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 18,977,709</u>	<u>\$ 16,149,317</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, 2018

With Comparative Totals for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
<b>Revenue and Support</b>				
Contributions and grants	\$ 6,001,798	\$ 6,293,375	\$ 12,295,173	\$ 10,089,354
Service fees	6,841,210	-	6,841,210	9,416,919
Interest and dividends	45,954	-	45,954	26,846
Other	33,746	-	33,746	38,360
In-kind contributions	31,625	-	31,625	549,326
Net assets released from restrictions	<u>7,479,845</u>	<u>(7,479,845)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>20,434,178</u>	<u>(1,186,470)</u>	<u>19,247,708</u>	<u>20,120,805</u>
<b>Expenses</b>				
Program services	12,121,100	-	12,121,100	13,983,553
General and administrative	1,725,446	-	1,725,446	2,075,663
Fundraising	<u>1,230,157</u>	<u>-</u>	<u>1,230,157</u>	<u>1,051,020</u>
Total operating expenses	<u>15,076,703</u>	<u>-</u>	<u>15,076,703</u>	<u>17,110,236</u>
<b>Changes in net assets from operations</b>	5,357,475	(1,186,470)	4,171,005	3,010,569
<b>Non - Operating Expenses</b>				
Reorganization costs	<u>955,492</u>	<u>-</u>	<u>955,492</u>	<u>-</u>
<b>Total Change in Net Assets</b>	4,401,983	(1,186,470)	3,215,513	3,010,569
<b>Net Assets at Beginning of Year</b>	<u>5,706,384</u>	<u>7,469,297</u>	<u>13,175,681</u>	<u>10,165,112</u>
<b>Net Assets at End of Year</b>	<u>\$ 10,108,367</u>	<u>\$ 6,282,827</u>	<u>\$ 16,391,194</u>	<u>\$ 13,175,681</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, 2018

With Comparative Totals for the Year Ended June 30, 2017

<b>Cash Flows from Operating Activities</b>	<u>2018</u>	<u>2017</u>
Change in net assets	\$ 3,215,513	\$ 3,010,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	57,913	74,609
Decrease (increase) in assets:		
Accounts receivable	421,644	1,786,683
Promises to give	1,729,378	(3,728,839)
Prepaid curriculum materials	42,353	(98,652)
Prepaid expenses	242,063	(131,789)
Deposits	-	(1,553)
Increase (decrease) in liabilities:		
Accounts payable	(38,465)	44,224
Accrued salaries and related expenses	(117,119)	(11,777)
Deferred revenue	(231,537)	438,273
<b>Net Cash Provided by Operating Activities</b>	<u>5,321,743</u>	<u>1,381,748</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of short-term investments	(4,000,000)	-
Purchase of fixed assets	-	(14,032)
Purchase of internally developed software	(295,000)	-
<b>Net Cash Used in Investing Activities</b>	<u>(4,295,000)</u>	<u>(14,032)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit	-	2,000,000
Repayments on line of credit	-	(2,000,000)
<b>Net Cash Provided by Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,026,743	1,367,716
<b>Cash and Cash Equivalents - Beginning</b>	<u>7,054,533</u>	<u>5,686,817</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 8,081,276</u>	<u>\$ 7,054,533</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 30,736</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, 2018

With Comparative Totals for the Year Ended June 30, 2017

	2018							2017			
	After School Program	+	Summer Program	+	Strategic Initiatives	=	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 2,109,426		\$ 4,684,382		\$ 207,590		\$ 7,001,398	\$ 879,358	\$ 706,948	\$ 8,587,704	\$ 10,649,830
Payroll taxes	186,645		405,287		18,176		610,108	44,434	51,923	706,465	821,671
Fringe benefits	86,517		203,153		15,594		305,264	88,968	67,687	461,919	551,388
Subtotal	<u>2,382,588</u>		<u>5,292,822</u>		<u>241,360</u>		<u>7,916,770</u>	<u>1,012,760</u>	<u>826,558</u>	<u>9,756,088</u>	<u>12,022,889</u>
Assesment and evaluation	8,278		121,581		-		129,859	-	-	129,859	114,189
Bad debt	-		-		-		-	-	-	-	108,485
Books and curriculum	51,173		1,247,799		-		1,298,972	-	-	1,298,972	1,186,745
Branding and website	-		-		417,567		417,567	-	-	417,567	-
Depreciation	5,062		14,774		-		19,836	24,459	13,618	57,913	74,609
Enrollment and marketing	2,199		25,768		939		28,906	-	-	28,906	26,043
Field trips and events	47,911		319,861		-		367,772	-	-	367,772	557,190
Fundraising materials, supplies and printing	-		-		-		-	-	6,041	6,041	6,712
Human resources	21,010		67,784		-		88,794	75,631	56,386	220,811	142,792
Insurance	29,813		23,553		-		53,366	38,993	21,711	114,070	122,289
Interest	-		-		-		-	-	-	-	30,736
Occupancy	82,401		132,045		-		214,446	108,294	60,298	383,038	389,142
Office expense	52,458		145,518		7,779		205,755	68,250	37,968	311,973	462,742
Other direct program	-		-		-		-	-	-	-	15,338
Other miscellaneous	37,044		105,292		7,358		149,694	41,879	39,609	231,182	116,639
Professional fees	17,165		67,469		27,085		111,719	87,343	35,499	234,561	415,650
Program supplies	37,231		103,907		-		141,138	10,522	-	151,660	220,094
Recruiting	8,210		31,569		-		39,779	-	-	39,779	66,435
Staff training	26,023		148,076		85		174,184	19,405	-	193,589	209,399
Tech platform	-		-		262,462		262,462	-	-	262,462	-
Technology	29,883		87,489		-		117,372	139,597	77,728	334,697	313,779
Travel and transportation	83,499		275,612		23,598		382,709	98,313	54,741	535,763	508,339
	<u>\$ 2,921,948</u>		<u>\$ 8,210,919</u>		<u>\$ 988,233</u>		<u>\$ 12,121,100</u>	<u>\$ 1,725,446</u>	<u>\$ 1,230,157</u>	<u>\$ 15,076,703</u>	<u>\$ 17,110,236</u>

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

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

## Notes to Financial Statement

June 30, 2018

### **(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 32 states.

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 68% and 24% of program expenditures for the year ended June 30, 2018, respectively.

The Organization is also working on strategic initiatives designed to provide for the future, lower costs per scholar, and promote public awareness and the brand of the Organization. Costs associated with strategic initiatives accounted for 8% of program expenditures for the year ended June 30, 2018.

#### ***(b) 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, 2018

**(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 cash balances at a financial institution located in Massachusetts which are insured by the Federal Deposit Insurance Corporation. The Organization also maintains cash balances at another financial institution located in Massachusetts which are insured by the 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, 2018.

***(e) Revenue Recognition***

The Organization earns revenue as follows:

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.

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

Notes to Financial Statement

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

***(e) Revenue Recognition - continued***

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 cost-reimbursement contracts with ceiling amounts. 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 agency.

In-kind Contributions - In-kind contributions are donated services recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization.

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 throughout the United States. During the year ended June 30, 2018, the Organization derived approximately 36% of its total revenue from governmental agencies and 64% 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, 2018, the allowance for doubtful accounts was \$168,237.

The Organization does not have a policy to accrue interest on receivables. As of June 30, 2018, the Organization's accounts receivable are due from governmental agencies.

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

Notes to Financial Statement

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

***(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.

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, 2018, management has determined any allowance would be immaterial. As of June 30, 2018, all unconditional promises to give are due from foundations and individual donors.

***(h) Investments***

The Organization carries investments in certificates of deposit at fair value. Interest is recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rate, credit and overall market volatility.

***(i) 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.

***(j) 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 B.E.L.L. FOUNDATION, INC.

Notes to Financial Statement

June 30, 2018

(1) Summary of Significant Accounting Policies - continued

(j) Fixed Assets - continued

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

(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:** Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a risk-adjusted interest rates, a Level 2 input, applicable to the years in which the promises to give are received, see Note 2.

**Investments in Certificates of Deposit:** Quoted market prices, a Level 1 input, are used to determine the fair value of investment securities, see Note 3.

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, 2018.

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

Notes to Financial Statement

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

***(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, 2018. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

***(m) 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.

***(n) 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. Management uses estimates to determine revenue recognition for the summer programs each year. More specifically; management recognizes Summer Program Revenue for governmental contracts and net assets released from restriction based on a percentage of direct summer expense incurred before year end. This calculation impacts revenue, deferred revenue and net assets released from restrictions during the year.

***(o) 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) of the IRC.

***(p) Internally Developed Software***

Internally developed software costs of a technology platform and a new website are recorded on the cost method and are not depreciated until placed into service. Preliminary project costs, training and data migration costs are expensed, while application development costs are capitalized.

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

Notes to Financial Statement

June 30, 2018

**(1) Summary of Significant Accounting Policies - continued**

***(q) Summarized Financial Information for 2017***

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, 2017, from which the summarized information was derived.

**(2) Promises to Give**

Unconditional promises to give consist of the following as of June 30, 2018:

	Gross Promise	Allowance	Net Promise	Unamortized Discount	Total
Receivable less than 1 year	\$ 3,788,763	\$ -	\$ 3,788,763	\$ -	\$ 3,788,763
Receivable in 1 to 5 years	100,000	-	100,000	(4,762)	95,238
	\$ 3,888,763	\$ -	\$ 3,888,763	\$ (4,762)	\$ 3,884,001

The applicable discount rate for the above promises to give was 5%.

Conditional promises to give consist of the following as of June 30, 2018:

Unrestricted promise to give, conditional on achievement of strategic plan milestones	\$ <u>3,000,000</u>
--	---------------------

**(3) Investments**

Investments are valued at fair value using level 1 inputs; unadjusted quoted prices in active markets. As of June 30, 2018, investments comprised of certificates of deposit were maintained with Santander Bank valued at \$4,000,000, with original maturities ranging from six months to one year. Due to the timing of the purchase of the certificates of deposit, interest income was immaterial during the year ended June 30, 2018.

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

Notes to Financial Statement

June 30, 2018

**(4) Line of Credit**

The Organization has available a demand line of credit with Santander Bank (a Massachusetts bank) of \$7,000,000 to be drawn upon as needed, with interest at the prime rate plus 1%, or 6% as of June 30, 2018. 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. During the year ended June 30, 2018, the Organization did not borrow or make payments on the line of credit. As of June 30, 2018, there were no outstanding balances.

**(5) 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, 2018, temporarily restricted net assets are restricted for the following purposes:

	<u>Total</u>
Summer programs in the following locations:	
Maryland	\$ 2,584,851
Massachusetts	217,500
North Carolina	35,000
Time restrictions	<u>3,445,476</u>
Total temporarily restricted net assets	\$ <u>6,282,827</u>

**(6) In-kind Contributions**

In-kind contributions for the year ended June 30, 2018 were as follows:

Pro-bono outside services:	
Technology platform service	\$ <u>31,625</u>

**(7) Operating Lease Commitments**

The Organization also occupies office and program space under non-cancelable, operating lease agreements with various expiration dates through 2022. 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:

2019	\$ 235,060
2020	144,630
2021	26,736
2022	4,456

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

Notes to Financial Statement

June 30, 2018

**(7) Operating Lease Commitments - continued**

Rent expense for the year ended June 30, 2018 was \$336,040.

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

Massachusetts	\$ 23,532
New York	14,625
Maryland	3,189
North Carolina	<u>2,324</u>
Total security deposits	\$ <u>43,670</u>

**(8) Commitments and Contingencies**

The Organization receives a portion of its funding from governmental agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the governmental agencies. 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 Maryland, North Carolina, Rhode Island, South Carolina and Washington D.C.

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.

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

Notes to Financial Statement

June 30, 2018

**(9) 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 \$21,804 for the year ended June 30, 2018.

***(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.

**(10) Internally Developed Software**

***(a) Technology Platform***

The Organization is in the process of developing a technology platform designed to help educators select curriculum, programming and educational tools and customize them for their own needs. The software is intended for internal use and is not intended to be marketed or sold. Costs incurred for the technology platform were \$315,153 for the year ended June 30, 2018, of which \$120,000 was capitalized and the remaining \$195,153 was expensed. Management is targeting a pilot program in the summer of 2019 and a full launch of the technology platform in the summer of 2020.

***(b) Website***

The Organization is in the process of developing a new website. During the year ended June 30, 2018, costs incurred for the website were approximately \$400,000, of which \$175,000 was capitalized and the remaining \$225,000 was expensed and is included in branding and website on the statement of activities. Management expects the website to be launched in fiscal year 2019.

**(11) Reorganization Costs**

During the year ended June 30, 2018, the Organization incurred costs to restructure itself under a strategic vision which sees future growth from licensing its successful education models with less of a focus on directly providing educational services to its customers. As part of this reorganization, the Organization incurred significant one-time costs related to human resources and consulting work. For the year ended June 30, 2018, reorganization costs were \$955,492.

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

Notes to Financial Statement

June 30, 2018

**(12) Subsequent Events**

The Organization has performed an evaluation of subsequent events through November 20, 2018, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in these financial statements.