

HOMEWORK HOTLINE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2009

(With Independent Auditor's Report Thereon)

HOMEWORK HOTLINE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2009

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Charles Akersloot, III
Lisa L. Patterson
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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 nonprofit organization) as of June 30, 2009, 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. 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 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. We believe that our audit provides 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, 2009, 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.

APH, CPAs

August 24, 2009

HOMEWORK HOTLINE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets:		
Cash and cash equivalents	\$ 54,015	
Certificates of deposit	112,181	
Inventory	<u>7,500</u>	
Total current assets		\$ 173,696
Equipment:		
Equipment	35,469	
Less: accumulated depreciation	<u>(26,606)</u>	
		<u>8,863</u>
		<u>\$ 182,559</u>

LIABILITY AND NET ASSETS

Current Liability:		
Accounts payable	\$ 455	
Payroll liabilities	<u>505</u>	
Total current liability		\$ 960
Net Assets:		
Unrestricted	<u>181,599</u>	
		<u>181,599</u>
		<u>\$ 182,559</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenues:			
Public Support:			
Contributions	\$ 144,177	\$ -	\$ 144,177
Grant revenue	10,000	-	10,000
Total public support	<u>154,177</u>	<u>-</u>	<u>154,177</u>
Revenues:			
In-kind revenue	124,960	-	124,960
Investment income	3,351	-	3,351
Net assets released from restrictions	12,500	(12,500)	-
Total revenues	<u>140,811</u>	<u>(12,500)</u>	<u>128,311</u>
Total public support and revenue	<u>294,988</u>	<u>(12,500)</u>	<u>282,488</u>
Expenses:			
Program services:			
Hotline operations	241,839	-	241,839
Total program services	<u>241,839</u>	<u>-</u>	<u>241,839</u>
Supporting Services:			
General and administrative	11,499	-	11,499
Total supporting services	<u>11,499</u>	<u>-</u>	<u>11,499</u>
Total program and supporting expenses	<u>253,338</u>	<u>-</u>	<u>253,338</u>
Increase in net assets	41,650	(12,500)	29,150
Net assets - beginning of year	<u>139,949</u>	<u>12,500</u>	<u>152,449</u>
Net assets - end of year	<u>\$ 181,599</u>	<u>\$ -</u>	<u>\$ 181,599</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	<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>	
Salaries and wages	\$ 172,946	\$ 6,347	\$ 179,293
Payroll tax expense	7,477	635	8,112
Advertising	25,643	-	25,643
Depreciation	2,104	-	2,104
Insurance	577	-	577
Legal and audit	-	2,000	2,000
Licenses and permits	-	303	303
Miscellaneous	83	-	83
Postage and delivery	1,039	-	1,039
Printing and reproduction	9,060	-	9,060
Professional development	195	-	195
Rent expense	8,228	-	8,228
Scholarships	1,000	-	1,000
School supplies	2,848	-	2,848
Office supplies	-	2,214	2,214
Teacher support	6,444	-	6,444
Telephone	4,195	-	4,195
	<u>\$ 241,839</u>	<u>\$ 11,499</u>	<u>\$ 253,338</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities:		\$ 29,150
Increase in net assets		
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 2,104	
Donated inventory	(7,500)	
Donated equipment	(7,730)	
Unrealized loss on investments	197	
Changes in:		
Accounts payable	455	
Payroll liabilities	<u>166</u>	
Total adjustments		<u>(12,308)</u>
Net cash provided by operating activities		16,842
Cash Flows from Investing Activities:		
Purchase of investments	(64,962)	
Purchase of equipment	<u>(1,152)</u>	
Net cash used in investing activities		<u>(66,114)</u>
Net decrease in cash and cash equivalents		(49,272)
Cash and cash equivalents - beginning of year		<u>103,287</u>
Cash and cash equivalents - end of year		<u>\$ 54,015</u>

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - Summary of Significant Accounting Policies

a. **Nature of Activities**

Homework Hotline, Inc. is a not-for profit organization that was organized in 1990 in Nashville, Tennessee. The Organization's 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. The Organization receives most of its revenues in the form of contributions from the general public and from in-kind contributions.

b. **Basis of Presentation**

The accompanying financial statements have been 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, net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement 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 - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. **Cash and Cash Equivalents**

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

d. **Equipment**

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**

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that 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.

HOMEWORK HOTLINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - Summary of Significant Accounting Policies (continued)

f. **Advertising**

Advertising costs are expensed as they are incurred.

g. **Functional Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been 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 management to make estimates and assumptions that 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 the current liability approximate fair values due to the short maturities of these instruments.

NOTE 2 - Certificates of Deposit

At January 31, 2009, the Company had three certificates of deposit that will mature in the next fiscal year. One certificate of deposit held at Tennessee Commerce Bank had an original maturity date of 90 days and has been reported as a cash equivalent.

<u>Bank</u>	<u>Balance at June 30, 2009</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Tennessee Commerce Bank	\$ 15,805	3.65%	November 13, 2009
Tennessee Commerce Bank	15,808	4.07%	November 15, 2010
Tennessee Commerce Bank	15,803	2.37%	November 15, 2009
Charles Schwab (Various)	<u>64,765</u>	Various	Various
	<u>\$ 112,181</u>		

NOTE 3 - Inventory

Inventory consists of school supplies that are given to students in Middle Tennessee. The Organization records in-kind revenues of the school supplies at their estimated fair values and recognizes in-kind expenses as the items are donated to students. In-kind revenues differ from in-kind expenses for the year ended June 30, 2009, because donated backpacks and briefcases were received by the Organization before year-end but were not given to students after June 30, 2009. See Note 5.

HOMEWORK HOTLINE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - Rent

The Organization operates its call center from a classroom that is donated by Metro Public Schools. The Organization recognizes in-kind revenue and in-kind expense for rent each month that is based on the fair value of comparable space in the area. See Note 5.

NOTE 5 - Contributed Services and Items

The Organization receives 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, 2009, the Organization had in-kind contributions as follows:

Advertising	\$ 25,643
Inventory	7,500
Office Equipment	7,730
Salaries	73,011
School Supplies	2,848
Rent	<u>8,228</u>
	<u>\$ 124,960</u>

NOTE 6 - Subsequent Events

The Organization has evaluated events subsequent to the year ending June 30, 2009. As of September 14, 2009, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2009.