



Robert E. Hart, MBA
CERTIFIED PUBLIC ACCOUNTANT

2920 BERRYHILL DRIVE
NASHVILLE, TN 37204
(615) 298-2351
FAX: 298-1361
HARTATAX@COMCAST.NET

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

We have audited the accompanying statement of assets, liabilities, and net assets-cash basis of Residential Resources, Inc. (a nonprofit corporation) as of June 30, 2008, and the related statements of revenues, expenses, and other changes in net assets-cash basis, and functional expenses-cash basis 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.

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.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of Residential Resources, Inc. as of June 30, 2008, and its revenues and expenses and changes in net assets for the year then ended, on the basis of accounting described in Note 1.

Robert E. Hart, MBA, CPA
December 9, 2008

RESIDENTIAL RESOURCES, INC.
Statement of Assets, Liabilities, and Net Assets-Cash Basis
As of June 30, 2008

Assets

Cash & Cash Equivalents	\$ 12,212
Inventory - Residential Houses	176,264
Furniture, Fixtures, and Equipment (Net of Accumulated Depreciation of \$24,614)	\$ <u>6,759</u>
Total Assets	\$ <u><u>195,235</u></u>

Liabilities And Net Assets

Project Funds due Community Housing Development Organization	\$ 105,000
Bank of America Note	9,964
American Express	4,013
Suntrust Note Payable	61,550
Total Liabilities	\$ <u>180,527</u>
Net Assets	
Unrestricted	\$ <u>14,708</u>
Total Net Assets	\$ <u><u>14,708</u></u>
Total Liabilities And Net Assets	\$ <u><u>195,235</u></u>

The accompanying notes are an integral part of these financial statements

RESIDENTIAL RESOURCES, INC.
Statement of Revenues, Expenses, and Other Changes in Net Assets-Cash Basis
For the Year Ended June 30, 2008

	<u>Total</u>
Revenue And Support	
United Way	\$ 24,149
Nashville Housing Fund - Front Door	11,160
Nashville Housing Fund - Down Payment Program	2,600
Community Housing Development Organization - Lease Income	10,556
Community Housing Development Organization - Rental Income	4,546
Contributions - Bank of America	2,100
Contributions - Homebuyer Education (HBE)	1,633
Home Free (HUD)	18,950
Tennessee Housing Development Agency	43,372
Miscellaneous	2,440
TOTAL REVENUE AND SUPPORT	\$ <u>121,506</u>
Expenses And Support Uses	
Program Services	
Housing	\$ 62,031
Community Housing Development Organization	14,129
Total Program Services	\$ <u>76,160</u>
Supporting Services	
Management and General	50,510
TOTAL EXPENSES AND SUPPORT USES	\$ <u>126,670</u>
Changes in Net Assets	\$ (5,164)
Net Assets, beginning of year	\$ <u>19,872</u>
Net Assets, end of year	\$ <u><u>14,708</u></u>

The accompanying notes are an integral part of these financial statements

RESIDENTIAL RESOURCES, INC.
Statement of Functional Expenses-Cash Basis
For the Year Ended June 30, 2008

	Program Services		Supporting Services	
		Community	Management	
		Housing Development	and	
	Housing	Organization	General	Total
Salaries & Related Items	\$ 42,865	\$ 1,478	\$ 29,563	\$ 73,906
Insurance	2,373	82	1,637	4,092
Interest		5,716	3,810	9,526
Postage & Printing	890		594	1,484
Bank Charges			162	162
Legal & Professional			2,727	2,727
Rent	6,480		4,320	10,800
Utilities	1,915		1,276	3,191
Communications	2,872		1,915	4,787
Supplies	4,415		2,943	7,358
Subscriptions & Fees	137		91	228
Travel	84		56	140
Depreciation			1,416	1,416
Project for CHDO		6,853		6,853
	<u>\$ 62,031</u>	<u>\$ 14,129</u>	<u>\$ 50,510</u>	<u>\$ 126,670</u>

The accompanying notes are an integral part of these financial statements

RESIDENTIAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

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 – INVENTORY & LIABILITIES

Two residences are reflected in inventory. These are valued at cost. One residence in Nashville, Tennessee remains unsold at June 30, 2008. 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, 2008. The interest rate fluctuated and approximated 8% annual rate during the year. The payment was interest plus principal of \$178 per month. The American Express unsecured liability is a credit line with a maximum amount of \$4,200. The minimum payment required is 2.5% of the unpaid balance and the annual percentage rate is 27%. The Bank of America unsecured liability is a credit line with a maximum amount of \$14,300. The minimum payment required is 3% of the unpaid balance and the annual percentage rate is 25%.