

HOMEWORK HOTLINE, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Homework Hotline, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2021, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brown & Maguire CPAs, PLLC

Brown & Maguire CPAs, PLLC
Nashville, Tennessee
January 21, 2022

HOMEWORK HOTLINE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021

ASSETS

Current Assets:

Cash – operating	\$ 285,300
Accounts receivable, net	1,644
Inventory	7,075
Prepaid expense	<u>326</u>
Total current assets	<u>294,345</u>

Fixed Assets:

Equipment	68,710
Leasehold improvements	10,372
Computer software	35,906
Less: accumulated depreciation	<u>(110,460)</u>
Total fixed assets, net	<u>4,528</u>

Other Non-Current Assets:

Fixed annuity contract, held-to-maturity, at contract value	150,000
Accrued fixed annuity contract interest income	<u>586</u>
Total fixed assets, net	<u>150,586</u>

Total assets	<u>\$ 449,459</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ -
Accrued expenses	<u>3,223</u>
Total current liabilities	<u>3,223</u>

Net Assets:

Without donor restrictions	446,236
With donor restrictions	<u>-</u>
Total net assets	<u>446,236</u>

Total liabilities and net assets	<u>\$ 449,459</u>
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The accompanying notes are an integral part of these financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions.....	\$ 306,868	\$ -	\$ 306,868
In-kind.....	140,244	-	140,244
Special even, net of direct expenses of \$169.....	3,268	-	3,268
Interest.....	586	-	586
Net assets released from restrictions	55,000	(55,000)	-
Total support and revenue.....	<u>505,966</u>	<u>(55,000)</u>	<u>450,966</u>
Expenses			
Program services	347,064	-	347,064
Management and general	59,419	-	59,419
Fundraising.....	16,840	-	16,840
Total expenses.....	<u>423,323</u>	<u>-</u>	<u>423,323</u>
Change in net assets.....	82,643	(55,000)	27,643
Net assets at beginning of year.....	<u>363,593</u>	<u>55,000</u>	<u>418,593</u>
Net assets at end of year	<u>\$ 446,236</u>	<u>\$ -</u>	<u>\$ 446,236</u>

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

HOMEWORK HOTLINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>			<u>Total</u>
	<u>Hotline Operations</u>	<u>Management and General</u>	<u>Fundraising</u>	
Advertising	\$ 6,780	\$ -	\$ -	\$ 6,780
Bank fees	-	64	-	64
Computer hardware and software	4,377	-	-	4,377
Depreciation	10,953	-	-	10,953
Dues and subscriptions	1,128	-	-	1,128
Fundraising, printing and postage	-	-	887	887
Licenses and fees	-	5,041	-	5,041
Insurance	-	1,472	-	1,472
Miscellaneous	540	-	-	540
Occupancy	30,889	-	-	30,889
Office supplies	-	408	-	408
Payroll	255,253	47,860	15,953	319,066
Postage	1,549	-	-	1,549
Printing	12,973	-	-	12,973
Professional fees	-	4,574	-	4,574
Program supplies	3,548	-	-	3,548
School supplies	7,110	-	-	7,110
Travel	2,226	-	-	2,226
Telephone	9,738	-	-	9,738
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 347,064</u>	<u>\$ 59,419</u>	<u>\$ 16,840</u>	<u>\$ 423,323</u>

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

HOMEWORK HOTLINE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Increase in net assets	\$ 27,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,953
Increase in accounts receivable	(1,644)
Decrease in unconditional promises to give	55,000
Decrease in inventory	57
Increase in prepaid expense	(326)
Decrease in accounts payable and accrued expenses	<u>(2,410)</u>
Net cash provided by operating activities	<u>89,273</u>
 Cash flows from investing activities:	
Investment in fixed annuity contract	(150,000)
Increase in accrued fixed annuity contract interest income	<u>(586)</u>
Net cash used in investing activities	<u>(150,586)</u>
 Cash flows from financing activities:	
Net cash provided by (used in) financing activities	<u>-</u>
Net decrease in cash and cash equivalents	(61,313)
Cash and cash equivalents, at beginning of the period	<u>346,613</u>
Cash and cash equivalents, at end of the period	<u>\$ 285,300</u>
 Cash paid for interest	 <u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>

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

HOMEWORK HOTLINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

1. Description of the Organization and Summary of Significant Accounting Policies

Homework Hotline, Inc. (the “Organization”) is a not-for-profit organization, which was organized in 1990 in Nashville, Tennessee. The Organization’s purpose is to establish, maintain and staff call-in telephone programs to provide tutoring to students and their parents in Tennessee. The Organization receives a substantial portion of its revenues in the form of contributions from the general public and in-kind contributions.

Basis of Presentation

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

Contributions and Support

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property and Depreciation

Property and equipment are recorded at cost or at fair value as of the date purchased or contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated lives of the respective assets ranging from three to seven years.

Investments Held-To-Maturity

In March 2021 the Organization invested in a fixed annuity contract, which offers a fixed interest rate for a period of three years. The fixed annuity contract matures in March 2024. The investment in the fixed annuity contract, which the Organization has the positive intent and ability to hold to maturity, was classified as held-to-maturity and reported at amortized cost in the statement of financial position.

HOMEWORK HOTLINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Additionally, a number of unpaid volunteers have made significant contributions of their time to assist in tutoring, fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

Income Taxes

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Additionally, as of June 30, 2021, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Organization is no longer subject to examination by federal and state taxing authorities for tax years ending prior to the tax year ended June 30, 2018.

Program and Supporting Services

The following program and supporting services were included in the accompanying financial statements.

Program Services—Includes activities carried out to fulfill the Organization's mission to establish, maintain and staff call-in telephone programs to provide tutoring to students and their parents in Tennessee.

Management and General—Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising—Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and support services based on estimates by management.

HOMEWORK HOTLINE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

Advertising Costs

Advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments

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

2. Inventory

Inventory consists of school supplies, which are given to students in Middle Tennessee. The Organization records in-kind revenues for the school supplies at their estimated fair market values at the time of donation and recognizes in-kind expense as the items are donated to students. In-kind revenues differ from in-kind expenses for the year ended June 30, 2021 because donated school supplies that were received by the Organization before June 30, 2020 were given to students during the year ended June 30, 2021.

3. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended June 30, 2021 were as follows:

	Beginning of Year	Restricted Contributions	Released from Restriction	End of Year
Program services...	\$ 55,000	\$ -	\$ (55,000)	\$ -
	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ (55,000)</u>	<u>\$ -</u>

HOMEWORK HOTLINE, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

4. Contributed Services and Items

The Organization receives donated items and services from volunteers and organizations, which provide various services. The contributions and related expenses were recorded at their estimated fair market value on the date of receipt. The related expenses were included in statement of functional expenses. For the year ended June 30, 2021, the Organization received in-kind contributions as follows:

Payroll.....	\$	93,496
Rent.....		30,889
Advertising		6,780
School supplies		9,079
		\$ 140,244

5. Rent

The Organization operates its call center from a classroom, which is donated by Metro Public Schools. The Organization recognizes in-kind revenue and in-kind expense for rent each month, which is based on the fair market value of comparable space in the area.

6. Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of June 30, 2021, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Cash and cash equivalents.....	\$	285,300
Less: Donor restricted net assets.....		-
Financial assets available to meet cash needs for general expenditures within one year.....		\$ 285,300

As part of the Organization’s liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

HOMEWORK HOTLINE, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

7. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this Accounting Standards Update (“ASU”) supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of ASU 2016-02 is not expected to have an impact on the Organization’s financial statements.

8. Uncertainties

In March 2020, the novel coronavirus (or “COVID-19”) was deemed a global pandemic by the World Health Organization. COVID-19 has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. The resulting regulations instituted across the United States to curb COVID-19 have resulted in a significant change in the operation of many businesses, including having directly impacted operations of the Organization. The implications of COVID-19 to the Organization’s operations are still being evaluated and the duration and intensity of its impact is uncertain.

9. Subsequent Events

The Organization has evaluated all events or transactions that occurred after June 30, 2021, through January 21, 2022, the date these financial statements were issued. During this period the Organization did not have any material recognizable events that required recognition in the disclosures to the June 30, 2021 financial statements.
