

HOMEWORK HOTLINE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008

(With Independent Auditor's Report Thereon)

HOMEWORK HOTLINE, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2008

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**Cool Springs Office**  
3326 Aspen Grove Drive, Suite 500  
Franklin, TN 37067  
Phone 615-376-8800  
Fax 615-376-8816  
1-866-487-7212

**Louisville Office**  
9900 Corporate Campus Drive, Suite 3000  
Louisville, KY 40223  
Phone 502-657-6093

Charles Akersloot, III  
Lisa L. Patterson  
Sarah C. Hardee

## 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, 2008, 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, 2008, 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.

As discussed in Note 4, the Organization classified a money market account as investments instead of as cash at June 30, 2007.

*APL CPAs*

October 2, 2008

HOMEWORK HOTLINE, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2008

ASSETS

Current Assets:

|                                  |               |            |
|----------------------------------|---------------|------------|
| Cash                             | \$ 103,287    |            |
| Certificates of deposit, at cost | <u>47,416</u> |            |
| Total current assets             |               | \$ 150,703 |

Equipment:

|                                |                 |                   |
|--------------------------------|-----------------|-------------------|
| Equipment                      | 26,587          |                   |
| Less: accumulated depreciation | <u>(24,502)</u> |                   |
|                                |                 | <u>2,085</u>      |
|                                |                 | <u>\$ 152,788</u> |

LIABILITY AND NET ASSETS

Current Liability:

|                         |               |        |
|-------------------------|---------------|--------|
| Payroll liabilities     | <u>\$ 339</u> |        |
| Total current liability |               | \$ 339 |

Net Assets:

|                        |               |                   |
|------------------------|---------------|-------------------|
| Unrestricted           | 139,949       |                   |
| Temporarily restricted | <u>12,500</u> |                   |
|                        |               | <u>152,449</u>    |
|                        |               | <u>\$ 152,788</u> |

See accompanying notes to financial statements.

**HOMEWORK HOTLINE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-------------------|
| Public Support and Revenues:             |                     |                                   |                   |
| Public Support:                          |                     |                                   |                   |
| Contributions                            | \$ 124,177          | \$ 12,500                         | \$ 136,677        |
| Total public support                     | <u>124,177</u>      | <u>12,500</u>                     | <u>136,677</u>    |
| Revenues:                                |                     |                                   |                   |
| In-kind revenue                          | 233,587             | -                                 | 233,587           |
| Investment income                        | 4,473               | -                                 | 4,473             |
| Net assets released from restrictions    | 12,500              | (12,500)                          | -                 |
| Total revenues                           | <u>250,560</u>      | <u>(12,500)</u>                   | <u>238,060</u>    |
| Total public support and revenue         | <u>374,737</u>      | <u>-</u>                          | <u>374,737</u>    |
| Expenses:                                |                     |                                   |                   |
| Program services:                        |                     |                                   |                   |
| Hotline operations                       | 348,388             | -                                 | 348,388           |
| Total program services                   | <u>348,388</u>      | <u>-</u>                          | <u>348,388</u>    |
| Supporting Services:                     |                     |                                   |                   |
| General and administrative               | 9,085               | -                                 | 9,085             |
| Total supporting services                | <u>9,085</u>        | <u>-</u>                          | <u>9,085</u>      |
| Total program<br>and supporting expenses | <u>357,473</u>      | <u>-</u>                          | <u>357,473</u>    |
| Increase in net assets                   | 17,264              | -                                 | 17,264            |
| Net assets - beginning of year           | <u>122,685</u>      | <u>12,500</u>                     | <u>135,185</u>    |
| Net assets - end of year                 | <u>\$ 139,949</u>   | <u>\$ 12,500</u>                  | <u>\$ 152,449</u> |

See accompanying notes to financial statements.

**HOMEWORK HOTLINE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|                           | <u>Program Services</u> | <u>Supporting Services</u> | <u>Total</u>      |
|---------------------------|-------------------------|----------------------------|-------------------|
|                           | Hotline<br>Operations   | Management<br>and General  | Expenses          |
| Salaries and wages        | \$ 156,184              | \$ 4,150                   | \$ 160,334        |
| Payroll tax expense       | 6,570                   | 353                        | 6,923             |
| Advertising               | 153,855                 | -                          | 153,855           |
| Depreciation              | 1,731                   | -                          | 1,731             |
| Insurance                 | 581                     | -                          | 581               |
| Legal and audit           | -                       | 1,600                      | 1,600             |
| Licenses and permits      | -                       | 300                        | 300               |
| Miscellaneous             | 155                     | -                          | 155               |
| Postage and delivery      | 1,601                   | -                          | 1,601             |
| Printing and reproduction | 8,454                   | -                          | 8,454             |
| Professional development  | 3,438                   | -                          | 3,438             |
| Rent expense              | 2,400                   | -                          | 2,400             |
| Scholarships              | 1,500                   | -                          | 1,500             |
| School supplies           | 1,760                   | -                          | 1,760             |
| Office supplies           | -                       | 2,682                      | 2,682             |
| Teacher support           | 4,609                   | -                          | 4,609             |
| Telephone                 | 4,762                   | -                          | 4,762             |
| Travel                    | 788                     | -                          | 788               |
|                           | <u>\$ 348,388</u>       | <u>\$ 9,085</u>            | <u>\$ 357,473</u> |

See accompanying notes to financial statements.

**HOMEWORK HOTLINE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

|  |              |                          |
|--|--------------|--------------------------|
| Cash Flows from Operating Activities:  |              |                          |
| Increase in net assets   |              | \$ 17,264                |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities: |              |                          |
| Depreciation   | \$ 1,731     |                          |
| Interest income reinvested   | (1,972)      |                          |
| Changes in:  |              |                          |
| Payroll liabilities  | <u>339</u>   |                          |
| Total adjustments  |              | <u>98</u>                |
| Net cash provided by operating activities  |              | 17,362                   |
| Cash Flows from Investing Activities:  |              |                          |
| Purchase of equipment  | <u>(505)</u> |                          |
| Net cash used in investing activities  |              | <u>(505)</u>             |
| Net increase in cash   |              | 16,857                   |
| Cash - beginning of year   |              | <u>86,430</u>            |
| Cash - end of year   |              | <u><u>\$ 103,287</u></u> |

See accompanying notes to financial statements.

**HOMEWORK HOTLINE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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. At June 30, 2008, the Organization had no 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, 2008

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 - Temporarily Restricted Net Assets

At June 30, 2008, the Organization had \$12,500 held in assets whose use was temporarily restricted by the donor for use in the year ending June 30, 2009.

NOTE 3 - 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, 2008, the Organization had \$233,587 in in-kind contributions as follows:

|                 |    |                |
|-----------------|----|----------------|
| Advertising     | \$ | 153,855        |
| Salaries        |    | 75,572         |
| School supplies |    | 1,760          |
| Rent            |    | <u>2,400</u>   |
|                 | \$ | <u>233,587</u> |

If a significant reduction in the level of support in advertising and salaries were to occur, the Organization's programs and services could be adversely impacted.

NOTE 4 - Prior Period Adjustment

In prior years, the Organization classified money market funds with investments instead of cash. Accordingly, cash at the beginning of the year on the Statement of Cash Flows has been increased by \$51,428 and the change in investments has been decreased accordingly.

