2010

AUDIT

HOMEWORK HOTLINE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010 and 2009

(With Independent Auditor's Report Thereon)

HOMEWORK HOTLINE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

CONTENTS

APH CPAs
Charles Akersloot, III
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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 non-profit organization) as of June 30, 2010 and 2009, 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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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, 2010 and 2009, 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.

APH CPAs

November 9, 2010

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HOMEWORK HOTLINE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
Current Assets:		
Cash and cash equivalents	$ 50,893	$ 54,015
Certificates of deposit	102,501	112,181
Inventory	6,585	7,500
Total current assets	159,979	173,696
Fixed Assets:		
Equipment	35,469	35,469
Leasehold improvements	2,405	-
	37,874	35,469
Less: accumulated depreciation	(28,205)	(26,606)
	9,669	8,863
Assets Whose Use is Limited:		
Cash and cash equivalents	56,642	-
	$ 226,290	$ 182,559

LIABILITIES AND NET ASSETS

	2010	2009
Current Liabilities:		
Accounts payable	$ -	$ 455
Payroll liabilities	1,189	505
Total current liabilities	1,189	960
Net Assets:		
Unrestricted	168,459	181,599
Temporarily restricted	56,642	-
	225,101	181,599
	$ 226,290	$ 182,559

See accompanying notes to the financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Public support:			
Contributions	$ 181,462	$ 56,642	$ 238,104
Grant Revenue	12,049	-	12,049
Total public support	193,511	56,642	250,153
Revenue:			
In-kind	353,155	-	353,155
Investment income	2,860	-	2,860
Miscellaneous income	10	-	10
Total revenue	356,025	-	356,025
Total public support and revenue	549,536	56,642	606,178
Expenses:			
Program services	532,219	-	532,219
Management and general	30,457	-	30,457
Total expenses	562,676	-	562,676
Increase (decrease) in net assets	(13,140)	56,642	43,502
Net assets - beginning of year	181,599	-	181,599
Net assets - end of year	$ 168,459	$ 56,642	$ 225,101

See accompanying notes to financial statements.

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

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Public support:			
Contributions	$ 144,177	$ -	$ 144,177
Grant Revenue	10,000	-	10,000
Total public support	154,177	-	154,177
Revenue:			
In-kind	124,960	-	124,960
Investment income	3,351	-	3,351
Net assets released from restriction	12,500	(12,500)	-
Total revenue	140,811	(12,500)	128,311
Total public support and revenue	294,988	(12,500)	282,488
Expenses:			
Program services	241,839	-	241,839
Management and general	11,499	-	11,499
Total expenses	253,338	-	253,338
Increase (decrease) in net assets	41,650	(12,500)	29,150
Net assets - beginning of year	139,949	12,500	152,449
Net assets - end of year	$ 181,599	$ -	$ 181,599

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services	Supporting Services	
	Hotline Operations	Management and General	Total Expenses
Accounting and legal	$ -	$ 2,000	$ 2,000
Advertising	256,925	-	256,925
Bank fees	-	20	20
Computer hardware and software	406	-	406
Contract labor	100	-	100
Depreciation	1,599	-	1,599
Dues and subscriptions	50	-	50
Fees and permits	-	220	220
Liability insurance	-	1,000	1,000
Office rent	12,000	-	12,000
Office supplies	1,436	500	1,936
Other expense	100	-	100
Personnel expense	221,421	24,818	246,239
Payroll tax	11,001	1,899	12,900
Postage	1,663	-	1,663
Printing and promotion	6,710	-	6,710
Professional development	551	-	551
School supplies	4,915	-	4,915
Student aids	4,039	-	4,039
Teacher and volunteer support	3,987	-	3,987
Travel and mileage	84	-	84
Utilities and occupancy	5,232	-	5,232
	$ 532,219	$ 30,457	$ 562,676

See accompanying notes to financial statements.

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

	Program Services	Supporting Services	
	Hotline Operations	Management and General	Total Expenses
Accounting and legal	$ -	$ 2,000	$ 2,000
Advertising	25,643	-	25,643
Bank fees	-	-	-
Computer hardware and software	-	-	-
Contract labor	-	-	-
Depreciation	2,104	-	2,104
Dues and subscriptions	-	-	-
Fees and permits	-	303	303
Liability insurance	577	-	577
Office rent	8,228	-	8,228
Office supplies	-	2,214	2,214
Other expense	83	-	83
Personnel expense	172,946	6,347	179,293
Payroll tax	7,477	635	8,112
Postage	1,039	-	1,039
Printing and promotion	9,060	-	9,060
Professional development	195	-	195
School supplies	2,848	-	2,848
Student aids	1,000	-	1,000
Teacher and volunteer support	6,444	-	6,444
Travel and mileage	-	-	-
Utilities and occupancy	4,195	-	4,195
	$ 241,839	$ 11,499	$ 253,338

See accompanying notes to financial statements.

HOMEWORK HOTLINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows From Operating Activities:		
Increase in net assets	$ 43,502	$ 29,150
Adjustments to reconcile increase in net assets to net cash provided by (used in)operating activities:		
Depreciation	1,599	2,104
Donated inventory	-	(7,500)
Donated equipment	-	(7,730)
Reinvested dividends and interest	(320)	-
Unrealized loss on investments	-	197
Changes in:		
Inventory	915	-
Restricted cash	(56,642)	-
Accounts payable	229	621
Total adjustments	(54,219)	(12,308)
Net cash provided by (used in) operating activities	(10,717)	16,842
Cash Flows From Investing Activities:		
Purchase of certificate of deposit	(35,000)	(64,962)
Sales of certificates of deposit	45,000	-
Purchase of equipment	(2,405)	(1,152)
Net cash provided by (used in) investing activities	7,595	(66,114)
Net decrease in cash	(3,122)	(49,272)
Cash and cash equivalents- beginning of year	54,015	103,287
Cash and cash equivalents- end of year	$ 50,893	$ 54,015

See accompanying notes to financial statements.

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 a call-in telephone program to provide homework assistance to students and their parents in the Middle Tennessee area. 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.

c. Investments

In 2009, we adopted a new accounting standard relating to the fair market investment valuation. This standard establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. The adoption of the standard had no impact on any asset's financial position or results of operations. The standard applies to all assets and liabilities which are measured and reported on a fair value basis and enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability to be carried at fair value be classified into one of the following categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities
Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
Level 3 - Unobservable inputs which are not corroborated by market data

All of our investments are based on level 1 inputs at the active market price as of June 30, 2010 and 2009.

NOTE 2 - Summary of Significant Accounting Policies (continued)

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. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

f. Advertising

Advertising costs are expensed as they are incurred.

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 the current liability approximate fair values due to the short maturities of these instruments.

NOTE 3 - Certificates of Deposit

At June 30, 2010, we had three certificates of deposit, which 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.

Bank	Balance at June 30, 2010	Interest Rate	Maturity Date
Tennessee Commerce Bank	$ 15,805	1.25%	May 13, 2012
Tennessee Commerce Bank	15,808	1.25%	November 15, 2011
Tennessee Commerce Bank	15,803	1.25%	November 15, 2011
Tennessee Commerce Bank	35,000	1.98%	March 24, 2011
Charles Schwab NCB Bank	20,085	1.55%	December 17, 2010
	$ 102,501		

NOTE 3 - Certificates of Deposit (continued)

At June 30, 2009, we had three certificates of deposit which 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.

Bank	Balance at June 30, 2009	Interest Rate	Maturity Date
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)	64,765	Various	Various
	$ 112,181		

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 year ended June 30, 2010 and 2009, respectively, because donated school supplies were received by us before year-end but were not given to students after June 30, 2010 and 2009, respectively.

NOTE 5 - Restricted Resources

During the year ended June 30, 2010 we had several donations in which the donors specified that their contributions were to be used in the next fiscal year to support our programs. We identified a total $56,642 of these contributions and restricted their use until next fiscal year. There were no donor imposed contributions for the year ended June 30, 2009.

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. For the year ended June 30, 2010 and 2009, we had in-kind contributions as follows:

	2010	2009
Advertising	$ 256,925	$ 25,643
Inventory	4,000	7,500
Office Equipment	230	7,730
Salaries	80,000	73,011
School Supplies (Note 4)	-	2,848
Rent (Note 6)	12,000	8,228
	$ 353,155	$ 124,960

Note 8 - Reclassifications

Certain accounts in the 2009 financial statements have been reclassified for comparative purposes to conform to the presentation of the 2010 financial statements.

NOTE 9 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2010. As of November 9, 2010, the date which the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended June 30, 2010.