



**HOMEWORK HOTLINE, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2011 and 2010**

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PATTERSON, HARDEE & BALLENTINE  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Homework Hotline, Inc.

We have audited the accompanying statements of financial position of Homework Hotline, Inc. (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of income and cash flows for the years then ended. These financial statements are the responsibility of the management. 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 misstatement. An audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and 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 Homework Hotline, Inc. as of June 30, 2011 and 2010, the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Patterson, Hardee + Ballentine, P.C.*

January 3, 2012

PHB, P.C.

Homework Hotline, Inc. (a non-profit organization) as of June 30, 2011 and 2010, the changes in net assets, functional expenses, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our responsibility is to express an opinion on these financial statements based on our audits.

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In all material respects, the financial statements referred to above present fairly, in all material respects, the financial position of Homework Hotline, Inc. as of June 30, 2011 and 2010, 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.

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**HOMEWORK HOTLINE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 199,422	\$ 25,000	\$ 224,422
Special events	20,013	-	20,013
Net Assets released from restricted	<u>56,642</u>	<u>(56,642)</u>	<u>-</u>
Total public support	<u>276,077</u>	<u>(31,642)</u>	<u>244,435</u>
Revenue:			
In-kind	252,125	-	252,125
Investment income	<u>1,907</u>	<u>-</u>	<u>1,907</u>
Total revenue	<u>254,032</u>	<u>-</u>	<u>254,032</u>
Total public support and revenue	<u>530,109</u>	<u>(31,642)</u>	<u>498,467</u>
Expenses:			
Program services	442,018	-	442,018
Management and general	20,360	-	20,360
Fundraising	<u>1,540</u>	<u>-</u>	<u>1,540</u>
Total expenses	<u>463,918</u>	<u>-</u>	<u>463,918</u>
Increase (decrease) in net assets	66,191	(31,642)	34,549
Net assets - beginning of year	<u>168,459</u>	<u>56,642</u>	<u>225,101</u>
Net assets - end of year	<u><u>\$ 234,650</u></u>	<u><u>\$ 25,000</u></u>	<u><u>\$ 259,650</u></u>

See accompanying notes to financial statements.

**HOMEWORK HOTLINE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 181,462	\$ 56,642	\$ 238,104
Grant Revenue	12,049	-	12,049
	<hr/>	<hr/>	<hr/>
Total public support	193,511	56,642	250,153
	<hr/>	<hr/>	<hr/>
Revenue:			
In-kind	353,155	-	353,155
Investment income	2,860	-	2,860
Miscellaneous income	10	-	10
	<hr/>	<hr/>	<hr/>
Total revenue	356,025	-	356,025
	<hr/>	<hr/>	<hr/>
Total public support and revenue	549,536	56,642	606,178
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	532,219	-	532,219
Management and general	30,457	-	30,457
	<hr/>	<hr/>	<hr/>
Total expenses	562,676	-	562,676
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	(13,140)	56,642	43,502
	<hr/>	<hr/>	<hr/>
Net assets - beginning of year	181,599	-	181,599
	<hr/>	<hr/>	<hr/>
Net assets - end of year	<u>\$ 168,459</u>	<u>\$ 56,642</u>	<u>\$ 225,101</u>

See accompanying notes to financial statements.

**HOMEWORK HOTLINE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Hotline</u>	<u>Management</u>		<u>Expenses</u>
	<u>Operations</u>	<u>and General</u>	<u>Fundraising</u>	
Accounting and legal	\$ -	\$ 2,500	\$ -	\$ 2,500
Advertising	126,785	-	-	126,785
Bank fees	-	29	-	29
Computer hardware and software	2,690	-	-	2,690
Depreciation	2,363	-	-	2,363
Fees and permits	-	295	-	295
Liability insurance	-	500	-	500
Office rent	10,000	-	-	10,000
Office supplies	-	2,567	-	2,567
Personnel expense	255,271	14,469	-	269,740
Postage	842	-	730	1,572
Printing and promotion	6,145	-	810	6,955
School supplies	23,783	-	-	23,783
Student aids	7,059	-	-	7,059
Teacher and volunteer support	2,677	-	-	2,677
Utilities and occupancy	4,403	-	-	4,403
	<u>\$ 442,018</u>	<u>\$ 20,360</u>	<u>\$ 1,540</u>	<u>\$ 463,918</u>

See accompanying notes to financial statements.

**HOMEWORK HOTLINE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Program Services</u>	<u>Supportin</u>		
	<u>Hotline</u>	<u>Manag</u>		
	<u>Operations</u>	<u>and G</u>		
Accounting and legal	\$ -	\$ -	-	6
Advertising	256,925	-	-	2
Bank fees	-	-	-	4,
Computer hardware and software	406	-	-	4,
Contract labor	100	-	-	3,
Depreciation	1,599	-	-	5,
Dues and subscriptions	50	-	-	-
Fees and permits	-	30,457	\$	562,
Liability insurance	-	-	-	-
Office rent	12,000	-	-	-
Office supplies	1,436	-	-	-
Other expense	100	-	-	-
Personnel expense	221,421	-	-	-
Payroll tax	11,001	-	-	-
Postage	1,663	-	-	-
Printing and promotion	6,710	-	-	-
Professional development	551	-	-	-
School supplies	4,915	-	-	-
Student aids	4,039	-	-	-
Teacher and volunteer support	3,987	-	-	-
Travel and mileage	84	-	-	-
Utilities and occupancy	5,232	-	-	-
	<u>\$ 532,219</u>	<u>\$</u>		

See accompanying notes to financial statements

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eneral

Total  
Expenses



	assets		
	ating activities:		
		2,363	1,599
		(614)	(320)
		3,810	915
		31,642	(56,642)
		(1,189)	-
		4,313	229
		40,325	(54,219)
	operating activities	74,874	(10,717)
Cash Flows From Operating Activities:			
Increase in net assets			
		(65,531)	(35,000)
Adjustments to reconcile increase in net		20,000	45,000
to net cash provided by (used in)oper		(20,910)	(2,405)
Depreciation	investing activities	(66,441)	7,595
Reinvested dividends and interest			
Changes in:		8,433	(3,122)
Inventory			
Restricted cash		50,893	54,015
Payroll Liabilities			
Accounts payable		\$ 59,326	\$ 50,893
Total adjustments			
Net cash provided by (used in)			
Cash Flows From Investing Activities:			
Purchase of certificate of deposit			
Sales of certificates of deposit			
Purchase of equipment			
Net cash provided by (used in)			
Net increase (decrease) in cash			
Cash - beginning of year			
Cash - end of year			

ing notes to financial statements.

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IEWORK HOTLINE, INC.  
MENTS OF CASH FLOWS  
S ENDED JUNE 30, 2011 AND 2010

	2011	2010
See accompany	\$ 34,549	\$ 43,502

**HOMEWORK HOTLINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 and 2010**

**NOTE 1 - Nature of Activities**

The terms "we", "us", or "our" are used throughout these notes to the financial statements to identify Homework Hotline, Inc. We are a not-for profit organization which was organized in 1990 in Nashville, Tennessee. Our purpose is to establish, maintain, and staff a call-in telephone program to provide homework assistance to students and their parents in the Middle Tennessee area. We receive most of our revenues in the form of contributions from the general public and from in-kind contributions.

**NOTE 2 - Summary of Significant Accounting Policies**

a. **Basis of Presentation**

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets which are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations which may or will be met, either by our actions and/or the passage of time. Restrictions which are fulfilled in the same accounting period in which the contributions are received are reported in the Statements of Activities as unrestricted. Earnings on temporarily restricted funds are classified as unrestricted net assets. Realized gains and losses on temporarily restricted net assets are also classified as unrestricted net assets.

Permanently restricted net assets - Certain net assets are subject to permanent donor-imposed stipulations and require us to permanently maintain these assets. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

b. **Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, we consider all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents.

c. **Investments**

In 2009, we adopted a new accounting standard relating to the fair market investment valuation. This standard establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. The adoption of the standard had no impact on any asset's financial position or results of operations. The standard applies to all assets and liabilities which are measured and reported on a fair value basis and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability to be carried at fair value be classified into one of the following categories:

Level-1 - Quoted market prices in active markets for identical assets or liabilities

Level-2 - Observable market based inputs or unobservable inputs corroborated by market data

Level-3 - Unobservable inputs which are not corroborated by market data

All of our investments are based on level-1 inputs at the active market price as of June 30, 2011 and 2010.

**HOMEWORK HOTLINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 and 2010**

**NOTE 2 - Summary of Significant Accounting Policies (continued)**

d. Fixed Assets

Equipment is recorded at cost or, if donated, at the estimated fair market value at the date of donation. Purchases or donations of equipment over \$500 are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

e. Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and we are classified as an organization which is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

f. Advertising

Advertising costs are expensed as they are incurred.

g. Functional Allocation of Expenses

The costs of providing program services and supporting services were summarized on a functional basis in the Statements of Activities. Accordingly, certain costs were allocated among the programs and supporting services benefited.

h. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions, which affect certain reported amounts and disclosures. Actual results could differ from those estimates.

i. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

**NOTE 3 - Certificates of Deposit**

At June 30, 2011, we had five certificates of deposit which matured in the next fiscal year.

<u>Bank</u>	<u>Balance at June 30, 2011</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Tennessee Commerce Bank	\$ 15,805	1.59%	November 13, 2011
Tennessee Commerce Bank	15,808	1.79%	November 14, 2011
Tennessee Commerce Bank	15,803	1.59%	November 15, 2011
Tennessee Commerce Bank	35,699	2.18%	March 24, 2014
Tennessee Commerce Bank	20,156	1.44%	October 12, 2012
Pinnacle National Bank	20,375	1.45%	September 23, 2011
Pinnacle National Bank	<u>25,000</u>	1.45%	September 13, 2011
	<u>\$ 148,646</u>		

**HOMEWORK HOTLINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 and 2010**

**NOTE 3 - Certificates of Deposit (continued)**

At June 30, 2010, we had five certificates of deposit which will mature in the next fiscal year.

<u>Bank</u>	<u>Balance at June 30, 2010</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Tennessee Commerce Bank	\$ 15,805	1.25%	November 13, 2011
Tennessee Commerce Bank	15,808	1.25%	November 14, 2011
Tennessee Commerce Bank	15,803	1.25%	November 15, 2011
Tennessee Commerce Bank	35,000	1.98%	March 24, 2011
Charles Schwab NCB Bank	<u>20,085</u>	1.55%	December 17, 2010
	<u>\$ 102,501</u>		

**NOTE 4 - Inventory**

Inventory consists of school supplies, which are given to students in Middle Tennessee. We record in-kind revenues of the school supplies at their estimated fair values and recognize in-kind expenses as the items are donated to students. In-kind revenues differ from in-kind expenses for the year ended June 30, 2011 and 2010, respectively, because donated school supplies were received by us before year-end but were not given to students after June 30, 2011 and 2010, respectively.

**NOTE 5 - Restricted Resources**

During the year ended June 30, 2011 we had several donations in which the donors specified that their contributions were to be used in the next fiscal year to support our programs. We identified a total \$25,000 of these contributions and restricted their use until next fiscal year. There was \$56,642 of donor imposed contributions for the year ended June 30, 2010.

**NOTE 6 - Rent**

We operate our call center from a classroom, which is donated by Metro Public Schools. We recognize in-kind revenue and in-kind expense for rent each month, which is based on the fair value of comparable space in the area.

**NOTE 7 - Contributed Services and Items**

We receive donated items and services from volunteers and organizations, which provide various services. The contributions and the related expenses are recorded at their estimated fair value on the date of receipt. For the year ended June 30, 2011 and 2010, we had in-kind contributions as follows:

	<u>2011</u>	<u>2010</u>
Advertising	\$ 126,785	\$ 256,925
Office Equipment	367	230
Salaries	95,000	80,000
School Supplies (Note 4)	19,973	4,000
Rent (Note 6)	<u>10,000</u>	<u>12,000</u>
	<u>\$ 252,125</u>	<u>\$ 353,155</u>

**HOMEWORK HOTLINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 and 2010**

**NOTE 8 - Subsequent Events**

We have evaluated events subsequent to the year ending June 30, 2011. As of January 3, 2012, the date which the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended June 30, 2011.