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The Board of Directors
Residential Resources, Inc.
Nashville, Tennessee

We have reviewed the accompanying statement of assets, liabilities, and net assets-cash basis of Residential Resources, Inc. (a nonprofit corporation) as of June 30, 2007, and the related statements of revenues, expenses, and other changes in net assets, functional expenses, and cash flows-cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Residential Resources, Inc.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting as described in Note 1 of the financial statements.

Robert E. Hart, MBA, CPA
February 14, 2008

RESIDENTIAL RESOURCES, INC.
Statement of Assets, Liabilities, and Net Assets-Cash Basis
As of June 30, 2007

Assets

Cash & Cash Equivalents	\$ 2,983
Inventory - Residential Houses	176,264
Furniture, Fixtures, and Equipment (Net of Accumulated Depreciation of \$23,198)	\$ <u>8,175</u>
Total Assets	\$ <u><u>187,422</u></u>

Liabilities And Net Assets

Project Funds due Community Housing Development Organization	\$ 105,000
Suntrust Note Payable	62,550
Total Liabilities	\$ <u>167,550</u>
Net Assets	
Unrestricted	\$ <u>19,872</u>
Total Net Assets	\$ <u>19,872</u>
Total Liabilities And Net Assets	\$ <u><u>187,422</u></u>

See accompanying notes and accountants' review report.
(Unaudited)

RESIDENTIAL RESOURCES, INC.
Statement of Revenues, Expenses, and Other Changes in Net Assets-Cash Basis
For the Year Ended June 30, 2007

	<u>Total</u>
Revenue And Support	
United Way	\$ 22,122
Nashville Housing Fund - Front Door	14,216
Nashville Housing Fund - Down Payment Program	3,400
Community Housing Development Organization - Lease Income	6,350
Community Housing Development Organization - Rental Income	5,742
Contributions - Regions Bank	2,000
Contributions - Fifth Third Bank	8,333
Contributions - Bank of America	16,500
Contributions - Homebuyer Education (HBE)	3,768
Home Free (HUD)	20,000
Tennessee Housing Development Agency	10,575
Miscellaneous	1,085
TOTAL REVENUE AND SUPPORT	\$ <u>114,091</u>
Expenses And Support Uses	
Program Services	
Housing	\$ 45,536
Community Housing Development Organization	14,144
Total Program Services	\$ <u>59,680</u>
Supporting Services	
Management and General	36,405
TOTAL EXPENSES AND SUPPORT USES	\$ <u>96,085</u>
Changes in Net Assets	\$ 18,006
Net Assets, beginning of year	\$ <u>1,866</u>
Net Assets, end of year	\$ <u>19,872</u>

See accompanying notes and accountants' review report.
(Unaudited)

RESIDENTIAL RESOURCES, INC.
Statement of Functional Expenses-Cash Basis
For the Year Ended June 30, 2007

	Program Services		Supporting Services	
		Community Housing Development Organization	Management and General	Total
	Housing			
Salaries & Related Items	\$ 30,556	\$ 1,054	\$ 21,074	\$ 52,684
Insurance	813	28	561	1,402
Interest		4,958		4,958
Postage & Printing	307		205	512
Bank Charges			94	94
Legal & Professional			2,531	2,531
Rent	6,480		4,320	10,800
Utilities	2,741		1,827	4,568
Communications	3,108		2,072	5,180
Miscellaneous			610	610
Supplies	1,351		900	2,251
Subscriptions & Fees	180		120	300
Development for CHDO		6,092		6,092
Depreciation			1,416	1,416
Home Education - THDA			675	675
Project for CHDO		2,012		2,012
	<u>\$ 45,336</u>	<u>\$ 14,144</u>	<u>\$ 36,405</u>	<u>\$ 96,085</u>

See accompanying notes and accountants' review report.
(Unaudited)

RESIDENTIAL RESOURCES, INC.
Statement of Cash Flows-Cash Basis
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Change in net assets	\$ 18,006
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	<u>1,416</u>
Net cash provided by operating activities	\$ 19,422
 Cash flows from financing activities:	
Principal Payments of Loans	\$ <u>(18,321)</u>
Net cash used for financing activities	\$ <u>(18,321)</u>
 Net increase in cash	\$ 1,101
 Cash and cash equivalents, beginning of year	\$ <u>1,882</u>
Cash and cash equivalents, end of year	\$ <u><u>2,983</u></u>

Note - Interest expense paid during the year was \$4,958.

See accompanying notes and accountants' review report.
(Unaudited)

RESIDENTIAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Residential Resources, Inc. ("the Organization") was chartered as a nonprofit corporation in the State of Tennessee on October 31, 1997. The purpose of the entity is to provide a community based coalition of organizations and individuals working to provide quality affordable housing, counseling, information, education, development and referral services to low and moderate income citizens of Metropolitan Nashville, Tennessee and surrounding counties.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Basis of Accounting

The financial statements of the Organization have been prepared on the cash basis of accounting. This matches revenue and expenses when received and paid with the exception of fixed assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The primary estimates are the valuation of assets and determination of their useful lives. Actual results could differ from these estimates.

Revenue Recognition

The Organization has adopted Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." As such, contributions are reported as unrestricted, temporarily restricted, and permanently restricted. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All funds presented in these financial statements are unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of less than ninety days.

RESIDENTIAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range between 5 to 10 years. New assets acquired by donation are valued at their estimated fair market value.

Income Taxes

The Organization is classified as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code; therefore, no provision has been made for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. The Organization had no unrelated business income as defined by section 512(a)(1) of the Internal Revenue Code.

NOTE 2 – CONTRIBUTED SERVICES

The value of contributed services did not meet the requirements for recognition in the financial statements. Individuals volunteer their time and perform a variety of tasks that assist the Organization in its membership and education programs.

NOTE 3 – RELATED PARTY TRANSACTIONS

Rosalind Robinson, the President and Founder of the Organization, had loaned the Organization operating capital without interest. During the year, she was repaid \$16,692 which completely repaid her loan balance.

NOTE 4 – INVENTORY – LIABILITIES

Two residences are reflected in inventory. These are valued at cost. One residence in Nashville, Tennessee remains unsold at June 30, 2007. This residence is being rented until the Organization can find a buyer. The other residence is under a lease purchase contract, but will remain in inventory until the consummation of the transaction. The Community Housing Development Organization, a program sponsored by Metropolitan Development Housing Agency, sanctioned the Organization for funding approval for these projects. Project Funds due CHDO are due at closing of sale. The Suntrust Note Payable is collateralized by these two residences. The Suntrust Note is due December 25, 2007. The interest rate is at prime. The note has been renewed.