

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

JUNE 30, 2011

Prepared By
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A Professional Corporation

RESIDENTIAL RESOURCES, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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, 2011, 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, 2011, 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
December 13, 2011

RESIDENTIAL RESOURCES, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2011

Assets

Current Assets:

Cash & Cash Equivalents	\$ 25,610
Accounts Receivable	3,450
Inventory - Residential Houses	177,439
Total Current Assets	<u>206,499</u>

Furniture, Fixtures, and Equipment	31,373	
Less: Accumulated Depreciation	<u>(28,862)</u>	
Net Furniture, Fixtures, and Equipment		<u>2,511</u>

Total Assets	<u>\$ 209,010</u>
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Liabilities And Net Assets

Current Liabilities:

Accounts Payable	\$ 1,854
Salary Payable	4,314
Payroll Taxes Payable	1,248
Pension Payable	5,000
Interest Payable	337
Project Funds due Community Housing Development Organization	105,000
The Housing Fund Secured Note Payable-Current Portion	<u>2,879</u>
Total Current Liabilities	<u>120,632</u>

Long Term Liabilities:

The Housing Fund Secured Note Payable	<u>58,213</u>
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Total Liabilities	<u>178,845</u>
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Net Assets

Unrestricted	<u>30,165</u>
Total Net Assets	<u>30,165</u>

Total Liabilities And Net Assets	<u>\$ 209,010</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, 2011

Revenue and Support:

United Way Metropolitan Nashville	\$ 39,691
Nashville Housing Fund - Front Door	6,270
Nashville Housing Fund - Down Payment Program	3,020
Community Housing Development Organization - Rental Income	14,427
Contributions - Community Housing Development Organization	932
Contributions - Homebuyer Education (HBE)	1,135
Home Free (HUD)	21,500
Home Free (NFMC)	11,507
Tennessee Housing Development Agency	24,888
Tennessee Housing Development Agency-Education Loan	7,200
Tennessee Housing Development Agency-NFMC	21,885
Miscellaneous	200
Total Revenue and Support	<u>152,655</u>

Expenses and Support Uses:

Program Services	
Housing	76,678
Community Housing Development Organization	13,239
Total Program Services	<u>89,917</u>
Supporting Services	
Management and General	57,071
Total Expenses and Support Uses	<u>146,988</u>

Increase in Net Assets	5,667
Net Assets, beginning of year	<u>24,498</u>
Net Assets, end of year	<u><u>\$ 30,165</u></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, 2011

	Program Services		Supporting Services	
		Community	Management	
		Housing Development	and	
	Housing	Organization	General	Total
Salaries	\$ 48,720	\$ 1,680	\$ 33,600	\$ 84,000
Employee Benefits	1,530	53	1,055	2,638
Payroll Taxes	4,136	143	2,852	7,131
Development		125		125
Insurance	987	714		1,701
Interest		3,263		3,263
Postage & Printing	327		218	545
Office	499		332	831
Bank Charges			301	301
Legal & Professional			5,973	5,973
Rent	5,400		3,600	9,000
Utilities	4,655		3,104	7,759
Communications	3,307		2,204	5,511
Supplies	4,226		2,818	7,044
Subscriptions & Fees	127		84	211
Conferences & Training	1,348	46	930	2,324
Depreciation	1,416			1,416
Project for CHDO		7,215		7,215
Total Expenses	\$ <u>76,678</u>	\$ <u>13,239</u>	\$ <u>57,071</u>	\$ <u>146,988</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, 2011

Cash flows from operating activities:

Increase in net assets \$ 5,667

Adjustments to reconcile change in net assets

to net cash used in operating activities:

Depreciation	1,416
Increase in Accounts Receivable	(3,265)
Decrease in Accounts Payable	(435)
Decrease in American Express Payable	(1,120)
Increase in Payroll Tax and Related Payables	5,561
Decrease in Payable to Rosalind Robinson	(23)
Increase in Interest Payable	337
	8,138

Net cash provided by operating activities 8,138

Cash flows from financing activities:

Principal Payments of Loans (1,398)

Net cash used for financing activities (1,398)

Net Increase in cash 6,740

Cash and cash equivalents, beginning of year 18,870

Cash and cash equivalents, end of year \$ 25,610

Supplemental cash flow information:

Interest paid \$ 2,926

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

RESIDENTIAL RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

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, 2011. This residence is being rented until the Organization can find a buyer. The other residence was under a lease purchase contract which did not materialize. The entity has just acquired approval to reclassify the inventory items as rental units due to the nature of the housing industry. This reclassification will occur during the next fiscal year at which time the houses will be depreciated in accordance with generally accepted accounting principles. 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 when the properties are disposed. The Housing Fund Note Payable is collateralized by these two residences. This note is due January 1, 2013. The interest is at a 5% annual rate. Monthly payments are required for \$489. Loan maturities required for each of the five years following June 30, 2011, are as follows:

2012	\$2,879
2013	\$2,936
2014	\$3,092
2015	\$3,257
2016	\$3,431

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. No costs have been incurred related to this commitment during this fiscal year.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were considered through December 13, 2011, which is the date the financial statements were available to be issued. As noted in Note 3, the two residences held in inventory will be classed as fixed assets and the related liability for project funds under CHDO will be a long term liability in the next fiscal year. Legal documentation for this change was acquired subsequent to year end.