2013
Financial Statements

RESIDENTIAL RESOURCES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013

(With Independent Auditor's Report Thereon)

RESIDENTIAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Residential Resources, Inc.

We have audited the accompanying financial statements of Residential Resources, Inc., which comprise the balance sheet as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

The previously issued financial statements have been restated for the correction of errors as described in Note 5 in the notes to the financial statements. Our opinion is not modified with respect to this matter.

Patterson Hardee & Ballentine
January 7, 2014

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RESIDENTIAL RESOURCES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current Assets:		
Cash	$ 60,868	
Accounts receivable	28,290	
Prepaid expenses	1,379	
Total current assets		$ 90,537
Property:		
Buildings	103,812	
Less: Accumulated depreciation	(43,740)	
		60,072
Asset Whose Use is Limited:		
Houses and duplex		105,000
		$ 255,609

LIABILITIES AND NET ASSETS

Current Liabilities:		
Current installment of note payable	$ 2,659	
Accounts payable and accrued expenses	11,547	
Total current liabilities		$ 14,206
Note payable, less current installments		52,562
Net Assets:		
Unrestricted	83,841	
Temporarily restricted	105,000	
Total net assets		188,841
		$ 255,609

See accompanying notes to financial statements.

RESIDENTIAL RESOURCES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Contributions	$ 44,700	$ -	$ -	$ 44,700
Revenues:				
Grants	119,879	-	-	119,879
Rent income	22,752	-	-	22,752
Program income	13,362	-	-	13,362
Total revenues	155,993	-	-	155,993
Total public support and revenue	200,693	-	-	200,693
Expenses:				
Program Services:				
Housing	70,801	-	-	70,801
Community Housing Development Organization	18,065	-	-	18,065
Total program services	88,866	-	-	88,866
Supporting Services:				
Management and general	81,528	-	-	81,528
Total supporting services	81,528	-	-	81,528
Total program and supporting expenses	170,394	-	-	170,394
Increase in net assets	30,299	-	-	30,299
Net assets- beginning of year, as previously reported	60,025	105,000		165,025
Prior period adjustment	(6,483)	-	-	(6,483)
Net assets - beginning of year, as restated	53,542	105,000	-	158,542
Net assets - end of year	$ 83,841	$ 105,000	$ -	$ 188,841

See accompanying notes to financial statements.

RESIDENTIAL RESOURCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services		Supporting Services	
	Housing	Community Housing Development Organization	Management and General	Total Expenses
Salaries and payroll taxes	$ 36,770	$ 1,935	$ 58,058	$ 96,763
Employee benefits	4,786	165	3,301	8,252
Insurance	1,655	1,103	-	2,758
Interest	-	2,867	-	2,867
Postage and printing	250	-	212	462
Maintenance	-	6,150	-	6,150
Miscellaneous	212	755	165	1,132
Office	565	-	577	1,142
Bank charges	-	-	587	587
Legal and professional	-	-	5,995	5,995
Rent	6,480	-	4,320	10,800
Utilities	1,718	-	1,158	2,876
Communications	6,619	-	4,099	10,718
Supplies	3,356	-	2,499	5,855
Subscriptions and fees	28	-	19	47
Conferences and training	780	27	538	1,345
Depreciation	7,547	-	-	7,547
Property tax on CHDO houses	35	5,063	-	5,098
	$ 70,801	$ 18,065	$ 81,528	$ 170,394

See accompanying notes to financial statements.

RESIDENTIAL RESOURCES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows From Operating Activities:		
Increase in net assets		$ 30,299
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	$ 7,547	
Changes in:		
Accounts receivable	1,387	
Prepaid expenses	(91)	
Accounts payable	10,375	
Total adjustments		19,218
Net cash provided by operating activities		49,517
Cash Flows From Financing Activities:		
Principal payments on note payable	(2,992)	
Net cash used in financing activities		(2,992)
Net increase in cash		46,525
Cash - beginning of year, as restated		14,343
Cash - end of year		$ 60,868

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2013, was $2,867.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Residential Resources, Inc. ("we" "our" and "us) is a U.S. Department of Housing and Urban Development certified chartered non-profit corporation in the State of Tennessee organized on October 31, 1997. Our purpose is to provide quality affordable housing, counseling, information, education, development and referral services to low and moderate income citizens of the U.S. Department of Housing and Urban Development defined Nashville-Davidson-Murfreesboro-Franklin, TN Metropolitan Statistical Area.

Program Descriptions

Housing - Provides quality affordable housing, counseling, information, education, development and referral services to low and moderate income citizens.

Community Housing Development Organization - A private nonprofit, community based service organization that has staff with the capacity to develop affordable housing for the community it serves.

Basis of Presentation

We have prepared the accompanying financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets which are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations which may or will be met, by either our actions and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted. Earnings on temporarily restricted funds are classified as unrestricted net assets. Realized gains and losses on temporarily restricted net assets are also classified as unrestricted net assets.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations which must be maintained permanently by us. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with original maturities of three months or less to be cash equivalents. At June 30, 2013, we had no cash equivalents.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure over $5,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. We currently own two residential houses and one duplex. The two houses are collateralized against a note payable from The Housing Fund.

The Housing Fund retains a priority reversionary interest in all property acquired with proceeds from notes payable. This reversionary interest extends from the initial purchase of the property to an additional twenty year period.

Income Tax Status

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2009.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

We recognize service income in the period in which services are provided to consumers based on a contractual rate per client per day. The majority of our fee income is from the National Foreclosure Mitigation Counseling Program - Tennessee Housing Development Agency per client based on the level of service provided.

Accounts Receivable

Accounts receivable are considered to be fully collectible. Accounts receivable consists of grant reimbursement and rents receivable. No allowance for uncollectible accounts receivable was considered necessary at year-end.

NOTE 2 - Concentration of Credit Risk

At June 30, 2013, we were due 100% of all outstanding receivables from five organizations. We owed 100% of all payables to three vendors.

NOTE 3 - Note Payable

Long-term debt at June 30, 2013 consists of a note payable from The Housing Fund. The note payable has a maturity date of January 1, 2018. The interest is at a 5% annual rate with monthly required payments of $489. The principal balance as of June 30, 2013, was $55,221.

The following is a schedule of future maturities:

Year Ending June 30,		
2014	$	2,659
2015		3,311
2016		3,480
2017		3,658
2018		42,113
		55,221
Less: current installments		(2,659)
	$	52,562

NOTE 4 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2013. As of January, 7 2014, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2013.

NOTE 5 - Prior Period Adjustment

During the year ended June 30, 2013, an error was discovered in previously issued financial statements. There were three cash deposits totaling $6,483 that were incorrectly recorded twice during the year ended June 30, 2012. These errors resulted in overstated revenues and overstated assets by $6,483. Adjustments to beginning net assets have been recorded totaling $6,483.