



The B.E.L.L. Foundation, Inc.

Financial Statements

June 30, 2015

The B.E.L.L. Foundation, Inc.

Index

June 30, 2015

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, 2015 with Comparative Totals as of June 30, 2014 | 1 |
| Statement of Activities for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014 | 2 |
| Statement of Cash Flows for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014 | 3 |
| Statement of Functional Expenses for the Year Ended June 30, 2015 with Comparative Totals for the Year Ended June 30, 2014 | 4 |
| Notes to Financial Statements | 5-17 |



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 statements of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, 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.

Prior Period Financial Statement

The financial statements of The B.E.L.L. Foundation, Inc. as of June 30, 2014, were audited by other auditors whose report dated October 7, 2014, expressed an unmodified opinion on those statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principal 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, 2014 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 1, 2015, 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 1, 2015



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, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2015.

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.



Nunn P. Marten & Associates, P.C.

December 1, 2015

B.E.L.L. Foundation, Inc.

Statement of Activities

For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | 2015 Total | 2014 Total |
|--|---------------------|---------------------------|---------------------|---------------------|
| Revenue and Support | | | | |
| Contribution | | | | |
| Individuals | \$ 494,409 | \$ 216,667 | \$ 711,076 | \$ 253,915 |
| Grants | 3,408,117 | 4,368,233 | 7,776,350 | 7,945,747 |
| In-kind contributions | 1,033,076 | | 1,033,076 | 1,005,166 |
| Special events (net) | 358,260 | 26,000 | 384,260 | 40,870 |
| Released from restrictions | 4,420,056 | (4,420,056) | - | |
| Contracts | 12,227,268 | | 12,227,268 | 9,746,324 |
| Interest and dividends | 475 | | 475 | 819 |
| Other | 28,049 | - | 28,049 | 69,878 |
| | <u>21,969,710</u> | <u>190,844</u> | <u>22,160,554</u> | <u>19,062,719</u> |
| Expenses | | | | |
| Program services | 19,186,191 | - | 19,186,191 | 18,653,320 |
| General and administrative | 2,058,118 | - | 2,058,118 | 2,163,179 |
| Fundraising | 603,490 | - | 603,490 | 659,425 |
| | <u>21,847,799</u> | <u>-</u> | <u>21,847,799</u> | <u>21,475,924</u> |
| Change in net assets | 121,911 | 190,844 | 312,755 | (2,413,205) |
| Net Assets at Beginning of Year | <u>4,991,835</u> | <u>4,548,420</u> | <u>9,540,255</u> | <u>11,953,460</u> |
| Net Assets at End of Year | <u>\$ 5,113,746</u> | <u>\$ 4,739,264</u> | <u>\$ 9,853,010</u> | <u>\$ 9,540,255</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, 2015

With Comparative Totals for the Year Ended June 30, 2014

| Cash Flows from Operating Activities | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Change in net assets | \$ 312,755 | \$ (2,413,205) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 140,296 | 124,728 |
| Decrease (increase) in assets: | | |
| Accounts receivable | 379,290 | (1,295,456) |
| Pledges receivable | 1,364,321 | (1,647,491) |
| Long term pledges | (279,357) | - |
| Curriculum materials | 150,000 | 186,090 |
| Prepaid expenses | (34,819) | (118,770) |
| Increase (decrease) in liabilities: | | |
| Accrued expenses | 157,791 | 41,697 |
| Accrued salaries and related expenses | 493,241 | 226,791 |
| Deferred revenue | (150,797) | 403,974 |
| Net Cash Provided by (Used in) Operating Activities | <u>2,532,721</u> | <u>(4,491,642)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of fixed assets | (134,896) | (55,278) |
| Decrease in security deposit | - | 10,284 |
| Net Cash Used in Investing Activities | <u>(134,896)</u> | <u>(44,994)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from line of credit | 3,925,000 | 3,500,000 |
| Repayments on line of credit | (5,925,000) | (1,500,000) |
| Net Cash (Used in) Provided by Financing Activities | <u>(2,000,000)</u> | <u>2,000,000</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 397,825 | (2,536,636) |
| Cash and Cash Equivalents - Beginning | <u>5,686,144</u> | <u>8,222,780</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 6,083,969</u> | <u>\$ 5,686,144</u> |

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

B.E.L.L. Foundation, Inc.

Statement of Functional Expenses

As of June 30, 2015

With Comparative Totals for the Year Ended June 30, 2014

| | 2015 | | | | | | 2014 | | |
|----------------------------------|-------------------------|---|---------------------|----|------------------------------|-------------------------------|-------------------|----------------------|----------------------|
| | After School Program | + | Summer Program | = | Total Program Services | General and Administrative | Fundraising | Total | Total |
| Functional Expenses | | | | | | | | | |
| Salaries | \$ 6,291,789 | | 6,727,627 | \$ | 13,019,416 | \$ 1,154,987 | \$ 346,601 | \$ 14,521,004 | \$ 13,438,301 |
| Payroll taxes | 679,196 | | 538,044 | | 1,217,240 | 79,700 | 23,909 | 1,320,849 | 1,233,253 |
| Fringe benefits | 231,195 | | 195,848 | | 427,043 | 86,648 | 25,994 | 539,685 | 603,405 |
| Subtotal | 7,202,180 | | 7,461,519 | | 14,663,699 | 1,321,335 | 396,504 | 16,381,538 | 15,274,959 |
| Assesment and evaluation | 50,343 | | 92,216 | | 142,559 | - | - | 142,559 | 167,122 |
| Bad debt | - | | - | | - | - | - | - | 505,604 |
| Book and curriculum | 276,554 | | 754,219 | | 1,030,773 | - | - | 1,030,773 | 899,042 |
| Depreciation | 33,120 | | 35,216 | | 68,336 | 55,354 | 16,606 | 140,296 | 124,728 |
| Enrollment and marketing | 34,928 | | 40,801 | | 75,729 | - | - | 75,729 | 33,448 |
| Field trips and events | 254,093 | | 228,872 | | 482,965 | - | - | 482,965 | 438,796 |
| Fundraising expense | - | | 1,844 | | 1,844 | 4,021 | - | 5,865 | 54,733 |
| Human resources | 73,274 | | 66,760 | | 140,034 | 4,432 | 18,364 | 162,830 | 212,965 |
| Insurance | 43,924 | | 75,218 | | 119,142 | 7,625 | 2,287 | 129,054 | 117,777 |
| Interest | 15,027 | | 15,978 | | 31,005 | 25,116 | 7,534 | 63,655 | 58,216 |
| Occupancy | 314,059 | | 189,280 | | 503,339 | 116,065 | 35,523 | 654,927 | 647,693 |
| Office expense | 151,849 | | 173,274 | | 325,123 | 89,917 | 27,057 | 442,097 | 431,023 |
| Other direct program | 56,536 | | 124,515 | | 181,051 | - | - | 181,051 | 205,397 |
| Other miscellaneous | 166,874 | | 68,302 | | 235,176 | 98,062 | 12,831 | 346,069 | 129,832 |
| Professional fees | 31,402 | | 82,854 | | 114,256 | 103,619 | 17,021 | 234,896 | 655,235 |
| Program supplies | 130,782 | | 97,118 | | 227,900 | 1,411 | - | 229,311 | 305,390 |
| Recruiting | 40,327 | | 50,754 | | 91,081 | 53 | - | 91,134 | 52,395 |
| Staff training | 111,112 | | 144,585 | | 255,697 | - | - | 255,697 | 238,062 |
| Technology | 102,798 | | 102,345 | | 205,143 | 133,898 | 40,600 | 379,641 | 505,183 |
| Travel & transportation | 116,354 | | 174,985 | | 291,339 | 97,210 | 29,163 | 417,712 | 418,324 |
| Total Functional Expenses | <u>\$ 9,205,536</u> | | <u>\$ 9,980,655</u> | | <u>\$ 19,186,191</u> | <u>\$ 2,058,118</u> | <u>\$ 603,490</u> | <u>\$ 21,847,799</u> | <u>\$ 21,475,924</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, 2015

(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 (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 B.E.L.L. Foundation, Inc. (“BELL”) 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, 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, and has since served more than 100,000 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 DC. In fiscal year 2014, approximately 11,840 elementary and middle school students benefited from BELL’s summer and after school learning experiences.

BELL’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. 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 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. Its after school program operates up to 5 days per week, 3 hours per day, for 30 weeks at 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 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.

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

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

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities– continued

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:

- In the summer of 2014, subsequent to the year under audit, BELL served roughly 9,380 scholars across 20 cities – thanks to public-private partnerships with school districts, community organizations, donors, and federal agencies.
- Over the last several years, several school districts, including Boston Public Schools, Baltimore City Schools, and Winston-Salem / Forsyth County Schools, partnered with BELL to provide summer learning opportunities in place of traditional summer school. In 2014, BELL also tested out a different partnership model of that which was in place during 2013 with the Y-USA and eight of its Associations in San Antonio, Minneapolis-Saint Paul, Denver, Clearwater, Montgomery, Washington DC, Hartford, and Orlando. BELL's partnership model is demonstrating to schools and districts throughout the country how summer learning can help all children excel and turn around low-performing schools.
- In the spring of 2011, BELL was selected to receive a three-year Social Innovation Fund grant from the Edna McConnell Clark Foundation and the Corporation for National and Community Service. This grant is helping BELL expand its programs nationally while further developing an evidence base second to none in the expanded learning field. The grant period was concluded in July 2014.

Through its work, BELL is helping make high quality expanded learning opportunities a fixture in schools throughout the country.

(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 received and other contributions 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 statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted and unrestricted) 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:

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(c) Standards of Accounting and Reporting - continued

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. 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 these cash balances as of June 30, 2015.

(e) Revenue Recognition

The Organization earns revenue as follows:

Service fees – Service fees revenue are 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.

Contributions - Contributions 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 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, 2015

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition – continued

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. The majority of special event revenue is derived from BELL Gala. Revenue derived from this event totaled approximately \$711,076.

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, 2015, the Organization derived approximately 55% of its total revenue from governmental agencies, and 45% 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, 2015, the allowance for doubtful accounts was \$106,767.

The Organization does not have a policy to accrue interest on receivables. As of June 30, 2015, 55% of the Organization's accounts receivable is due from government agency, 33% is due from foundations and the remaining 12% is due from various individual.

(g) Promises to Give

Unconditional promises to give are recognized as revenue and as assets, net of allowances, in the period in which the promises are made. Unconditional promises to give are recorded, in the year received, at the present value of estimated future cash flows using a risk-adjusted discount rate. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and when the promises become unconditional.

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, 2015, management has determined any allowance would be immaterial.

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(h) 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.

(i) Property and Equipment

Property and equipment 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 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) Contributed Services and Gifts in Kind

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel.

(k) Fair Value Measurements

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.

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(k) Fair Value Measurements – continued

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Measurements

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Organization's assets that are adjusted to fair value on a recurring basis are investments in equity and debt securities. The Organization currently has no liabilities that are adjusted to 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 discount rate of 5% and were classified as Level 2.

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2015.

Fair Value Measurements on a Recurring Basis

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|----------------|---------------------|
| Promises to give - current | | | | |
| year additions | \$ 1,898,353 | \$ 422,214 | \$ - | \$ 2,320,567 |
| Promises to give – | | | | |
| subsequent to initial | | | | |
| recognition | <u>150,000</u> | <u>-</u> | <u>-</u> | <u>150,000</u> |
| | <u>\$ 2,048,353</u> | <u>\$ 422,214</u> | <u>\$ -</u> | <u>\$ 2,470,567</u> |

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, 2015.

Nonrecurring Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Organization records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Organization had no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2015.

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(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 7% for the year ended June 30, 2015. 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 and therefore the direct costs of benefit to the donors is reported with fundraising expense and is not included with special events revenue.

(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.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon estimate of time studies.

(o) Advertising Costs

The Organization expenses advertising costs when they are incurred. Advertising expense was immaterial for the year ended June 30, 2015.

(p) Use of Estimates

In preparing the Organization's financial statements in conformity with 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.

(q) Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore is not subject to income tax. The Organization is not a private foundation under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the year ended June 30, 2015, there was no liability for tax on unrelated business income.

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(q) Income Taxes— continued

GAAP prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2015, the Organization has determined that it has not taken any tax positions which would result in an uncertainty requiring recognition in the accompanying financial statements. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. There were no interest or penalties for the year ended June 30, 2015.

Generally, the Organization's information/tax returns remain open for possible federal income tax examination for three years after the filing date. The Organization is not currently under examination by any taxing jurisdiction.

(r) Summarized Financial Information for 2014

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

(s) Reclassifications

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

(2) Promises to Give

(a) Unconditional

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, 2015 are recorded at the present value of their future cash flows using discount rates ranging from 5%. Uncollectible amounts of pledges receivable are expected to be immaterial. Accordingly, no provision has been made for uncollectible amounts.

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(2) Promises to Give - continued

The following is an analysis of the promises to give as of June 30, 2015:

| | <u>Gross Promise</u> | <u>Allowance</u> | <u>Net Promise</u> | <u>Unamortized Discount</u> | <u>Total</u> |
|--------------------------------|--------------------------|------------------|------------------------|---------------------------------|---------------------|
| Receivable less than 1 year | \$ 2,048,353 | \$ - | \$ 2,048,353 | \$ - | \$ 2,048,353 |
| Receivable in 1 to 5 years | <u>471,000</u> | <u>-</u> | <u>471,000</u> | <u>48,786</u> | <u>422,214</u> |
| | <u>\$ 2,519,353</u> | <u>\$ -</u> | <u>\$ 2,519,353</u> | <u>\$ 48,786</u> | <u>\$ 2,470,567</u> |

(3) Debt

(a) 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%, as of June 30, 2015. 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, 2015, there were not outstanding balances.

(4) Contributed Services and Gifts in Kind

Contributed services and gifts in kind for the year ended June 30, 2015 were as follows:

| | |
|---------------------------------|---------------------|
| Pro-bono outside services: | |
| Teachers, tutors, site managers | \$ <u>1,033,076</u> |
| Total | \$ <u>1,033,076</u> |

(5) Operating Lease Commitments

(a) Lessor

The Organization received the free use of space from some of its local educational partners for these programs. No reasonable basis exists to value that use for 2014 and 2013.

The Organization entered into a 60-month renewable lease for the Boston location commencing on February 1, 2015 and expiring on January 31, 2020. The lease requires monthly payments of \$ 16,419

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(5) Operating Lease Commitments – continued

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:

October 2014 – January 2016 \$ 21,919

The Organization entered into a lease in Baltimore which expires August 2016. The lease requires monthly payments as follows:

September 2015 – August 2016 \$ 1,830

The Organization entered into a 12-month lease for the California location which vacated in November 2015. The lease required monthly payments as follows:

July 2014 – November 2015 \$ 403

The Organization entered into a lease for the North Carolina location which expires May 31, 2016. The lease requires monthly payments as follows:

May 2014 – May 2015 \$ 1,000

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</u> | <u>Boston</u> | <u>California</u> | <u>North Carolina</u> | <u>Total</u> |
|--------------------|-----------------|------------------|---------------|-------------------|-----------------------|--------------|
| 2016 | 65,757 | 21,854 | - | 202 | - | 87,813 |
| 2017 | - | 3,660 | - | - | - | 3,660 |

Rent expense for 2015 totaled \$541,989.

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

| | |
|------------|-------------------|
| New York | \$ 133,077 |
| Boston | 21,749 |
| Baltimore | 1,725 |
| California | <u>2,015</u> |
| Total | \$ <u>158,566</u> |

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(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
City of Boston

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 United States Departments or Commonwealth of Massachusetts Departments 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.

(7) Deferred Service Fees

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

| | |
|------------------------------|-------------------|
| Summer 2015 Programs, Boston | \$ 331,647 |
| Summer 2015 Programs, DYCD | <u>286,142</u> |
| Total Deferred Service Fees | \$ <u>624,759</u> |

(8) Restricted Net Assets

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, 2015, temporarily restricted net assets are restricted for the following purposes:

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(8) Restricted Net Assets – continued

| | <u>Total</u> |
|---|---------------------|
| Summer program location: | |
| Massachusetts | \$ 425,840 |
| New York | 622,840 |
| New Jersey | 60,000 |
| Maryland | 212,000 |
| North Carolina | 80,000 |
| California | 30,000 |
| Alumni Scholarship Fund | 71,600 |
| Time restrictions | <u>3,285,761</u> |
| Subtotal | 4,788,051 |
| Less discount | <u>(48,786)</u> |
| Total temporarily restricted net assets | \$ <u>4,739,265</u> |

(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 \$18,869 for the year ended June 30, 2015.

(b) Section 125 Plan

The Organization has a plan that qualifies as "Cafeteria Plans" 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 plans.

(10) Related Party Transactions

The CEO of the Organization is a member 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. The transaction was deemed to be an arms-length transaction.

The B.E.L.L. Foundation, Inc.

Notes to Financial Statement

June 30, 2015

(11) Subsequent Events

The Organization has performed an evaluation of subsequent events through December 1, 2015, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in these financial statements.