

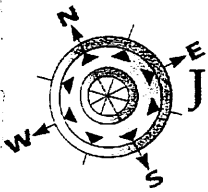
**Homework Hotline, Inc.**

**Financial Statements  
and Independent Auditor's Report**

**Years Ended June 30, 2006 and 2005**

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**Jeffery N. Solomon**  
Certified Public Accountant

## Independent Auditor's Report

To the Board of Directors of,  
Homework Hotline, Inc.

I have audited the accompanying statements of financial position of Homework Hotline, Inc. (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homework Hotline, Inc. as of June 30, 2006 and 2005, 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.

*Jeffery N. Solomon, CPA*

November 3, 2006

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**Homework Hotline, Inc.**  
**Statement of Financial Position**  
**Years Ended June 30, 2006 and 2005**

**ASSETS**

	<b>2006</b>	<b>2005</b>
<b>Current Assets:</b>		
Cash	\$ 41,585	\$ 36,383
Certificates of deposit	46,873	46,223
Total Current Assets	88,458	82,606
 <b>Property and Equipment</b>		
Equipment	23,916	23,916
Less: Accumulated depreciation	(21,304)	(18,932)
	2,612	4,984
<b>Total Assets</b>	<b>\$ 91,070</b>	<b>\$ 87,590</b>

**NET ASSETS**

Unrestricted net assets	\$ 85,670	\$ 82,190
Temporarily restricted net assets	5,400	5,400
<b>Total Net Assets</b>	<b>\$ 91,070</b>	<b>\$ 87,590</b>

**Homework Hotline, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue:</b>			
In-kind contributions	\$254,444	\$0	\$254,444
Contributions	110,161	5,400	115,561
Interest income	1,087	0	1,087
Net assets- released from restrictions	5,400	(5,400)	0
<b>Total revenue</b>	<b>371,092</b>	<b>0</b>	<b>371,092</b>
<b>Expenses:</b>			
Program services	356,262	0	356,262
Management and general	11,350	0	11,350
<b>Total expenses</b>	<b>367,612</b>	<b>0</b>	<b>367,612</b>
<b>Change in net assets</b>	<b>3,480</b>	<b>0</b>	<b>3,480</b>
<b>Net assets beginning of year</b>	<b>82,190</b>	<b>5,400</b>	<b>87,590</b>
<b>Net assets end of year</b>	<b>\$85,670</b>	<b>\$5,400</b>	<b>\$91,070</b>

**Homework Hotline, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue:</b>			
In-kind contributions	\$183,318	\$0	\$183,318
Contributions	79,799	5,400	85,199
Interest income	1,154	0	1,154
Net assets- released from restrictions	14,050	(14,050)	0
<b>Total revenue</b>	<b>278,321</b>	<b>(8,650)</b>	<b>269,671</b>
<b>Expenses:</b>			
Program services	261,043	0	261,043
Management and general	11,350	0	11,350
<b>Total expenses</b>	<b>272,393</b>	<b>0</b>	<b>272,393</b>
<b>Change in net assets</b>	<b>5,928</b>	<b>(8,650)</b>	<b>(2,722)</b>
<b>Net assets beginning of year</b>	<b>76,262</b>	<b>14,050</b>	<b>90,312</b>
<b>Net assets end of year</b>	<b>\$82,190</b>	<b>\$5,400</b>	<b>\$87,590</b>

**Homework Hotline, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2006**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$69,343	\$9,750	\$79,093
In-kind teachers' salaries	71,649	0	71,649
Telephone	4,834	0	4,834
In-kind rent	2,400	0	2,400
Printing and promotion	7,428	0	7,428
Insurance	1,217	0	1,217
In-kind advertising	179,645	0	179,645
Payroll taxes	6,051	0	6,051
Depreciation	2,372	0	2,372
Legal and accounting	0	1,600	1,600
Professional development	6,390	0	6,390
In-kind bookkeeping	750	0	750
Scholarships and awards	1,000	0	1,000
Educational resources	262	0	262
Permits and licenses	150	0	150
Miscellaneous	554	0	554
Office expense	2,217	0	2,217
	<u>\$356,262</u>	<u>\$11,350</u>	<u>\$367,612</u>

**Homework Hotline, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2005**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$54,361	\$9,750	\$64,111
In-kind teachers' salaries	30,283	0	30,283
Telephone	2,223	0	2,223
In-kind rent	2,400	0	2,400
Printing and promotion	4,170	0	4,170
Insurance	630	0	630
In-kind advertising	149,885	0	149,885
Payroll taxes	4,882	0	4,882
Depreciation	2,503	0	2,503
Legal and accounting	0	1,600	1,600
Professional development	5,341	0	5,341
In-kind bookkeeping	750	0	750
Scholarships and awards	2,250	0	2,250
Educational resources	128	0	128
Miscellaneous	17	0	17
Office expense	1,220	0	1,220
	<u>\$261,043</u>	<u>\$11,350</u>	<u>\$272,393</u>



**Homework Hotline, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2006**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 3,480
Adjustments to reconcile increase in net assets to net cash provided/used by operating activities	
Depreciation	2,372
Adjustment to certificate of deposit value	<u>(650)</u>
Net cash provided by operating activities	<u>5,202</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net cash used by investing activities	0
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net cash used by financing activities	<u>0</u>
<b>Net Increase (Decrease) in Cash</b>	5,202
<b>Beginning Cash</b>	<u>36,383</u>
<b>Ending Cash Balance</b>	<u><u>\$ 41,585</u></u>

**Homework Hotline, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2005**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>Decrease in net assets</b>	\$ (2,722)
Adjustments to reconcile decrease in net assets to net cash provided/used by operating activities	
Depreciation	2,503
Adjustment to certificate of deposit value	<u>(1,153)</u>
Net cash used by operating activities	<u>(1,372)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net cash used by investing activities	0
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net cash used by financing activities	<u>0</u>
<b>Net Increase (Decrease) in Cash</b>	(1,372)
<b>Beginning Cash</b>	<u>37,755</u>
<b>Ending Cash Balance</b>	<u><u>\$ 36,383</u></u>

**Homework Hotline, Inc.**  
**Notes to Financial Statements**  
**For the year ended June 30, 2006 and 2005**

**Note A- Summary of Nature of Activities and Significant Accounting Policies**

Nature of Activities

Homework Hotline, Inc. (the Organization) is a not-for-profit corporation organized in Nashville, Tennessee in 1990. The purpose of the Organization 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash. Certificates of deposit as of June 30, 2005 provide for an interest rate of 3.25% and matured November 2005. Three certificates of deposit as of June 30, 2006 provide for an interest rate of 4.80%, 4.55%, and 4.89% and mature May 2007, November 2006, and November 2007 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

All acquisitions of property and equipment are stated at cost while donated equipment is stated at its fair market value on the date of receipt. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2006 and 2005 was \$2,372 and \$2,503 respectively.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than private foundation.

Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets in the amount of \$5,400 were available for subsequent periods for years ended June 30, 2006 and 2005.

**Homework Hotline, Inc.**  
**Notes to Financial Statements**  
(Continued)

Contributions

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor imposed restrictions.

In-kind Contributions

In-kind contributions and the related expenses are recorded at their estimated fair market value on the date of receipt. For the years ended June 30, 2006 and 2005 in-kind contributions consisted of the following:

	<u>2006</u>	<u>2005</u>
WTVF Promotional Announcements	\$ 179,645	\$ 149,885
Teachers' Salaries	71,649	30,283
Rent	2,400	2,400
Bookkeeping	<u>750</u>	<u>750</u>
	<u>\$ 254,444</u>	<u>\$ 183,318</u>

**Note B- Expense Allocation**

Functional Expenses

The costs of providing the organization's primary program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program expenses and management and general expenses. Management uses the direct cost allocation method to allocate cost among the functional areas.

**Note C- Concentrations**

The Organization received \$179,645 from WTVF for advertising and \$71,649 from Metro Nashville Public School System for teachers' salaries for the year ending June 30, 2006. For the year ended June 30, 2005 WTVF advertising donations were \$149,885 and Nashville Public School System teacher salary donations were \$30,283. Both donations were in the form of in-kind donations. If a significant reduction in this level of support were to occur, the Organization's programs and services could be adversely impacted.