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Certified Public Accountant

**Accounting and Auditing for the
Nonprofit Community**

NEIGHBORHOOD HOMEWORK HOUSE

FINANCIAL STATEMENTS

With Accountant's Compilation Report

June 30, 2011

NEIGHBORHOOD HOMEWORK HOUSE

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Accountant's Compilation Report

Board of Directors
Neighborhood Homework House
P.O. Box 0993
Azusa, CA 91702

Dear Board of Directors:

I have compiled the accompanying statement of financial position of Neighborhood Homework House as of June 30, 2011, and the related statements of activity and cash flows for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with U.S. generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

James L. Ulvog

August 29, 2011

NEIGHBORHOOD HOMEWORK HOUSE

Statement of Financial Position

June 30, 2011

See Accountant's Compilation Report

ASSETS

Current Assets:	
Cash	\$ 20,412
Total Current Assets	<u>20,412</u>
Equipment - at cost, net (Note 3)	<u>10,418</u>
Total Assets	<u><u>\$ 30,830</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 1,057
Total Liabilities	<u>1,057</u>
Net Assets:	
Unrestricted:	
Net investment in equipment	10,418
Undesignated	<u>13,915</u>
Total unrestricted	<u>24,333</u>
Temporarily restricted (Note 2)	<u>5,440</u>
Total Net Assets	<u><u>29,773</u></u>
Total Liabilities and Net Assets	<u><u>\$ 30,830</u></u>

See notes to financial statements

NEIGHBORHOOD HOMEWORK HOUSE

Statement of Activity

Year Ended June 30, 2011

See Accountant's Compilation Report

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 171,046	\$ 44,500	\$ 215,546
Government grant revenue	10,000	-	10,000
Fundraising banquet revenue	4,750	-	4,750
Other	1,238	-	1,238
Net assets released from restriction:			
Passage of time	-	-	-
Purpose restriction	39,060	(39,060)	-
Total Support and Revenue	<u>226,094</u>	<u>5,440</u>	<u>231,534</u>
EXPENSES:			
Payroll and benefits	138,654	-	138,654
Rent and occupancy	54,362	-	54,362
Program	18,089	-	18,089
Professional services	34,612	-	34,612
Fundraising	1,569	-	1,569
Printing, supplies and shipping	2,472	-	2,472
Insurance	2,837	-	2,837
Other expenses	9,594	-	9,594
Depreciation	9,960	-	9,960
Total Expenses	<u>272,149</u>	<u>-</u>	<u>272,149</u>
Change in Net Assets	(46,055)	5,440	(40,615)
Net Assets, Beginning of Year	<u>70,388</u>	<u>-</u>	<u>70,388</u>
Net Assets, End of Year	<u>\$ 24,333</u>	<u>\$ 5,440</u>	<u>\$ 29,773</u>

See notes to financial statements

NEIGHBORHOOD HOMEWORK HOUSE

Statement of Cash Flows

Year Ended June 30, 2011

See Accountant's Compilation Report

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (40,615)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,960
Net change in operating assets and liabilities:	
Net change in accounts payable and accrued expenses	<u>1,057</u>
Net Cash Used by Operating Activities	<u>(29,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment	<u>(4,469)</u>
Net Cash Used by Investing Activities	<u>(4,469)</u>
Decrease in Cash	(34,067)
Cash, Beginning of Year	<u>54,479</u>
Cash, End of Year	<u>\$ 20,412</u>

See notes to financial statements

NEIGHBORHOOD HOMEWORK HOUSE

Notes to Financial Statements

June 30, 2011

See accompanying Accountant's Compilation Report

1. NATURE OF ORGANIZATION:

Neighborhood Homework House ("NHH") is a charitable, nonprofit organization located in Azusa, California. The purpose of NHH is to establish neighborhood based learning centers where at-risk children and youth are empowered to achieve their fullest potential academically, socially, and spiritually.

NHH is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. As such, it is also exempt from state income taxes, and contributions by the public are deductible for income tax purposes.

For the year ended June 30, 2011, contributions were approximately 93% of total support and revenue. In the same year, revenue from government grants was approximately 4% of total support and revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES:

The financial statements of NHH have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. This body of knowledge is also referred to as "GAAP". A summary of the significant accounting policies is described below to enhance the usefulness of the financial statements to the reader.

CASH

For purposes of the cash flow statement, cash includes amounts on hand and on deposit with financial institutions.

EQUIPMENT

Equipment is recorded at cost when the assets are purchased or at fair market value on the date of donation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. The range of useful lives is from 4 to 7 years for all equipment.

NET ASSETS

The financial statements report amounts by classification of net assets as follows:

- Unrestricted amounts are those currently available at the discretion of the board for use in NHH's operations and those resources invested in equipment.
- Temporarily restricted amounts are those which are specified by donors for specific operating purposes. As of June 30, 2011, temporarily restricted amounts are restricted for specific projects.

SUPPORT, REVENUE, AND EXPENSES

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

NEIGHBORHOOD HOMEWORK HOUSE

Notes to Financial Statements

June 30, 2011

See accompanying Accountant's Compilation Report

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: - continued

Contributions that are restricted by donors are reported as temporarily restricted if they are received with donor stipulations that limit their use through either purpose or time restrictions or both. When donor restrictions expire – that is, when the purpose restriction is fulfilled or the time restriction expires – temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activity as net assets released from restrictions.

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets to be used directly in the operations is transferred to NHH. Goods given to NHH that do not have an objective basis for valuation are not recorded.

Other revenue is recorded when earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in a note to the financial statements. Certain costs, such as depreciation and payroll, have been allocated among the program services and supporting activities.

ALLOCATION OF JOINT COSTS

GAAP requires all costs which contain any fundraising appeal to be allocated to fundraising unless three tests are met: purpose, audience, and content. In the year ended June 30, 2011, no costs were incurred which were subject to these allocation requirements.

DONATED SERVICES

GAAP requires the value of donated services be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of NHH. However, since the above requirements were not met, the value of the contributed services is not recorded in the accompanying financial statements.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACCOUNTING FOR UNCERTAIN INCOME TAXES

GAAP requires organizations to evaluate whether there are any tax issues that have a 'more likely than not' possibility of resulting in an income tax liability. If there is such an income tax issue with that level of probability, GAAP requires accruing a liability for the likely amount of tax. As of June 30, 2011, NHH has no uncertain tax positions that necessitate accrual of a liability.

DATE THROUGH WHICH SUBSEQUENT EVENTS ARE EVALUATED

NHH has evaluated through August 29, 2011 whether there are any subsequent events that should be considered for inclusion in these financial statements. That date is when the financial statements are available to be issued.

NEIGHBORHOOD HOMEWORK HOUSE

Notes to Financial Statements

June 30, 2011

See accompanying Accountant's Compilation Report

3. EQUIPMENT:

Equipment consists of the following:

	June 30, 2011
Computer equipment	\$ 24,523
Leasehold improvements	5,060
Other equipment	<u>34,617</u>
	64,200
Accumulated depreciation	<u>53,782</u>
Equipment, net	<u><u>\$ 10,418</u></u>

Depreciation expense was \$9,960 for the year ended June 30, 2011.

4. FUNCTIONAL ALLOCATION OF EXPENSES:

Expenses are allocated on a functional basis as follows:

	Year Ended June 30, 2011
Program services	\$ 187,646
General and administrative	49,803
Fundraising	<u>34,700</u>
	<u><u>\$ 272,149</u></u>

5. LEASE EXPENSE:

NHH leases an apartment on a month-to-month basis. As a result, there are no future non-cancellable lease payments. Monthly rent on this apartment is \$894.

The use of two apartments is donated to NHH. Estimated combined value of these two apartments is \$1,400 per month. In the year ended June 30, 2011, \$16,800 was recorded as gift-in-kind contribution with an offset to rent expense.

NHH leases office space from an unrelated nonprofit organization. Monthly payments for this office space are \$500 per month. Since the space has an estimated market value of \$1,608 per month, the difference is recorded as contribution revenue, as required by GAAP. This lease started July 1, 2010.

Lease expense for the year ended June 30, 2011 was \$46,824. Contribution revenue recorded for the donated apartments and the donated portion of the office space was \$30,096.

Minimum noncancelable lease payments for the year ended June 30, 2012 are \$6,000.

5. CONCENTRATION:

For the year ended June 30, 2011, contributions from the four largest donors amounted to 30% of total revenue and support.