

URBAN HOUSING SOLUTIONS, INC.

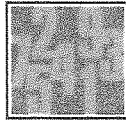
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2009 AND 2008

URBAN HOUSING SOLUTIONS, INC.

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BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Urban Housing Solutions, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Urban Housing Solutions, Inc. ("UHS") as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits provide 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 Urban Housing Solutions, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2010, on our consideration of Urban Housing Solutions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Urban Housing Solutions, Inc. taken as a whole. The schedules of program services revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bellenfant & Miles, PLLC

July 16, 2010

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Cash	\$ 498,444	\$ 248,355
Restricted cash:		
Tenant security deposits	71,533	120,134
Cash	-	281,505
Replacement reserves	101,373	287,000
Accounts receivable:		
Grants	117,002	723,820
Tenants (less allowance for doubtful accounts of \$13,789 in 2009)	55,157	82,461
Due from Mercury Court Apartments, LP	17,538	18,994
Prepaid expenses, deposits and other	13,786	38,715
Investment in Mercury Court Apartments, LP	70,000	70,000
Accrued developer fees	6,200	6,200
Property and equipment - net of accumulated depreciation	16,707,732	16,039,820
Loan closing costs, net of accumulated amortization of \$ 62,682 and \$ 44,981 for 2009 and 2008.	<u>44,191</u>	<u>44,139</u>
TOTAL ASSETS	<u>\$ 17,702,956</u>	<u>\$ 17,961,143</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 128,157	\$ 57,870
Accrued payments in lieu of tax (PILOT)	35,233	36,380
Tenant security deposits payable	104,813	120,109
Unearned revenue	92,000	124,074
Notes payable	<u>6,615,880</u>	<u>6,945,760</u>
TOTAL LIABILITIES	<u>6,976,083</u>	<u>7,284,193</u>
NET ASSETS		
Unrestricted:		
Undesignated	568,149	1,517,518
Property and equipment	<u>10,091,852</u>	<u>9,094,060</u>
Total unrestricted	10,660,001	10,611,578
Temporarily restricted	<u>66,872</u>	<u>65,372</u>
TOTAL NET ASSETS	<u>10,726,873</u>	<u>10,676,950</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,702,956</u>	<u>\$ 17,961,143</u>

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2009 AND 2008

	2009			2008		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts	\$ 52,178	\$ 3,561	\$ 55,739	\$ 39,374	\$ -	\$ 39,374
In-kind donation - Comelia House	-	-	-	2,200,000	-	2,200,000
Grants:						
Government	1,011,226	-	1,011,226	2,200,047	-	2,200,047
Foundation	59,171	-	59,171	-	142,960	142,960
Total public support	1,122,575	3,561	1,126,136	4,439,421	142,960	4,582,381
Revenues:						
Rental income	2,732,265	-	2,732,265	2,543,450	-	2,543,450
Laundry and vending machine income	30,949	-	30,949	77,749	-	77,749
Investment income	12,901	-	12,901	25,637	-	25,637
Security deposits forfeited	47,604	-	47,604	-	-	-
Management fees	10,514	-	10,514	11,834	-	11,834
Miscellaneous	31,000	-	31,000	19,158	-	19,158
Freedom recovery	7,223	-	7,223	-	-	-
Business income - The Academy	66,769	-	66,769	27,458	-	27,458
Special events	400	-	400	11,585	-	11,585
Gain on sale of building and property	-	-	-	130,494	-	130,494
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	2,061	(2,061)	-	219,082	(219,082)	-
TOTAL SUPPORT AND REVENUES	4,064,261	1,500	4,065,761	7,505,868	(76,122)	7,429,746
EXPENSES						
Program services:						
Rental projects	3,378,502	-	3,378,502	3,006,322	-	3,006,322
Resident support programs	539,217	-	539,217	429,936	-	429,936
Total program services	3,917,719	-	3,917,719	3,436,258	-	3,436,258
Supporting services:						
Management and general	98,119	-	98,119	83,843	-	83,843
TOTAL EXPENSES	4,015,838	-	4,015,838	3,520,101	-	3,520,101
CHANGE IN NET ASSETS	48,423	1,500	49,923	3,985,767	(76,122)	3,909,645
NET ASSETS - BEGINNING OF YEAR	10,611,578	65,372	10,676,950	6,625,811	141,494	6,767,305
NET ASSETS - END OF YEAR	\$ 10,660,001	\$ 66,872	\$ 10,726,873	\$ 10,611,578	\$ 65,372	\$ 10,676,950

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 921,201	\$ 468,401	\$ 1,389,602	\$ 17,831	\$ 1,407,433
Advertising	22,079	-	22,079	-	22,079
Contract services	342,468	60	342,528	-	342,528
Insurance	94,583	9,636	104,219	11,495	115,714
Interest	260,129	-	260,129	-	260,129
Legal and professional	19,257	5,638	24,895	23,253	48,148
Miscellaneous	256,434	5,917	262,351	2,542	264,893
Printing and postage	3,575	1,179	4,754	351	5,105
Rent	2,128	845	2,973	55	3,028
Repairs and maintenance	190,382	184	190,566	846	191,412
Social program funds	7,445	21,127	28,572	181	28,753
Special events	-	276	276	-	276
Supplies	12,345	3,074	15,419	1,815	17,234
Taxes and licenses	35,576	40	35,616	510	36,126
Telephone	16,856	7,217	24,073	804	24,877
Travel	13,491	15,235	28,726	119	28,845
Utilities	493,363	388	493,751	277	494,028
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,691,312	539,217	3,230,529	60,079	3,290,608
Depreciation and amortization	687,190	-	687,190	38,040	725,230
TOTAL FUNCTIONAL EXPENSES	\$ 3,378,502	\$ 539,217	\$ 3,917,719	\$ 98,119	\$ 4,015,838

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 795,450	\$ 321,597	\$ 1,117,047	\$ 29,440	\$ 1,146,487
Advertising	16,812	27	16,839	2	16,841
Contract services	7,188	2,187	9,375	1,000	10,375
Insurance	84,945	14,785	99,730	1,058	100,788
Interest	303,190	-	303,190	-	303,190
Legal and professional	57,511	6,047	63,558	5,365	68,923
Management fees	26,518	-	26,518	-	26,518
Miscellaneous	131,793	1,145	132,938	4,880	137,818
Printing and postage	3,416	657	4,073	396	4,469
Rent	5,845	642	6,487	-	6,487
Repairs and maintenance	434,241	6,083	440,324	567	440,891
Scholarships	-	13,850	13,850	-	13,850
Social program funds	4,992	12,315	17,307	-	17,307
Special events	-	4,790	4,790	-	4,790
Supplies	21,863	5,543	27,406	13,211	40,617
Taxes and licenses	47,263	300	47,563	40	47,603
Telephone	16,730	6,907	23,637	347	23,984
Travel	37,724	14,935	52,659	6,336	58,995
Utilities	433,887	-	433,887	814	434,701
Vending machine expenses	-	17,598	17,598	-	17,598
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,429,368	429,408	2,858,776	63,456	2,922,232
Depreciation and amortization	576,954	528	577,482	20,387	597,869
TOTAL FUNCTIONAL EXPENSES	\$ 3,006,322	\$ 429,936	\$ 3,436,258	\$ 83,843	\$ 3,520,101

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

URBAN HOUSING SOLUTIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 49,923	\$ 3,909,645
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	725,230	597,869
(Increase) decrease in:		
Accounts receivable:		
Grants	606,818	(72,616)
Tenants	27,304	(52,429)
Insurance receivable	-	25,000
Other assets	26,385	(4,604)
Increase (decrease) in:		
Accounts payable and accrued expenses	70,287	(8,106)
Unearned revenue	(32,074)	(31,925)
Accrued payments in lieu of tax (PILOT)	(1,147)	2,117
Net cash (used) provided by operating activities	<u>1,472,726</u>	<u>4,364,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,375,441)	(4,257,071)
Book Value of property sold	-	69,506
(Increase) decrease in restricted deposits	515,733	193,662
Increase (decrease) in tenant security deposits payable	(15,296)	17,418
Net cash (used) provided by investing activities	<u>(875,004)</u>	<u>(3,976,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan closing costs	-	(11,354)
Proceeds from notes payable	-	52,613
Principal payments on notes payable	(347,633)	(390,591)
Net cash (used) provided by financing activities	<u>(347,633)</u>	<u>(349,332)</u>
NET INCREASE (DECREASE) IN CASH	250,089	39,134
CASH - BEGINNING OF YEAR	<u>248,355</u>	<u>209,221</u>
CASH - END OF YEAR	<u>\$ 498,444</u>	<u>\$ 248,355</u>

Supplemental Information: Interest expense was \$260,129 and \$303,190 for the years ended December 31, 2009 and 2008, respectively.

Closing costs of \$17,753 were capitalized during 2009 and added to principle of notes payable.

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

Urban Housing Solutions, Inc. ("UHS") was founded in 1991 as a Tennessee not-for-profit corporation. UHS provides affordable rental housing and social services for low-income residents of Nashville, primarily those with special needs.

Basis of Presentation:

Urban Housing Solutions, Inc. prepares its financial statements and maintains its financial accounting records on the accrual basis of accounting.

Contributions and support

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

UHS also receives grant revenue from various federal, state and local agencies, principally from the U.S. Department of Housing and Urban Development and the Metropolitan Development and Housing Agency. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to recognition are recorded initially as deferred revenue.

UHS reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Income taxes

UHS has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501 (c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Organization has evaluated its tax position in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Property and equipment

Property and equipment are stated at acquisition costs, or estimated fair market value if donated, less accumulated depreciation. Depreciation is computed on the straight-line method over estimated useful life of three to ten years for furniture and equipment and thirty years for buildings and improvements.

Donated property and materials

Donated items are recorded at their fair market value at the date of the gift.

Donated services

UHS's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor at the fair value of services received.

Program and supporting services

The following program and supporting services are included in the accompanying financial statements.

Rental projects:

Mercury Courts - provides 160 units of housing for formerly homeless and low-income adults, as well as access to the agency's shuttle service, on-site classes, service coordination, and health advocacy.

Rex Courts - provides 96 units of housing for low-income individuals and families, of which 20 units are designed for persons who are homeless and mentally ill.

Greentree Terrace - provides 56 units of housing for low-income individuals and families, of which 20 units are designated for persons who are homeless and mentally ill.

Hope Terrace (formerly known as Centennial Commons), Crown Courts, and Vultee Gardens - three properties that provide a total of 65 housing units for low-income individuals and families who are homeless and in recovery from drug and alcohol addiction. UHS's Journeys of Hope program provides supportive services for these residents.

Fisk Court - provides 18 units of affordable housing for low-income, chronically homeless adults.

Russell Street - provides 11 units of affordable rental housing for low-income individuals and families living with mental illness.

Woodland Street - provides dorm-style housing for men in The Academy program.

Shelby Courtyards - provides 11 units of housing for low-income adults and families.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Program and supporting services - continued

Rental projects continued:

River Terrace - provides 20 units of housing for low-income adults and families.

Village Place - provides 69 units of housing for low-income adults and families.

The Park at Mercury Court - provide 20 units of housing for adults through the Low- Income Housing Tax Credit program. The equity partner is SunTrust Bank.

Eastwood Courts - provide 61 units of housing for low-income adults and families.

Mercury North - will provide 32 units of housing for low-income, homeless adults and families. Completed in mid 2009.

Lindsley - will provide dorm-style housing for The Academy program. Completed in early 2010.

701 Porter - will provide apartments for low-income, deaf adults and families, as well as space for a variety of small commercial enterprises and community space for East Nashville. Expected completion of Phase I construction is 2010.

Resident support programs:

Service Coordinator Program - provides the social work staff that is essential to assess and assist the formerly homeless residents of Fisk Court and Mercury Courts. Service coordinators provide referrals to community services, schedule transportation, and assist residents in obtaining employment.

Journeys of Hope Program - provides addiction recovery services to residents living in 65 units of housing in three different properties - Vultee Gardens, Crown Courts, and Hope Terrace. In addition to weekly group meetings and regular drug testing, residents also have access to a full-time addictions counselor.

Client Fund Program - provides direct financial assistance to residents in order to meet their transportation, healthcare, or other emergency needs. The fund covers the cost of the resident shuttle, bus passes, medical and dental co-pays, food, and basic starter household supplies for many of the agency's formerly homeless residents.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Resident support programs continued:

Health Matters - offers a full-time health advocate, health-related workshops, and semiannual health fairs for UHS residents - primarily to those living at Mercury Courts and The Park. The program helps to connect residents to primary care physicians, insurance and prescription assistance programs, and wellness programs in order to reduce dependency on emergency services and improve health outcomes.

Vending Program - a resident run enterprise that operates all vending machines on UHS properties.

HOPWA (Housing Opportunities for Persons with AIDS) - provides subsidized rent and case management for UHS residents living with HIV/AIDS.

Rex and Greentree Mental Health Program - provides subsidized rent and case management services for people who are homeless and mentally ill.

The Academy - Based on San Francisco's highly successful Delancey Street, The Academy provides housing and a structured, two-year, life-altering program of accountability and skills training for chronically homeless and formerly incarcerated men. In 2010, Urban Housing Solutions, Inc. sought and found another agency to provide the service component of the Academy Program.

Management and general - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or fund-raising activity. Includes costs associated with providing coordination and articulation of UHS's program strategy, business management, general record keeping, budgeting and related purposes.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of estimates in the preparation of financial statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Allowance for uncollectible accounts/bad debts

At the end of each year, management reviews accounts receivable in detail and writes off any account that is deemed uncollectible. Based on assessment of specific accounts and historical collection experience of rental income, an allowance for uncollectible accounts was considered to be 20% of total balance as of December 31, 2009 which was \$13,789.

2. GRANTS RECEIVABLE

Grants receivable consists of receivables from programs funded by the U.S. Department of Housing and Urban Development ("HUD") and the Metropolitan Development and Housing Agency ("MDHA"). Financial activities of those programs are summarized in the schedule of expenditures of federal awards.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2009	2008
Land	\$ 2,785,808	\$ 2,785,808
Building and improvements	17,200,424	16,001,017
Furniture and equipment	1,082,714	906,670
	<u>21,068,946</u>	<u>19,693,495</u>
Less accumulated depreciation	(4,361,214)	(3,653,675)
	<u><u>\$ 16,707,732</u></u>	<u><u>\$ 16,039,820</u></u>

4. IN-KIND DONATION - CORNELIA HOUSE

During 2008, UHS received, as a donation, a facility known as Cornelia House. It is currently being divided into apartments with some commercial and community use areas to serve low-income, deaf adults and families. It will be known as 701 Porter. The fair value of the donation was determined to be \$2,200,000.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, payables and accrued expenses: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

6. NOTES PAYABLE

Notes payable consist of the following at December 31:	<u>2009</u>	<u>2008</u>
Note payable - Nashville Housing Fund (4.00%); payable in monthly principal and interest payments of \$2,510 beginning October 2004; final balloon payment for balance due October 2011; secured by real estate at River Terrace.	\$ 487,282	\$ 497,684
Note Payable - Green Bank (4.25%); payable in monthly principal and interest payments of \$10,128 beginning January 2008; final balloon payment for the balance due February 2012; secured by real estate at Rex Courtyards.	1,142,653	1,219,883
Note payable - Renasant Bank (4.75%); interest due monthly beginning May 2007; final balloon payment for balance due January 2010; secured by real estate at Lindsley Avenue.	448,377	448,938
Mortgage payable - Renasant Bank (4.25%); payable in monthly principal and interest payments of \$10,280 beginning November 2007, with final balloon payment for the balance due November 2012 ; secured by real estate at Village Place.	1,403,357	1,464,808
Note payable - Tenn Loan, Inc. (3.00%); payable in monthly installments of \$724 beginning October 1999, through May 2010; secured by real estate at Eastwood Courts.	12,698	21,545
Mortgage payable - Pinnacle Bank (4.25%); payable in monthly installments of \$552 beginning October 2008 through September 2018; secured by real estate at Mercury Courts.	48,174	52,613
Note payable - Renasant Bank (4.25%); monthly principal and interest payment of \$2,366 beginning January 2007; final balloon payment for the balance due December 2011; secured by real estate at Hope Terrace.	333,103	346,818
Note payable - Renasant Bank (4.25%); payable in monthly principal and interest payment of \$6,161 beginning of November 2006, final balloon payment for the balance due October 2011; secured by real estate at Greentree Terrace.	889,929	924,711

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

6. NOTES PAYABLE - continued

	<u>2009</u>	<u>2008</u>
Note payable - Pinnacle Bank (1.25%); payable in monthly principal and interest payment of \$7,839 beginning of October 2008, final balloon payment for the balance due March 2013; secured by real estate at Mercury Courts.	\$ 1,179,910	\$ 1,264,959
Note payable - Regions Bank (5.00%); payable in monthly principal and interest payment of \$6,439 beginning September 2006, final balloon payment for balance due August 2010; secured by real estate at Eastwood Courts.	652,643	703,801
Note payable - Nashville Housing Fund (3.00%); interest due monthly beginning October 2009 through October 2010; monthly principal and interest payment due beginning November 2010, final balloon payment for balance due September 2013; secured by real estate at 701 Porter.	17,754	-
Total Notes Payable	<u>\$ 6,615,880</u>	<u>\$ 6,945,760</u>

Annual principal maturities of notes payable as of December 31, 2009 are as follows:

2010	\$ 1,417,367
2011	1,878,984
2012	2,347,478
2013	943,693
2014	5,502
2015 and thereafter	22,856
	<u>\$ 6,615,880</u>

Interest expense of \$260,129 was paid in 2009 and \$303,190 in 2008.

7. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject UHS to concentrations of credit risk consist principally of grants and tenant accounts receivable. Tenant accounts receivable are widely dispersed to mitigate credit risk. Grants receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

UHS maintains deposit accounts with four financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. Excess uninsured balances of UHS approximated \$197,057 in 2009 and \$395,210 in 2008. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Foundation grants for tenant assistance	<u>\$ 66,872</u>	<u>\$ 65,372</u>

9. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

UHS has received federal, state and local grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowances of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantor.

10. ACCRUED PAYMENTS IN LIEU OF TAXES (PILOT)

UHS is not required to pay property taxes on several of its properties that have been granted property tax exempt status. Under this exempt status, UHS is required to make a payment in lieu of taxes (PILOT) to the city and county.

The Metropolitan Council approved the formula for calculating PILOT payments to be 25% of the normal property taxes. Accrued PILOT has been recorded as a liability in the amount of \$35,233 and \$36,380 for the years ended December 31, 2009 and 2008, respectively. PILOT expenses were \$35,233 and \$36,947 for the years ended December 31, 2009 and 2008, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

11. RELATED PARTY TRANSACTIONS

In December 2001, UHS transferred property valued at \$70,000 to Mercury Court Apartments, LP a Tennessee limited partnership, for a .10% ownership interest through its wholly-owned subsidiary, The Park Development, Inc. The Park is the general partner in the partnership. UHS is developer of the 20-unit multifamily residential project. UHS is owed a developer fee of \$6,200. This fee will be paid from future capital contributions, cash flow or upon disposition of Mercury Court Apartments.

Mercury Courts Apartments, LP has entered into an agreement with UHS, in connection the management of the rental operations of the project. In accordance with this agreement, UHS earns 10% of the gross operating revenues received from the preceding month. Management fees that UHS earned were \$10,514 in 2009 and \$11,834 in 2008. No operating income or loss passed through to UHS from the Partnership in 2009 or 2008.

Mercury Court Apartments, LP qualified 100% of the units for low income housing credits in accordance with Section 42 of the Internal Revenue Code as enacted by the Tax Reform Act of 1986. The applicable low-income housing tax credit will be available to the limited partner over a ten-year period. The units must meet the provisions of Section 42 of the Internal Revenue Code during the next fifteen years in order to remain qualified to receive the credits.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 16, 2010 which is the date the financial statements were available to be issued.

In 2010, UHS received \$113,494 final insurance settlement from a claim arising from a fire in 2003.

SUPPLEMENTAL INFORMATION

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/09	1/1/09 - 12/31/09		Other (2)	Grant Receivable 12/31/09
						Receipts	Expenditures		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:									
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	4/1/08 - 3/31/09	92,678	19,250	60,175	40,925	-	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	4/1/09 - 3/31/10	98,987	-	42,160	59,653	-	17,493
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	3/1/08 - 2/28/09	224,061	5,491	12,671	7,180	-	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	3/1/09 - 2/28/10	251,936	-	15,598	20,556	-	4,958
** Supportive Housing Program	14.235	TN37B504001	4/1/07 - 3/31/09	240,000	80,716	104,090	23,374	-	-
** Supportive Housing Program	14.235	TN37B504001	4/1/09 - 3/31/10	120,000	-	100,184	106,582	-	6,398
** Supportive Housing Program	14.235	TN37B204006	4/1/08 - 3/31/09	168,705	22,770	33,608	10,838	-	-
** Supportive Housing Program	14.235	TN37B204006	4/1/09 - 3/31/10	168,705	-	115,632	128,897	-	13,265
** Supportive Housing Program	14.235	TN53B404008	9/1/09 - 8/31/11	122,250	-	9,629	13,004	-	3,375
** Supportive Housing Program	14.235	TN53B404008	9/1/09 - 8/31/11	238,000	-	21,187	28,614	-	7,427
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:									
Housing Opportunities for Persons with AIDS	12.241	N/A	4/1/07 - 3/31/08	91,690	7,208	-	-	7,208	-
Housing Opportunities for Persons with AIDS	12.241	N/A	4/1/08 - 3/31/09	106,360	47,131	83,204	36,073	-	-
Housing Opportunities for Persons with AIDS	12.241	N/A	4/1/09 - 3/31/10	101,931	-	81,197	91,330	-	10,133
Community Housing Development Organization -HOME Investment Partnership Program - administrative funds	14.239	N/A		130,000	34,324	34,324	-	-	-
Community Housing Development Organization -HOME Investment Partnership Program - administrative funds	14.239	N/A		228,438	32,556	32,556	-	-	-
Community Housing Development Organization -HOME Investment Partnership Program	14.239	N/A		1,450,000	331,293	671,435	367,242	-	27,100
Community Housing Development Organization-HOME Program	14.239	N/A	4/1/09 - 3/31/10	150,000	-	20,000	20,000	-	-

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/09	1/1/09 - 12/31/09 Receipts	Expenditures	Other (2)	Grant Receivable 12/31/09
Community Housing Development Organization-HOME Program	14.239	N/A	4/1/09 - 3/31/10	45,688	-	8,106	8,106	-	-
Community Housing Development Organization-HOME Program	14.239	N/A	4/1/09 - 3/31/10	29,207	-	29,207	29,207	-	-
STATE OF TENNESSEE REVENUE:									
Tennessee Housing Development Agency Housing Trust Fund Competitive Grant Program		N/A		341,896	143,081	143,081	-	-	-
Tennessee Housing Development Agency		N/A	1/1/09 - 12/31/11	348,417	-	-	21,443	-	21,443
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 723,820	\$ 1,618,044	\$ 1,013,024	\$ 7,208	\$ 111,592

(1) Not specified by grantor

(2) Grant receivable from prior year that was not collected.

Basis of presentation

This schedule of expenditures of federal awards includes the federal grant activity of Urban Housing Solutions, Inc. and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*.

** Tested as Major Programs

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental Income	\$ 57,354	\$ -	\$ 744,150	\$ 105,984	\$ 94,839	\$ 92,152	\$ 63,724	\$ 104,025	\$ 500,553	\$ 68,537
Grants	-	-	22,716	20,526	10,009	-	-	398,222	50,734	10,365
Other	1,386	848	24,803	5,529	2,959	2,560	1,087	6,240	15,777	3,903
Total Revenues	58,740	848	791,669	132,039	107,807	94,712	64,811	508,487	567,064	82,805
EXPENSES										
Payroll and related expenses	13,324	-	295,560	36,354	19,963	24,770	12,171	56,829	102,978	13,914
Advertising	108	-	7,449	909	222	145	39	54	3,183	234
Contract services	5,353	-	62,264	13,037	12,748	7,350	3,407	5,391	66,330	10,811
Insurance	1,157	-	16,296	2,852	2,177	1,392	1,248	4,519	13,307	1,697
Interest	-	-	19,034	4,891	4,891	4,891	-	-	55,352	-
Legal and professional	92	-	4,086	517	227	167	107	305	5,295	85
Miscellaneous	3,322	-	3,770	20,460	17,252	221	32	20,224	29,213	10,730
Printing and postage	54	-	1,075	132	86	93	63	156	428	78
Rent	28	-	745	60	34	52	32	159	200	25
Repairs and maintenance	2,318	-	45,250	6,367	6,112	3,501	2,010	5,497	35,835	4,400
Social program funds	67	-	4,927	163	112	125	67	163	573	90
Special events	-	-	-	-	-	-	-	-	-	-
Supplies	172	-	3,678	410	275	681	177	517	1,475	225
Taxes and licenses	6	-	77	2,697	2,561	739	7	32	7,173	2,166
Telephone	184	-	3,529	458	280	341	196	659	3,173	205
Travel	256	-	2,294	1,104	693	774	223	234	2,152	296
Utilities	1,892	-	163,006	21,468	9,879	16,675	7,382	15,219	129,399	8,070
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	28,333	-	633,040	111,879	77,512	61,917	27,161	109,958	456,066	53,026
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	30,407	848	158,629	20,160	30,295	32,795	37,650	398,529	110,998	29,779
Depreciation and amortization	16,036	5,849	118,467	30,953	18,713	19,896	18,490	41,386	60,032	24,362
REVENUE OVER EXPENSES	\$ 14,371	\$ (5,001)	\$ 40,162	\$ (10,793)	\$ 11,582	\$ 12,899	\$ 19,160	\$ 357,143	\$ 50,966	\$ 5,417

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

PROGRAM SERVICES									
	GREENTREE TERRACE	RIVER TERRACE	701 PORTER	NEELY	FREEDOM RECOVERY	EASTWOOD COURT	VILLAGE PLACE	THE ACADEMY	TOTAL RENTAL PROJECTS
REVENUES									
Rental Income	\$ 230,821	\$ 60,141	\$ 11,790	\$ -	\$ -	\$ 267,898	\$ 330,195	\$ -	\$ 2,732,163
Grants	19,294	14,323	21,444	-	-	32,401	21,348	129,956	751,338
Other	8,181	1,752	88	-	7,223	23,109	13,525	67,948	186,918
Total Revenues	258,296	76,216	33,322	-	7,223	323,408	365,068	197,904	3,670,419
EXPENSES									
Payroll and related expenses	69,998	20,015	23,991	19,014	-	61,666	73,629	77,025	921,201
Advertising	1,286	464	-	-	-	4,003	3,983	-	22,079
Contract services	24,495	13,836	90	-	3,662	61,960	51,734	-	342,468
Insurance	7,767	3,869	10,403	28	-	7,849	8,796	11,226	94,583
Interest	39,154	19,718	-	-	-	28,701	61,903	21,594	260,129
Legal and professional	1,250	1,507	98	34	-	2,910	2,114	463	19,257
Miscellaneous	14,960	76	103	26	-	2,991	2,495	130,559	256,434
Printing and postage	251	86	39	18	-	273	293	450	3,575
Rent	116	33	25	114	-	188	145	172	2,128
Repairs and maintenance	15,368	6,815	-	-	-	33,235	22,798	876	190,382
Social program funds	315	112	-	-	-	343	388	-	7,445
Special events	-	-	-	-	-	-	-	-	-
Supplies	817	275	61	29	957	1,105	978	513	12,345
Taxes and licenses	4,448	2,083	20	-	-	8,298	5,249	20	35,576
Telephone	1,687	280	253	118	-	907	1,031	3,555	16,856
Travel	583	709	71	52	20	2,110	1,630	290	13,491
Utilities	27,008	7,055	1,855	-	-	37,280	31,528	15,647	493,363
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	209,503	76,933	37,009	19,433	4,639	253,819	268,694	262,390	2,691,312
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	48,793	(717)	(3,687)	(19,433)	2,584	69,589	96,374	(64,486)	979,107
Depreciation and amortization	56,956	15,740	77,338	169	8	59,188	71,586	52,021	687,190
REVENUE OVER EXPENSES	\$ (8,163)	\$ (16,457)	\$ (81,025)	\$ (19,602)	\$ 2,576	\$ 10,401	\$ 24,788	\$ (116,507)	\$ 291,917

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM SERVICES										SUPPORTING SERVICES	
	SERVICE COORDINATOR PROGRAM	JOURNEYS OF HOPE PROGRAM	VENDING PROGRAM	MENTAL HEALTH	HEALTH MATTERS	EDUCATIONAL PROGRAM	CLIENT FUND PROGRAM	HOHWA	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
REVENUES												
Rental Income	\$ 168,159	\$ 33,474	-	\$ 40,666	\$ 27,169	-	\$ 5,410	\$ 30,371	\$ 303,249	\$ 2,733,163	\$ 102	\$ 2,732,265
Grants			-							1,050,587	13,810	1,070,397
Other	794	353	-	353	5,339	88	30,734	177	37,838	224,756	38,343	263,099
Total Revenues	168,953	33,827	-	41,019	32,508	88	36,144	30,548	343,087	4,013,506	52,255	4,065,761
EXPENSES												
Payroll and related expenses	170,365	54,714	-	75,529	58,155	17,544	62,753	29,341	468,401	1,389,602	17,831	1,407,433
Advertising	-	-	-	-	-	-	-	-	-	22,079	-	22,079
Contract services	-	60	-	-	-	-	-	-	60	342,528	-	342,528
Insurance	3,628	1,176	327	1,453	1,143	130	1,194	585	9,636	104,219	11,495	115,714
Interest	-	-	-	-	-	-	-	-	-	260,129	-	260,129
Legal and professional	796	322	-	330	1,346	167	2,518	159	5,638	24,895	23,253	48,148
Miscellaneous	3,958	269	35	74	38	38	1,503	2	5,917	262,351	2,542	264,893
Printing and postage	288	112	-	134	145	73	373	54	1,179	4,754	351	5,105
Rent	268	114	-	111	83	39	134	96	845	2,973	55	3,028
Repairs and maintenance	112	-	28	15	-	-	29	-	184	190,566	846	191,412
Social program funds	790	6,012	-	-	5,010	-	9,191	124	21,127	28,572	181	28,753
Special events	-	-	-	-	-	-	276	-	276	276	-	276
Supplies	776	247	-	733	324	118	798	78	3,074	15,419	1,815	17,234
Taxes and licenses	-	-	-	-	-	-	40	-	40	35,616	510	36,126
Telephone	2,126	841	-	1,497	823	160	1,378	392	7,217	24,073	804	24,877
Travel	1,789	1,341	6	2,922	1,808	15	6,223	1,131	15,235	28,726	119	28,845
Utilities	-	-	-	-	-	-	-	388	388	493,751	277	494,028
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	184,896	65,208	396	82,798	68,875	18,284	86,410	32,330	539,217	3,230,529	60,079	3,290,608
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(15,943)	(31,381)	(396)	(41,779)	(36,367)	(18,196)	(50,266)	(1,802)	(196,130)	782,977	(7,824)	775,153
Depreciation and amortization	-	-	-	-	-	-	-	-	-	687,190	38,040	725,230
REVENUE OVER EXPENSES	\$ (15,943)	\$ (31,381)	\$ (396)	\$ (41,779)	\$ (36,367)	\$ (18,196)	\$ (50,266)	\$ (1,802)	\$ (196,130)	\$ 95,787	\$ (45,864)	\$ 49,923

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

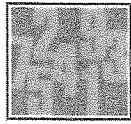
	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	CLAY STREET	REX'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental income	\$ 45,223	\$ -	\$ 752,609	\$ 93,646	\$ 78,593	\$ 89,656	\$ 49,354	\$ 700	\$ 457,378	\$ 65,530
Grants	1,006	-	1,065	27,610	22,097	-	142,500	-	53,150	15,390
Other	244	-	7,724	3,132	6,137	1,073	174	-	20,770	2,998
Gain on Sale of Building and Property	-	-	-	-	-	-	-	130,494	-	-
Total Revenues	46,473	-	761,398	124,388	106,827	90,729	192,028	131,194	531,298	83,918
EXPENSES										
Payroll and related expenses	12,481	-	234,045	31,529	28,527	26,938	19,912	947	80,692	18,208
Advertising	143	-	5,627	337	532	188	23	6	2,218	444
Contract services	60	-	2,847	400	250	75	580	-	1,033	65
Insurance	1,651	16	12,409	3,767	3,086	1,916	2,036	175	16,172	2,407
Interest	-	-	70,691	5,098	5,098	5,098	-	-	49,769	-
Legal and professional	285	-	10,856	1,932	1,064	3,039	371	365	4,246	628
Management fees	-	-	-	3,020	2,573	2,333	-	-	3,335	3,099
Miscellaneous	2	-	86	6	4	5	2	-	17	39
Printing and postage	52	-	924	129	90	90	55	3	393	73
Rent	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	3,184	-	86,393	17,901	10,910	15,665	2,941	722	114,475	14,453
Scholarship	-	-	-	-	-	-	-	-	-	-
Social program funds	118	-	1,293	215	194	164	214	74	608	178
Special events	-	-	-	-	-	-	-	-	-	-
Supplies	1,810	-	7,689	1,074	791	504	293	18	2,343	394
Taxes and licenses	-	-	-	2,397	3,502	1,370	-	2,305	8,417	1,944
Telephone	193	-	3,665	485	317	432	225	18	3,292	273
Travel	491	-	3,203	1,624	1,295	819	690	33	2,112	571
Utilities	2,970	-	132,735	17,389	10,698	15,295	9,450	206	112,367	6,765
Vending machine expenses	-	-	-	-	-	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	23,440	16	572,463	87,303	68,931	75,931	36,792	4,872	401,489	49,541
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	23,033	(16)	188,935	37,085	37,896	16,798	155,236	126,322	129,809	34,377
Depreciation and amortization	15,623	5,264	125,523	30,925	18,398	19,554	15,454	791	58,396	24,402
REVENUE OVER EXPENSES	\$ 7,410	\$ (5,280)	\$ 63,412	\$ 6,160	\$ 19,498	\$ (2,756)	\$ 139,782	\$ 125,531	\$ 71,413	\$ 9,975

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM SERVICES									TOTAL RENTAL PROJECTS
	GREENTREE TERRACE	RIVER TERRACE	CORNELIA HOUSE	DRAKE	THE VIEWS ON MAIN	FREEDOM RECOVERY	EASTWOOD COURT	VILLAGE PLACE	TUE ACADEMY	
REVENUES										
Rental Income	\$ 204,441	\$ 83,098	\$ -	\$ 7,438	\$ -	\$ -	\$ 291,144	\$ 324,610	\$ -	\$ 2,543,420
Grants	30,381	4,529	-	1,082,757	-	-	29,449	21,740	606,524	2,038,198
Other	11,547	290	2,202,200	6,351	-	4,915	5,884	12,674	27,678	2,313,791
Gain on Sale of Building and Property	-	-	-	-	-	-	-	-	-	130,494
Total Revenues	246,369	87,917	2,202,200	1,096,546	-	4,915	326,477	359,024	634,202	7,025,903
EXPENSES										
Payroll and related expenses	63,267	21,471	16,697	23,008	-	4,573	60,021	65,344	87,790	795,450
Advertising	1,423	222	169	2	-	-	3,656	1,812	10	16,812
Contract services	608	60	-	-	-	-	480	730	-	7,188
Insurance	9,657	3,362	3,096	-	-	-	9,427	9,336	6,432	84,945
Interest	40,734	20,125	-	-	-	-	34,390	64,664	7,523	303,190
Legal and professional	2,933	897	605	116	18,522	43	4,412	5,585	1,612	57,511
Management fees	4,634	1,659	-	205	-	-	2,525	3,135	-	26,518
Miscellaneous	53	904	-	-	-	-	777	13	129,885	131,793
Printing and postage	241	88	89	-	-	8	264	308	609	3,416
Rent	-	-	-	-	-	-	-	-	5,845	5,845
Repairs and maintenance	33,861	11,226	150	1,160	-	2,687	52,540	58,537	7,436	434,241
Scholarships	-	-	-	-	-	-	-	-	-	-
Social program funds	670	209	-	-	-	-	600	455	-	4,992
Special events	-	-	-	-	-	-	-	-	-	-
Supplies	1,353	1,480	14	306	-	87	1,460	1,586	661	21,863
Taxes and licenses	4,990	1,965	-	-	255	-	7,225	6,373	6,520	47,263
Telephone	1,750	328	24	181	-	22	995	1,100	3,430	16,730
Travel	1,114	1,241	-	5	-	232	3,148	2,320	18,826	37,724
Utilities	22,693	6,903	5,044	3,217	-	-	36,202	32,353	19,600	433,887
Vending machine expenses	-	-	-	-	-	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	189,981	72,140	25,888	28,200	18,777	7,652	218,122	253,651	296,179	2,429,368
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	56,388	15,777	2,176,312	1,068,346	(18,777)	(2,737)	108,355	105,373	338,023	4,596,535
Depreciation and amortization	55,055	14,440	24,865	20,320	-	4	56,613	69,492	21,835	576,954
REVENUE OVER EXPENSES	\$ 1,333	\$ 1,337	\$ 2,151,447	\$ 1,048,026	\$ (18,777)	\$ (2,741)	\$ 51,742	\$ 35,881	\$ 316,188	\$ 4,019,581

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	SERVICE COORDINATOR PROGRAM	PROGRAM SERVICES							SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL		
		JOURNEYS OF HOPE PROGRAM	VENDING PROGRAM	MENTAL HEALTH	HEALTH MATTERS	SEED PROGRAM	CLIENT FUND PROGRAM	HOHWA			RESIDENT SUPPORT PROGRAMS	TOTAL
REVENUES												
Rental income	\$ -	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30	\$ 2,543,450	\$ 2,543,450	
Grants	116,615	45,033	-	40,072	39,960	-	6,200	28,929	274,809	2,313,007	2,343,007	
Other	-	-	13,894	-	-	-	31,453	-	45,347	2,359,138	2,412,795	
Gain on Sale of Building and Property	-	-	-	-	-	-	-	-	-	130,494	130,494	
Total Revenues	116,615	43,063	13,894	40,072	39,960	-	37,653	28,929	320,186	7,346,089	7,429,746	
EXPENSES												
Payroll and related expenses	127,458	57,577	-	39,751	33,645	1,300	33,779	28,087	321,597	1,117,047	1,146,487	
Advertising	13	6	-	-	-	-	5	3	27	16,839	16,841	
Contract services	-	1,347	-	-	-	840	-	-	2,187	9,375	10,375	
Insurance	6,123	2,855	521	2,148	770	658	940	770	14,785	99,730	100,788	
Interest	-	-	-	-	-	-	-	-	-	303,190	303,190	
Legal and professional	2,536	1,276	-	508	190	38	891	608	6,047	63,558	68,923	
Management fees	-	-	-	-	-	-	-	-	-	26,518	26,518	
Miscellaneous	166	11	-	53	256	-	654	5	1,145	132,938	137,818	
Printing and postage	193	137	-	99	33	21	108	66	657	4,073	4,469	
Rent	232	107	-	71	41	38	86	67	642	6,487	6,487	
Repairs and maintenance	-	51	-	1,387	-	37	4,595	13	6,083	440,324	440,891	
Scholarships	-	-	-	-	-	13,850	-	-	13,850	13,850	13,850	
Social program funds	107	4,620	-	-	1,554	1,088	4,946	-	12,315	17,307	17,307	
Special events	-	-	-	-	-	-	4,790	-	4,790	4,790	4,790	
Supplies	845	400	-	890	393	655	2,278	84	5,543	27,406	33,211	
Taxes and licenses	-	-	-	-	-	-	300	-	300	47,563	47,603	
Telephone	2,468	1,029	-	1,540	81	42	1,198	549	6,907	23,637	23,984	
Travel	1,774	880	-	3,697	685	487	6,639	773	14,935	52,659	58,995	
Utilities	-	-	-	-	-	-	-	-	-	433,887	434,701	
Vending machine expenses	-	-	17,598	-	-	-	-	-	17,598	17,598	17,598	
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	141,915	70,296	18,119	50,144	37,648	19,052	61,209	31,025	429,408	2,858,776	2,922,232	
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(25,300)	(27,233)	(4,225)	(10,072)	2,312	(19,052)	(23,556)	(2,096)	(109,222)	4,487,313	4,507,514	
Depreciation and amortization	-	-	-	-	-	528	-	-	528	577,482	597,869	
REVENUE OVER EXPENSES	\$ (25,300)	\$ (27,233)	\$ (4,225)	\$ (10,072)	\$ 2,312	\$ (19,580)	\$ (23,556)	\$ (2,096)	\$ (109,750)	\$ 3,909,831	\$ 3,909,645	



BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Urban Housing Solutions, Inc.
Nashville, Tennessee

We have audited the financial statements of Urban Housing Solutions, Inc., as of and for the year ended December 31, 2009, and have issued our report thereon dated July 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Urban Housing Solution's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Urban Housing Solution's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, as defined above.

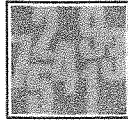
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban Housing Solution's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bellenfant & Miles, PLLC

July 16, 2010



BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Urban Housing Solutions, Inc.
Nashville, Tennessee

Compliance

We have audited the compliance of Urban Housing Solutions, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Urban Housing Solutions, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Urban Housing Solutions, Inc.'s management. Our responsibility is to express an opinion on Urban Housing Solutions, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Urban Housing Solutions, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Urban Housing Solutions, Inc.'s compliance with those requirements.

In our opinion, Urban Housing Solutions, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of Urban Housing Solutions, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Urban Housing Solutions, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Urban Housing Solutions, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bellenfant & Miles, PLLC

July 16, 2010

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

PART I - SUMMARY OF AUDITORS' RESULTS

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____yes x no

Significant deficiencies identified not
considered to be material weaknesses? _____yes x no

Noncompliance material to financial statements noted? _____yes x no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____yes x no

Significant deficiencies identified not
Considered to be material weaknesses? _____yes x none reported

Type of auditors' report issued on compliance
For major programs: Unqualified

Any Audit findings disclosed that are required to be
reported in accordance with A-133, Section 510(a)? _____yes x no

Identification of major programs:

14.235 Supportive Housing Program

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes _____no

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

There were no audit findings for the year ended December 31, 2008.