

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**THE BOTTOM LINE, INC.**

**JUNE 30, 2007 AND 2006**

**THE BOTTOM LINE, INC.**

**JUNE 30, 2007 AND 2006**

**CONTENTS**

	<u>Page</u>
Independent auditor's report	1
Financial statements:	
Statements of financial position	2
Statements of activities	3 - 4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 13
Accompanying information:	
Independent auditor's report on accompanying information	15
Schedule I - expenses by program	16

## **Independent Auditor's Report**

To the Board of Directors  
The Bottom Line, Inc.  
Boston, Massachusetts

We have audited the accompanying statements of financial position of The Bottom Line, Inc. (a non-profit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of The Bottom Line, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bottom Line, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Cohen & Associates*

Certified Public Accountants  
September 19, 2007

**THE BOTTOM LINE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2007 AND 2006**

	<b>ASSETS</b>	
	<u>2007</u>	<u>2006</u>
Current assets:		
Cash	\$ 823,783	\$ 477,016
Restricted cash	100,000	0
Pledges receivable	292,250	137,000
Prepaid expenses and other assets	<u>7,971</u>	<u>8,201</u>
	<u>1,224,004</u>	<u>622,217</u>
Property and equipment:		
Furniture & equipment	102,586	92,669
Leasehold improvements	<u>5,343</u>	<u>5,343</u>
	107,929	98,012
Accumulated depreciation	<u>(66,729)</u>	<u>( 53,824)</u>
	<u>41,200</u>	<u>44,188</u>
Other asset:		
Deposits	<u>2,424</u>	<u>2,424</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,267,628</u></b>	<b><u>\$ 668,829</u></b>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 11,504	\$ 13,108
Accrued expenses	12,875	7,520
Scholarships payable	<u>100,000</u>	<u>0</u>
	<u>124,379</u>	<u>20,628</u>
Net assets:		
Unrestricted	658,016	530,552
Temporarily restricted	<u>485,233</u>	<u>117,649</u>
	<u>1,143,249</u>	<u>648,201</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,267,628</u></b>	<b><u>\$ 668,829</u></b>

See accompanying notes to financial statements.

**THE BOTTOM LINE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions	\$ 214,177	\$ 886,650	\$ 1,100,827
Special events	321,755	0	321,755
Cost of special events	( 82,184)	0	( 82,184)
Program revenue	19,605	0	19,605
Interest	13,317	0	13,317
Net assets released from satisfaction of program restriction	<u>519,066</u>	<u>(519,066)</u>	<u>0</u>
	<u>1,005,736</u>	<u>367,584</u>	<u>1,373,320</u>
Expenses:			
Program services	701,611	0	701,611
Administration	61,969	0	61,969
Fundraising	<u>114,692</u>	<u>0</u>	<u>114,692</u>
	<u>878,272</u>	<u>0</u>	<u>878,272</u>
Change in net assets	127,464	367,584	495,048
Net assets at beginning of year	<u>530,552</u>	<u>117,649</u>	<u>648,201</u>
Net assets at end of year	<u>\$ 658,016</u>	<u>\$ 485,233</u>	<u>\$ 1,143,249</u>

See accompanying notes to financial statements.

**THE BOTTOM LINE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions	\$ 378,505	\$ 336,714	\$ 715,219
Special events	340,369	0	340,369
Cost of special events	( 90,561)	0	(90,561)
Program revenue	16,105	0	16,105
Interest	3,350	0	3,350
Net assets released from satisfaction of program restriction	<u>244,065</u>	<u>(244,065)</u>	<u>0</u>
	<u>891,833</u>	<u>92,649</u>	<u>984,482</u>
Expenses:			
Program services	461,597	0	461,597
Administration	55,580	0	55,580
Fundraising	<u>89,411</u>	<u>0</u>	<u>89,411</u>
	<u>606,588</u>	<u>0</u>	<u>606,588</u>
Change in net assets	285,245	92,649	377,894
Net assets at beginning of year	<u>245,307</u>	<u>25,000</u>	<u>270,307</u>
Net assets at end of year	<u>\$ 530,552</u>	<u>\$ 117,649</u>	<u>\$ 648,201</u>

See accompanying notes to financial statements.

**THE BOTTOM LINE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES:</b>				
Personnel:				
Salaries and wages	\$ 358,719	\$ 15,015	\$ 81,423	\$ 455,157
Payroll taxes and benefits	<u>66,608</u>	<u>3,674</u>	<u>15,085</u>	<u>85,367</u>
	<u>425,327</u>	<u>18,689</u>	<u>96,508</u>	<u>540,524</u>
Occupancy	<u>63,197</u>	<u>3,363</u>	<u>3,383</u>	<u>69,943</u>
Operational:				
Depreciation and amortization	10,865	1,005	1,036	12,906
Equipment maintenance	4,204	376	431	5,011
Insurance	458	1,763	50	2,271
Miscellaneous	488	2,404	648	3,540
Postage and shipping	6,130	777	1,360	8,267
Printing and publications	2,203	1,704	4,372	8,279
Professional fees	180	16,070	3,110	19,360
Scholarships	114,531	0	0	114,531
Staff recruitment & training	1,141	5,258	334	6,733
Supplies	68,658	8,859	2,904	80,421
Telecommunications	<u>4,229</u>	<u>1,701</u>	<u>556</u>	<u>6,486</u>
	<u>213,087</u>	<u>39,917</u>	<u>14,801</u>	<u>267,805</u>
Total expenses	<u>\$ 701,611</u>	<u>\$ 61,969</u>	<u>\$ 114,692</u>	<u>\$ 878,272</u>

See accompanying notes to financial statements.

**THE BOTTOM LINE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES:</b>				
Personnel:				
Salaries and wages	\$ 252,004	\$ 18,368	\$ 63,643	\$ 334,285
Americorp Vista Volunteers	1,234	0	0	1,234
Payroll taxes and benefits	<u>43,825</u>	<u>3,098</u>	<u>13,232</u>	<u>60,155</u>
	<u>297,063</u>	<u>21,736</u>	<u>76,875</u>	<u>395,674</u>
Occupancy	<u>67,425</u>	<u>3,144</u>	<u>3,173</u>	<u>73,742</u>
Operational:				
Depreciation and amortization	14,652	999	999	16,650
Equipment maintenance	3,145	1,523	469	5,137
Insurance	0	1,563	0	1,563
Miscellaneous	503	2,590	111	3,204
Postage and shipping	4,779	719	639	6,137
Printing and publications	4,201	62	4,270	8,533
Professional fees	10,000	13,679	0	23,679
Scholarships	17,250	0	0	17,250
Staff recruitment & training	1,203	432	672	2,307
Supplies	38,269	7,403	1,951	47,623
Telecommunications	<u>3,107</u>	<u>1,730</u>	<u>252</u>	<u>5,089</u>
	<u>97,109</u>	<u>30,700</u>	<u>9,363</u>	<u>137,172</u>
Total expenses	\$ <u>461,597</u>	\$ <u>55,580</u>	\$ <u>89,411</u>	\$ <u>606,588</u>

See accompanying notes to financial statements.

**THE BOTTOM LINE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Operating activities:		
Change in net assets:	\$ 495,048	\$ 377,894
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,905	16,649
(Increase) decrease in assets:		
Restricted cash	( 100,000)	0
Pledges receivable	(155,250)	(134,446)
Prepaid expenses and other assets	230	294
Increase (decrease) in liabilities:		
Accounts payable	( 1,604)	( 3,044)
Scholarship grants payable	100,000	0
Accrued expenses	<u>5,355</u>	<u>3,244</u>
Net cash provided by (used in) operating activities	<u>356,684</u>	<u>260,591</u>
Investing activity:		
Purchase of property and equipment	( <u>9,917</u> )	( <u>21,553</u> )
Net cash used in investing activity	( <u>9,917</u> )	( <u>21,553</u> )
Net increase (decrease) in cash	346,767	239,038
Cash, beginning of year	<u>477,016</u>	<u>237,978</u>
Cash, end of year	\$ <u>823,783</u>	\$ <u>477,016</u>

See accompanying notes financial statements.

**THE BOTTOM LINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**1. Nature of activities:**

The Bottom Line, Inc. (the "Organization"), a not-for-profit corporation located in Boston, Massachusetts, was formed in January 1997 under the laws of the Commonwealth of Massachusetts. The mission of the organization is to provide "at risk" students with assistance in applying for college, succeeding at college and finding financial assistance to meet the costs of higher education. The Organization operates exclusively for charitable and educational purposes.

**2. Summary of significant accounting policies:**

**Financial statement presentation:**

The financial statements have been prepared on the accrual basis of accounting.

The Bottom Line's net assets and changes in net assets are required to be reported into three classes; unrestricted, temporarily restricted and permanently restricted; according to externally (donor) imposed restrictions as follows:

Unrestricted Net Assets - Assets and contributions that are not subject to donor-imposed restrictions or for which restrictions have expired.

Temporarily Restricted Net Assets - carry specific, donor-imposed restrictions on the expenditures or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken which fulfill the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently to use or expend part or all of the economic benefits derived from the donated assets.

The organization currently has no net assets reportable as permanently restricted net assets.

**Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**THE BOTTOM LINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007 AND 2006**

**2. Summary of significant accounting policies (Continued):**

**Cash and cash equivalents:**

The Organization considers all short-term debt securities purchased with a maturity of three months or less, when purchased, to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on such accounts.

**Property and equipment:**

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

The useful lives of property and equipment for purposes of computing depreciation are:

Equipment	5 - 10 years
Leasehold improvements	Life of Lease

Depreciation expense totaled \$12,905 and \$16,649 in 2007 and 2006, respectively.

**Recognition of donor restrictions:**

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Contributions and pledges intended for use in future periods are recorded as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**THE BOTTOM LINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007 AND 2006**

**2. Summary of significant accounting policies (Continued):**

**Contributions, gifts and grants:**

The Organization records contributions, gifts and grants as receivables and revenue. The organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions are recorded as revenue when the pledge is verified or received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value, and as of the date the gift is received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization recorded \$2,575 and \$3,815 of donated goods and services in 2007 and 2006, respectively.

The Organization received 41% of its contributions from 2 major donors in 2007 and 39% of its contribution from 3 major donors in 2006.

**Taxes:**

The Organization is a tax-exempt entity, qualifying under section 501(c)(3) of the Internal Revenue Code. The tax exempt status qualifies for both Federal and State taxing authorities.

**Advertising:**

The company expenses advertising costs as incurred.

**Functional expenses:**

The cost of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

**3. Restricted cash:**

The Organization received a donation to fund scholarships which required that the funds be segregated until used to fund the scholarships.

**THE BOTTOM LINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007 AND 2006**

**4. Pledges receivable:**

The Organization has unconditional pledges from several donors at June 30, 2007 and 2006. 86% and 73% of the pledges receivable were from major donors at June 30, 2007 and 2006, respectively. Management believes all pledges receivable to be collectible.

The Organizations future benefit from pledges to give at June 30, is as follows:

	<u>2007</u>	<u>2006</u>
Receivable in one year or less	\$ 120,250	\$ 137,000
Receivable in over one year and up to five years	<u>172,000</u>	<u>0</u>
Total pledges to be receive in the future	<u>\$ 292,250</u>	<u>\$ 137,000</u>

**5. Note payable, bank:**

Citizen's Bank provides short term financing to a maximum of \$60,000 through a revolving demand note. Interest is paid monthly at a rate equal to floating prime rate plus 100 basis points. The note is secured by a security interest on all business assets. The note matures February, 2008. As of June 30, 2007, there were no advances on this note.

**6. Scholarships:**

Scholarships authorized but unpaid at year-end are reported as liabilities. The following is a summary of scholarships authorized and payable at June 30, 2007.

To be paid in less than one year	\$ <u>100,000</u>
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**7. Restrictions on net assets:**

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Time restriction	\$ 485,000	\$ 115,000
Specific purpose restrictions:		
Technology	<u>233</u>	<u>2,649</u>
Total temporarily restricted net assets	<u>\$ 485,233</u>	<u>\$ 117,649</u>

**THE BOTTOM LINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007 AND 2006**

**8. Net assets released from restrictions:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purpose of restriction accomplished:

	<u>2007</u>	<u>2006</u>
Time	\$ 115,000	\$ 0
Technology	2,416	22,351
Student programs	115,000	0
Access program	37,500	153,600
Success program	244,150	67,950
Other	<u>5,000</u>	<u>164</u>
Total restrictions released	\$ <u>519,066</u>	\$ <u>244,065</u>

**9. Special fundraising events:**

The following schedule represents the results of the Organizations's special fundraising event:

Year ended June 30, 2007

	<u>Gross</u> <u>Revenues</u>	<u>Direct</u> <u>Costs</u>	<u>Net</u> <u>Revenues</u>
Alumni events	\$ 0	\$ 390	\$ ( 390)
Get in, graduate and go far dinner	<u>321,755</u>	<u>81,794</u>	<u>239,961</u>
	\$ <u>321,755</u>	\$ <u>82,184</u>	\$ <u>239,571</u>

Year ended June 30, 2006

	<u>Gross</u> <u>Revenues</u>	<u>Direct</u> <u>Costs</u>	<u>Net</u> <u>Revenues</u>
Alumni events	\$ 1,105	\$ 1,546	\$ ( 441)
Get in, graduate and go far dinner	<u>339,264</u>	<u>89,015</u>	<u>250,249</u>
	\$ <u>340,369</u>	\$ <u>90,561</u>	\$ <u>249,808</u>

**THE BOTTOM LINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007 AND 2006**

**7. Operating leases:**

The Organization leases its premises in Boston, Massachusetts under a 60 month operating lease and a 60 month sublease commencing September 1, 2000. During 2005 the Organization extended the lease and sublease for an additional 24 months commencing September 1, 2005. As of June 30, 2007 the Organization was in the process of extending its lease and sub-lease for one year and negotiating a ten year lease expected to commence on November 1, 2008 for new premises. The new premises are not yet constructed and the Organization will have the right to terminate the new lease if certain construction deadlines are not met. The company is obligated to pay a share of the property's operating and real estate tax expenses. The Organization also leases space for program events on a short term as needed basis and office equipment.

Minimum future rental payments under all non-cancelable operating leases, lease extensions and the new lease which the Organization is in the process of negotiating are as follows:

2008	\$ 46,125
2009	81,447
2010	110,640
2011	122,288
2012	128,112
Thereafter	<u>881,216</u>
	\$ <u>1,369,828</u>

Rent expense totaled \$73,535 and \$69,880 in 2007 and 2006, respectively.

**ACCOMPANYING INFORMATION**

To the Board of Directors  
The Bottom Line, Inc.  
Boston, Massachusetts

**INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION**

Our report on our audit of the basic financial statements of The Bottom Line, Inc. for 2007 appears on page two. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Accompanying Information on Expenses by Program is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has not been subjected to the auditing procedure applied in the audit of the basic financial statements and accordingly, we do not express an opinion on it.

*Cohen & Associates*

Certified Public Accountants  
September 19, 2007

**THE BOTTOM LINE, INC.**  
**SCHEDULE I - EXPENSES BY PROGRAM**

	<u>Access</u> <u>Program</u>	<u>Success</u> <u>Program</u>	<u>Total</u> <u>Programs</u>
<b>EXPENSES:</b>			
Personnel:			
Salaries and wages	\$ 235,570	\$ 123,149	\$ 358,719
Payroll taxes and benefits	<u>43,515</u>	<u>23,093</u>	<u>66,608</u>
	<u>279,085</u>	<u>146,242</u>	<u>425,327</u>
Occupancy	<u>29,611</u>	<u>33,586</u>	<u>63,197</u>
Operational:			
Depreciation and amortization	6,121	4,744	10,865
Equipment maintenance	2,302	1,902	4,204
Insurance	276	182	458
Miscellaneous	36	452	488
Postage and shipping	3,630	2,500	6,130
Printing and publications	487	1,716	2,203
Professional fees	0	180	180
Scholarships	1,679	112,852	114,531
Staff recruitment & training	168	973	1,141
Supplies	17,803	50,855	68,658
Telecommunications	<u>2,326</u>	<u>1,903</u>	<u>4,229</u>
	<u>34,828</u>	<u>178,259</u>	<u>213,087</u>
Total expenses	\$ <u>343,524</u>	\$ <u>358,087</u>	\$ <u>701,611</u>