

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

JUNE 30, 2010

Prepared By
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A Professional Corporation

RESIDENTIAL RESOURCES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
June 30, 2010

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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, 2010, 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, 2010, 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
February 3, 2011

RESIDENTIAL RESOURCES, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2010

Assets

Current Assets:

Cash & Cash Equivalents	\$ 18,870
Accounts Receivable	185
Inventory - Residential Houses	177,439
Total Current Assets	<u>196,494</u>

Furniture, Fixtures, and Equipment	31,373	
Less: Accumulated Depreciation	<u>(27,446)</u>	
Net Furniture, Fixtures, and Equipment		<u>3,927</u>

Total Assets	<u>\$ 200,421</u>
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Liabilities And Net Assets

Current Liabilities:

Accounts Payable	\$ 2,312
Pension Payable	5,000
American Express Credit Card	1,120
Project Funds due Community Housing Development Organization	105,000
The Housing Fund Secured Note Payable	62,490
Total Current Liabilities	<u>175,922</u>

Net Assets

Unrestricted	<u>24,499</u>
Total Net Assets	<u>24,499</u>

Total Liabilities And Net Assets	<u>\$ 200,421</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, 2010

Revenue and Support:

United Way Metropolitan Nashville	\$ 40,158
Nashville Housing Fund - Front Door	5,990
Nashville Housing Fund - Down Payment Program	5,300
Community Housing Development Organization - Rental Income	12,448
Contributions - Community Housing Development Organization	3,505
Contributions - SunTrust Bank	1,781
Contributions - Homebuyer Education (HBE)	185
Home Free (HUD)	25,750
Home Free (NFMC)	44,478
MD - NFMC	4,927
Tennessee Housing Development Agency	31,970
Miscellaneous	41
Total Revenue and Support	<u>176,533</u>

Expenses and Support Uses:

Program Services	
Housing	88,494
Community Housing Development Organization	20,459
Total Program Services	<u>108,953</u>
Supporting Services	
Management and General	69,900
Total Expenses and Support Uses	<u>178,853</u>

Decrease in Net Assets	(2,320)
Net Assets, beginning of year	<u>26,819</u>
Net Assets, end of year	<u>\$ 24,499</u>

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

RESIDENTIAL RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	Program Services		Supporting Services	
		Community	Management	
		Housing Development	and	
	Housing	Organization	General	Total
Salaries	\$ 44,660	\$ 1,540	\$ 30,800	\$ 77,000
Employee Benefits	4,253	147	2,932	7,332
Payroll Taxes	4,050	140	2,793	6,983
Advertising	100	100		200
Development		15,491		15,491
Insurance	2,301	79	1,588	3,968
Interest		1,857	619	2,476
Postage & Printing	466		311	777
Office	2,896		1,931	4,827
Bank Charges			237	237
Legal & Professional			7,179	7,179
Rent	7,560		5,040	12,600
Utilities	3,114		2,076	5,190
Communications	4,339		2,893	7,232
Supplies	3,679		2,452	6,131
Subscriptions & Fees	255		170	425
Travel	10,821	373	7,463	18,657
Depreciation			1,416	1,416
Project for CHDO		732		732
Total Expenses	<u>\$ 88,494</u>	<u>\$ 20,459</u>	<u>\$ 69,900</u>	<u>\$ 178,853</u>

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

RESIDENTIAL RESOURCES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Decrease in net assets	\$ (2,320)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,416
Decrease in Accounts Receivable	3,115
Increase in Accounts Payable	565
Decrease in American Express Payable	(1,099)
Decrease in Payroll Tax and Related Payables	(5,998)
Increase in Pension Payable	5,000
Decrease in Interest Payable	<u>(2,363)</u>
Net cash provided by operating activities	<u>(1,684)</u>
Cash flows from financing activities:	
Principal Payments of Loans	<u>(304)</u>
Net cash used for financing activities	<u>(304)</u>
Net decrease in cash	(1,988)
Cash and cash equivalents, beginning of year	<u>20,858</u>
Cash and cash equivalents, end of year	<u>\$ 18,870</u>
Supplemental cash flow information:	
Interest paid	\$ 4,839

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

RESIDENTIAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 under the title "Financial Statements of Not-for-Profit Organizations." Under this statement 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 Board's requirement under the title "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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Inventory

Inventory is valued at the lower of cost or market.

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.

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

NOTE 3 – INVENTORY & LIABILITIES

Two residences are reflected in inventory. One residence in Nashville, Tennessee remains unsold at June 30, 2010. 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 January 1, 2011 and is in the process of being renewed. The interest is at a 5% annual rate. Monthly payments are required for \$337. The American Express unsecured liability is a credit line with a limit of \$3,500. The minimum payment required is 2.5% of the unpaid balance and the annual percentage rate is 27%.

NOTE 4 – PENSIONS

The Board of the Company has committed \$5,000 to fund a pension for the Executive Director. This payment is contingent upon the availability of Company funds. The Board is in the process of selecting an appropriate plan. No costs have been incurred related to this commitment. Employee Benefits has been charged for the \$5,000 expense.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were considered through February 3, 2011, which is the date the financial statements were available to be issued.