

RESIDENTIAL RESOURCES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2009

Prepared By
Robert E. Hart, MBA, CPA
A Professional Corporation

RESIDENTIAL RESOURCES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
June 30, 2009

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

We have audited the accompanying statement of financial position of Residential Resources, Inc. (a nonprofit corporation) 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 Residential Resources, Inc. as of June 30, 2009, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
January 22, 2010

RESIDENTIAL RESOURCES, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2009

Assets

Current Assets:

Cash & Cash Equivalents	\$ 20,858
Accounts Receivable	3,300
Inventory - Residential Houses	177,439
Total Current Assets	<u>201,597</u>

Furniture, Fixtures, and Equipment

(Net of Accumulated Depreciation of \$26,030)	<u>5,343</u>
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Total Assets	<u>\$ 206,940</u>
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Liabilities And Net Assets

Current Liabilities:

Accounts Payable	\$ 1,745
Payroll Tax and Related Payables	5,998
American Express Credit Card	2,219
Interest Payable - The Housing Fund	2,363
Project Funds due Community Housing Development Organization	105,000
The Housing Fund Secured Note Payable	62,794
Total Current Liabilities	<u>180,119</u>

Net Assets

Unrestricted	<u>26,821</u>
Total Net Assets	<u>26,821</u>

Total Liabilities And Net Assets	<u>\$ 206,940</u>
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The accompanying notes are an integral part of these financial statements.

RESIDENTIAL RESOURCES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Revenue and Support:

United Way Metropolitan Nashville	\$ 39,963
Nashville Housing Fund - Front Door	5,240
Nashville Housing Fund - Down Payment Program	5,290
Community Housing Development Organization - Rental Income	16,248
Contributions - Community Housing Development Organization	6,750
Contributions - Bank of America	1,800
Contributions - SunTrust Bank	2,100
Contributions - Homebuyer Education (HBE)	1,544
Home Free (HUD)	9,950
Home Free (NFMCC)	25,033
Tennessee Housing Development Agency	29,071
Miscellaneous	333
Total Revenue and Support	<u>143,322</u>

Expenses and Support Uses:

Program Services	
Housing	65,194
Community Housing Development Organization	15,787
Total Program Services	<u>80,981</u>

Supporting Services

Management and General	49,890
Total Expenses and Support Uses	<u>130,871</u>

Changes in Net Assets 12,451

Net Assets, beginning of year 14,370

Net Assets, end of year \$ 26,821

The accompanying notes are an integral part of these financial statements.

RESIDENTIAL RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	Program Services		Supporting Services	
		Community	Management	
		Housing Development	and	
	Housing	Organization	General	Total
Salaries	\$ 40,539	\$ 1,398	\$ 27,957	\$ 69,894
Payroll Taxes	3,105	107	2,142	5,354
Advertising	89	88		177
Development	1,705	59	1,175	2,939
Insurance	2,417	83	1,668	4,168
Interest		6,007		6,007
Postage & Printing	398		265	663
Office	1,286		858	2,144
Bank Charges			412	412
Legal & Professional			4,977	4,977
Rent	6,480		4,320	10,800
Utilities	1,600		1,066	2,666
Communications	4,451		2,967	7,418
Supplies	1,665		1,110	2,775
Subscriptions & Fees	185		124	309
Travel	1,274		849	2,123
Depreciation		1,416		1,416
Project for CHDO		6,629		6,629
Total Expenses	\$ 65,194	\$ 15,787	\$ 49,890	\$ 130,871

The accompanying notes are an integral part of these financial statements.

RESIDENTIAL RESOURCES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

Cash flows from operating activities:	
Change in net assets	\$ 12,451
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,416
Increase in Account Receivable	(3,300)
Increase in Accounts Payable	1,745
Decrease in American Express Payable	(1,794)
Increase in Payroll Tax and Related Payables	5,659
Increase in Interest Payable	<u>2,363</u>
Net cash provided by operating activities	<u>18,540</u>
Cash flows from investing activities:	
Refinance Cost of Residential Houses	<u>(1,174)</u>
Net cash used for investing activities	<u>(1,174)</u>
Cash flows from financing activities:	
Loans Acquired	62,794
Principal Payments of Loans	<u>(71,514)</u>
Net cash used for financing activities	<u>(8,720)</u>
Net increase in cash	8,646
Cash and cash equivalents, beginning of year	<u>12,212</u>
Cash and cash equivalents, end of year	<u><u>\$ 20,858</u></u>
Supplemental cash flow information:	
Interest paid	\$ 6,007

The accompanying notes are an integral part of these financial statements.

RESIDENTIAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 accrual basis of accounting. This matches revenue and expenses when incurred.

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: (1) the valuation of assets and determination of their useful lives, and (2) the functional allocation of expenses by activity. 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. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

RESIDENTAIL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009

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.

Accounts Receivable

Management considers accounts receivable to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided.

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 – INVENTORY & LIABILITIES

Two residences are reflected in inventory. These are valued at cost. One residence in Nashville, Tennessee remains unsold at June 30, 2009. 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 Housing Fund Note Payable is collateralized by these two residences. This note is due February 1, 2010. The interest is at a 5% annual rate. No payment is required until maturity. The American Express unsecured liability is a credit line with a maximum amount of \$3,500. The minimum payment required is 2.5% of the unpaid balance and the annual percentage rate is 27%.