

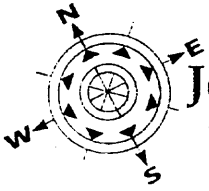
Homework Hotline, Inc.

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

Year Ended June 30, 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 statement of financial position of Homework Hotline, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

I conducted my audit 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 audit provides 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, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Jeffery N. Solomon, CPA
November 10, 2005

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**Homework Hotline, Inc.
Statement of Financial Position
Year Ended June 30, 2005**

ASSETS

Current Assets:

| | |
|-------------------------|---------------|
| Cash | \$ 36,383 |
| Certificates of deposit | 46,223 |
| Total Current Assets | <u>82,606</u> |

Property and Equipment

| | |
|--------------------------------|--------------|
| Equipment | 23,916 |
| Less: Accumulated depreciation | (18,932) |
| | <u>4,984</u> |

Total Assets \$ 87,590

NET ASSETS

| | |
|-----------------------------------|-------------------------|
| Unrestricted net assets | \$ 82,190 |
| Temporarily restricted net assets | 5,400 |
| | <u>87,590</u> |
| Total Net Assets | <u><u>\$ 87,590</u></u> |

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

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------|
| Revenue: | | | |
| 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 |
| Total revenue | 278,321 | (8,650) | 269,671 |
| Expenses: | | | |
| Program services | 261,043 | 0 | 261,043 |
| Management and general | 11,350 | 0 | 11,350 |
| Total expenses | 272,393 | 0 | 272,393 |
| Change in net assets | 5,928 | (8,650) | (2,722) |
| Net assets beginning of year | 76,262 | 14,050 | 90,312 |
| Net assets end of year | \$82,190 | \$5,400 | \$87,590 |

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, 2005

| | |
|--|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Decrease in net assets | \$ (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> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Net cash used by investing activities | 0 |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Net cash used by financing activities | <u>0</u> |
| Net Increase (Decrease) in Cash | (1,372) |
| Beginning Cash | <u>37,755</u> |
| Ending Cash Balance | <u><u>\$ 36,383</u></u> |

Homework Hotline, Inc.
Notes to Financial Statements
For the year ended June 30, 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 mature on November 2005.

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 period was \$2,503.

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 are available for subsequent periods.

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 year ended June 30, 2005 in-kind contributions consisted of the:

| | |
|--------------------------------|------------------|
| WTVF Promotional Announcements | \$149,885 |
| Teachers' Salaries | 30,283 |
| Rent | 2,400 |
| Bookkeeping | <u>750</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 \$149,885 from WTVF for advertising and \$30,283 from Metro Nashville Public School System for teachers' salaries. 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.