

2013
Financial Statements
With
Auditor's Letters

HOMEWORK HOTLINE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013 and 2012

(With Independent Auditor's Report Thereon)

HOMEWORK HOTLINE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Homework Hotline, Inc.

We have audited the accompanying financial statements of Homework Hotline, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's 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 Homework Hotline, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

August 29, 2013

HOMWORK HOTLINE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 167,573	\$ 158,578
Certificates of deposit	-	46,034
Prepaid insurance	1,237	-
Inventory	8,781	8,319
Total current assets	<u>177,591</u>	<u>212,931</u>
Fixed Assets:		
Equipment	64,691	58,669
Leasehold improvements	3,801	2,405
	<u>68,492</u>	<u>61,074</u>
Less: accumulated depreciation	<u>(44,097)</u>	<u>(36,732)</u>
	<u>24,395</u>	<u>24,342</u>
Assets Whose Use is Limited:		
Cash	<u>40,000</u>	<u>69,500</u>
	<u>\$ 241,986</u>	<u>\$ 306,773</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	<u>\$ 3,016</u>	<u>\$ -</u>
Total current liabilities	<u>3,016</u>	<u>-</u>
Net Assets:		
Unrestricted	198,970	237,273
Temporarily restricted	40,000	69,500
	<u>238,970</u>	<u>306,773</u>
	<u>\$ 241,986</u>	<u>\$ 306,773</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 182,263	\$ 40,000	\$ 222,263
Special events	21,870	-	21,870
Net assets released from restricted	<u>69,500</u>	<u>(69,500)</u>	<u>-</u>
Total public support	<u>273,633</u>	<u>(29,500)</u>	<u>244,133</u>
Revenue:			
In-kind	240,518	-	240,518
Investment income	<u>671</u>	<u>-</u>	<u>671</u>
Total revenue	<u>241,189</u>	<u>-</u>	<u>241,189</u>
Total public support and revenue	<u>514,822</u>	<u>(29,500)</u>	<u>485,322</u>
Expenses:			
Program services	530,410	-	530,410
Management and general	21,938	-	21,938
Fundraising	<u>777</u>	<u>-</u>	<u>777</u>
Total expenses	<u>553,125</u>	<u>-</u>	<u>553,125</u>
Decrease in net assets	(38,303)	(29,500)	(67,803)
Net assets - beginning of year	<u>237,273</u>	<u>69,500</u>	<u>306,773</u>
Net assets - end of year	<u>\$ 198,970</u>	<u>\$ 40,000</u>	<u>\$ 238,970</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 173,348	\$ 69,500	\$ 242,848
Special events	20,928	-	20,928
Net assets released from restricted	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Total public support	<u>219,274</u>	<u>44,500</u>	<u>263,774</u>
Revenue:			
In-kind	309,735	-	309,735
Investment income	<u>2,015</u>	<u>-</u>	<u>2,015</u>
Total revenue	<u>311,750</u>	<u>-</u>	<u>311,750</u>
Total public support and revenue	<u>531,024</u>	<u>44,500</u>	<u>575,524</u>
Expenses:			
Program services	507,388	-	507,388
Management and general	19,902	-	19,902
Fundraising	<u>1,111</u>	<u>-</u>	<u>1,111</u>
Total expenses	<u>528,401</u>	<u>-</u>	<u>528,401</u>
Increase in net assets	2,623	44,500	47,123
Net assets - beginning of year	<u>234,650</u>	<u>25,000</u>	<u>259,650</u>
Net assets - end of year	<u>\$ 237,273</u>	<u>\$ 69,500</u>	<u>\$ 306,773</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Hotline</u>	<u>Management</u>		<u>Total</u>
	<u>Operations</u>	<u>and General</u>	<u>Fundraising</u>	<u>Expenses</u>
Accounting and legal	\$ -	\$ 2,750	\$ -	\$ 2,750
Advertising	128,513	-	-	128,513
Bank fees	-	45	-	45
Computer hardware and software	1,238	-	-	1,238
Contract labor	1,296	-	-	1,296
Depreciation	7,365	-	-	7,365
Dues and subscriptions	125	-	-	125
Fees and permits	-	250	-	250
Liability insurance	-	178	-	178
Office equipment	942	-	-	942
Office rent	14,300	-	-	14,300
Office supplies	-	6,268	-	6,268
Personnel expense	342,643	12,447	-	355,090
Postage	6,035	-	362	5,397
Printing and promotion	5,796	-	415	6,211
School supplies	1,911	-	-	1,911
Student aids	8,040	-	-	8,040
Teacher and volunteer support	4,942	-	-	4,942
Travel and mileage	1,431	-	-	1,431
Utilities and occupancy	6,833	-	-	6,833
	<u>\$ 530,410</u>	<u>\$ 21,938</u>	<u>\$ 777</u>	<u>\$ 553,125</u>

See accompanying notes to financial statements.

HOMWORK HOTLINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u> <u>Expenses</u>
	<u>Hotline</u> <u>Operations</u>		<u>Management</u> <u>and General</u>	<u>Fundraising</u>	
Accounting and legal	\$ -		\$ 2,625		\$ 2,625
Advertising	211,967		-		211,967
Bank fees	-		153		153
Computer hardware and software	2,257		-		2,257
Contract labor	150		-		150
Depreciation	6,164		-		6,164
Dues and subscriptions	150		-		150
Fees and permits	-		250		250
Liability Insurance	-		500		500
Office equipment	159		-		159
Office rent	10,000		-		10,000
Office supplies	-		1,905		1,905
Personnel expense	254,327		14,469		268,796
Postage	3,130		-	704	3,834
Printing and promotion	6,307		-	407	6,714
School supplies	2,754		-		2,754
Student aids	3,500		-		3,500
Teacher and volunteer support	3,775		-		3,775
Travel and mileage	270		-		270
Utilities and occupancy	2,478		-		2,478
	<u>\$ 507,388</u>		<u>\$ 19,902</u>	<u>\$ 1,111</u>	<u>\$ 528,401</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	<u>\$ (67,803)</u>	<u>\$ 47,123</u>
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	7,365	6,164
Reinvested dividends and interest	(231)	(660)
Donated inventory	(462)	(4,662)
Changes in:		
Inventory	-	(882)
Prepaid insurance	(1,237)	
Restricted cash	29,500	(44,500)
Payroll liabilities	-	-
Accounts payable	<u>3,016</u>	<u>(4,313)</u>
Total adjustments	<u>37,951</u>	<u>(48,853)</u>
Net cash used in operating activities	<u>(29,852)</u>	<u>(1,730)</u>
Cash Flows From Investing Activities:		
Proceeds from certificates of deposit	46,265	103,272
Purchase of equipment	<u>(7,418)</u>	<u>(2,290)</u>
Net cash provided by investing activities	<u>38,847</u>	<u>100,982</u>
Net increase in cash	8,995	99,252
Cash - beginning of year	<u>158,578</u>	<u>59,326</u>
Cash - end of year	<u>\$ 167,573</u>	<u>\$ 158,578</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

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 call-in telephone programs to provide tutoring to students and their parents in Tennessee. 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. There are no cash equivalents at June 30, 2013, and 2012.

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. We are no longer subject to examination by U.S. federal and state taxing authorities for years before 2009. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

f. **Advertising**

Advertising costs are expensed as they are incurred.

HOMEWORK HOTLINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

NOTE 2 - Summary of Significant Accounting Policies (continued)

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, 2012, we had two certificates of deposit:

<u>Bank</u>	<u>Balance at June 30, 2012</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Pinnacle National Bank	\$ 20,374	0.50%	September 13, 2012
Pinnacle National Bank	<u>25,000</u>	1.50%	September 23, 2012
	<u>\$ 46,034</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 years ended June 30, 2013 and 2012, respectively, because donated school supplies were received by us before year-end but were not given to students until after June 30, 2013 and 2012, respectively.

NOTE 5 - Restricted Resources

During the years ended June 30, 2013 and 2012, we had several donations in which the donors specified that their contributions were to be used in the next fiscal year to support our call-in program. For the years ended June 30, 2013 and 2012, we identified a total \$40,000 and \$69,500, respectively, of these contributions and restricted their use until next fiscal year.

HOMEWORK HOTLINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

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. The related expenses are included in their natural account on the Statement of Functional Expenses. For the years ended June 30, 2013 and 2012, we received in-kind contributions as follows:

	<u>2013</u>	<u>2012</u>
Advertising	\$ 128,513	\$ 211,967
Office equipment	332	352
Personnel expense	95,000	80,000
School supplies (Note 4)	2,373	7,416
Rent (Note 6)	<u>14,300</u>	<u>10,000</u>
	<u>\$ 240,518</u>	<u>\$ 309,735</u>

NOTE 8 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2013. As of August 29, 2013, the date which the financial statements were available to be issued, no events subsequent to the Statements of Financial Position date are considered necessary to be included in the financial statements for the year ended June 30, 2013.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

August 29, 2013

To the Board of Directors
Homework Hotline, Inc.

We have audited the financial statements of Homework Hotline, Inc. for the year ended June 30, 2013, and have issued our report thereon dated August 29, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Homework Hotline, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimates of the allocations of functional expenses between program, management and general and fundraising expenses are based on management's judgment relating to the underlying invoices to support the expense. We evaluated the key factors and assumptions used to develop the allocation of the functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

There were no particularly sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and management of Homework Hotline, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Hande & Bellentone