

**URBAN HOUSING SOLUTIONS, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**DECEMBER 31, 2013 AND 2012**

# 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

***Report on the Financial Statements***

We have audited the accompanying financial statements of Urban Housing Solutions, Inc. which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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.

***Auditors' Responsibility***

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 audits 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 Urban Housing Solutions, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program services revenues and expenses for 2013 and 2012 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Housing Solutions, Inc.'s internal control over financial reporting and compliance.

July 15, 2014

*Bellenfant & Mills, LLC*

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<b><u>2013</u></b>	<b><u>2012</u></b>
Cash	\$ 689,423	\$ 1,385,486
Restricted cash:		
Tenant security deposits	146,994	150,516
Replacement reserves	189,439	188,837
Accounts receivable:		
Grants	167,982	155,969
Consortium Agreement	-	951,678
Tenants, net of doubtful accounts	133,950	191,851
Other	19,906	39,984
Due from Mercury Court Apartments, LP	45,932	9,295
Prepaid expenses, deposits and other	50,346	8,000
Investment in Mercury Court Apartments, LP	70,000	70,000
Property and equipment - net of accumulated depreciation	29,251,612	28,598,199
Loan closing costs, net of accumulated amortization of \$ 131,281 and \$ 101,453 for 2013 and 2012.	<u>74,595</u>	<u>108,288</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 30,840,179</u></b>	<b><u>\$ 31,858,103</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 487,922	\$ 926,947
Accrued payments in lieu of tax (PILOT) and property taxes payable	11,744	13,258
Tenant security deposits	181,821	182,274
Unearned revenue	21,595	38,657
Notes payable	<u>7,947,552</u>	<u>8,486,904</u>
<b>TOTAL LIABILITIES</b>	<b><u>8,650,634</u></b>	<b><u>9,648,040</u></b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	874,807	2,098,627
Property and equipment	<u>21,304,060</u>	<u>20,111,295</u>
Total unrestricted	22,178,867	22,209,922
Temporarily restricted	<u>10,678</u>	<u>141</u>
<b>TOTAL NET ASSETS</b>	<b><u>22,189,545</u></b>	<b><u>22,210,063</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 30,840,179</u></b>	<b><u>\$ 31,858,103</u></b>

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

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
<b>SUPPORT AND REVENUES</b>						
Public Support:						
Individual and corporate gifts	\$ 67,722	\$ 10,537	\$ 78,259	\$ 25,595	\$ 141	\$ 25,736
Grants:						
Government	830,971	-	830,971	647,922	-	647,922
Foundation	85,172	-	85,172	94,800	-	94,800
Other	64,044	-	64,044	26,548	-	26,548
Consortium Agreement	463,109	-	463,109	3,361,811	-	3,361,811
Total public support	1,511,018	10,537	1,521,555	4,156,676	141	4,156,817
Revenues:						
Rental income	3,848,071	-	3,848,071	3,652,650	-	3,652,650
Laundry and vending machine income	39,353	-	39,353	28,949	-	28,949
Investment income	2,062	-	2,062	1,626	-	1,626
Developer fees	24,363	-	24,363	269,061	-	269,061
Insurance proceeds	55,430	-	55,430	113,341	-	113,341
Management fees	9,356	-	9,356	9,333	-	9,333
Miscellaneous	76,568	-	76,568	65,606	-	65,606
Freedom recovery	10,502	-	10,502	10,178	-	10,178
Special events	-	-	-	41,250	-	41,250
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	-	-	-	30,665	(30,665)	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>5,576,723</b>	<b>10,537</b>	<b>5,587,260</b>	<b>8,379,335</b>	<b>(30,524)</b>	<b>8,348,811</b>
<b>EXPENSES</b>						
Program services:						
Rental projects	3,972,485	-	3,972,485	3,795,724	-	3,795,724
Resident support programs	1,514,605	-	1,514,605	1,171,341	-	1,171,341
Total program services	5,487,090	-	5,487,090	4,967,065	-	4,967,065
Supporting services:						
Management and general	120,688	-	120,688	232,836	-	232,836
<b>TOTAL EXPENSES</b>	<b>5,607,778</b>	<b>-</b>	<b>5,607,778</b>	<b>5,199,901</b>	<b>-</b>	<b>5,199,901</b>
<b>CHANGE IN NET ASSETS</b>	<b>(31,055)</b>	<b>10,537</b>	<b>(20,518)</b>	<b>3,179,434</b>	<b>(30,524)</b>	<b>3,148,910</b>
NET ASSETS - BEGINNING OF YEAR	22,209,922	141	22,210,063	19,030,488	30,665	19,061,153
NET ASSETS - END OF YEAR	\$ 22,178,867	\$ 10,678	\$ 22,189,545	\$ 22,209,922	\$ 141	\$ 22,210,063

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

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>PROGRAM SERVICES</b>			<b>SUPPORTING SERVICES</b>	
	<b>RENTAL PROJECTS</b>	<b>RESIDENT SUPPORT PROGRAMS</b>	<b>TOTAL</b>	<b>MANAGEMENT AND GENERAL</b>	<b>TOTAL</b>
Payroll and related expenses	\$ 847,291	\$ 614,646	\$ 1,461,937	\$ 76,981	\$ 1,538,918
Advertising	338	30	368	550	918
Contract services	662,247	32,518	694,765	-	694,765
Insurance	204,920	90,943	295,863	1,170	297,033
Interest	19,085	-	19,085	-	19,085
Legal and professional	6,851	8,603	15,454	17,103	32,557
Miscellaneous	52,843	9,122	61,965	4,024	65,989
Printing and postage	7,333	4,607	11,940	780	12,720
Repairs and maintenance	235,511	22,209	257,720	75	257,795
Social program funds	447	35,344	35,791	-	35,791
Supplies	9,690	3,677	13,367	1,066	14,433
Taxes and licenses	132,447	66,317	198,764	1,345	200,109
Telephone	24,344	10,928	35,272	608	35,880
Travel	35,616	18,644	54,260	6,013	60,273
Utilities	720,539	38,788	759,327	-	759,327
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>2,959,502</b>	<b>956,376</b>	<b>3,915,878</b>	<b>109,715</b>	<b>4,025,593</b>
Depreciation and amortization	1,012,983	558,229	1,571,212	10,973	1,582,185
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,972,485</b>	<b>\$ 1,514,605</b>	<b>\$ 5,487,090</b>	<b>\$ 120,688</b>	<b>\$ 5,607,778</b>

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

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	PROGRAM SERVICES			SUPPORTING SERVICES	TOTAL
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	
Payroll and related expenses	\$ 869,515	\$ 643,162	\$ 1,512,677	\$ 130,059	\$ 1,642,736
Advertising	-	-	-	1,494	1,494
Contract services	504,043	10,830	514,873	-	514,873
Insurance	154,517	72,848	227,365	2,422	229,787
Interest	98,015	-	98,015	-	98,015
Legal and professional	4,527	2,921	7,448	18,911	26,359
Miscellaneous	4,940	4,977	9,917	19,778	29,695
Printing and postage	6,258	3,039	9,297	831	10,128
Repairs and maintenance	198,520	11,222	209,742	239	209,981
Social program funds	59,445	16,374	75,819	112	75,931
Special events	-	-	-	41,251	41,251
Supplies	14,394	6,592	20,986	2,331	23,317
Taxes and licenses	124,468	41,356	165,824	892	166,716
Telephone	22,055	11,175	33,230	1,108	34,338
Travel	38,751	15,606	54,357	3,511	57,868
Utilities	701,789	16,773	718,562	-	718,562
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	2,801,237	856,875	3,658,112	222,939	3,881,051
Depreciation and amortization	994,487	314,466	1,308,953	9,897	1,318,850
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 3,795,724</u>	<u>\$ 1,171,341</u>	<u>\$ 4,967,065</u>	<u>\$ 232,836</u>	<u>\$ 5,199,901</u>

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



**URBAN HOUSING SOLUTIONS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets:	\$ (20,518)	\$ 3,148,910
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,582,185	1,318,850
(Increase) decrease in:		
Restricted deposits	2,920	194,586
Accounts receivable:		
Grants	(12,013)	(36,490)
Consortium agreement	951,678	(817,241)
Tenants	57,901	(93,194)
Other	20,078	(19,079)
Other assets	(78,983)	36,128
Increase (decrease) in:		
Accounts payable and accrued expenses	(439,025)	757,867
Tenant security deposits payable	(453)	17,936
Unearned revenue	(17,062)	(9,760)
Accrued payments in lieu of tax (PILOT) and property taxes payable	(1,514)	(243,510)
Net cash provided by operating activities	<u>2,045,194</u>	<u>4,255,003</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Book value of closing costs	3,868	-
Purchase of property and equipment	(2,205,773)	(4,053,747)
Net cash used by investing activities	<u>(2,201,905)</u>	<u>(4,053,747)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan closing costs incurred	-	(50,902)
Proceeds from notes payable	-	2,345,000
Principal payments on notes payable	(539,352)	(1,793,998)
Net cash (used) provided by financing activities	<u>(539,352)</u>	<u>500,100</u>
NET INCREASE (DECREASE) IN CASH	(696,063)	701,356
CASH - BEGINNING OF YEAR	<u>1,385,486</u>	<u>684,130</u>
CASH - END OF YEAR	<u>\$ 689,423</u>	<u>\$ 1,385,486</u>

Supplemental Information:

Interest expense of \$19,085 was paid in 2013 and \$98,015 in 2012.

Closing costs of \$50,902 were capitalized during 2012 and added to principal of notes payable.

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

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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:**

UHS prepares its financial statements and maintains its financial accounting records on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, UHS is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of UHS and/or the passage of time. 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. UHS had temporarily restricted net assets of \$10,678 and \$141, for the years ended December 31, 2013 and 2012, respectively.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that may be maintained permanently by UHS. Generally donors of these assets permit UHS to use all or part of the income earned for general or specific purposes. UHS had no permanently restricted net assets for the years ended December 31, 2013 and 2012, respectively.

**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.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

**Contributions and support - continued**

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.

UHS has evaluated its tax position in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. UHS believes that it has taken no uncertain tax positions. The Organization files U.S. Federal Form 990 - *Return of Organization Exempt from Income Tax*. The Organization's returns for those years prior to calendar year 2010 are no longer open for examination.

**Property and equipment**

Property and equipment with a cost above \$500 are recorded at acquisition costs, or estimated fair market value if donated, and are depreciated using the straight-line method over their estimated useful lives of three to ten years for furniture and equipment and fifteen to thirty years for buildings and improvements.

**Program and supporting services**

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

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

**Program and supporting services - continued**

**Rental projects:**

**Mercury Courts** - provides 164 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.

**Greentree Terrace** - provides 56 units of housing for low-income individuals and families.

**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 homeless adults.

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

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

**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.

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

**Mercury North** - provides 32 units of housing for low-income, homeless adults and families.

**Lindsley** - provides dorm-style housing for the Building Lives program. Completed in early 2010.

**Porter East** - provides apartments for low-income adults and families, as well as space for a variety of small commercial enterprises. Phase I construction was completed in early 2011. Phase II construction was completed in late 2012.

**Neely Meadows** - provides 148 units of housing for low-to-moderate income individuals and families.

**Neighborhood Stabilization Program II** - Thirteen properties, which were purchased to rehabilitate the neighborhoods in the Nashville area, including a total of 131 residential units for lower income adults and families. At December 31, 2013, twelve of the properties were completed. The remaining property was completed in February 2014.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

**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, 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 specialist.

**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.

**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.

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

**Permanent Supportive Housing Program** - provides subsidized rent and case management services for people who are homeless and disabled.

**SOAR Supportive Housing Program** - provides subsidized rent and supportive services for people who have applied for SSI/SSDI through the SOAR process.

**Transitional Supportive Housing Program** - provides up to 24 months of subsidized rent and case management for people who are homeless.

**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.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

**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.

**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, 2013 and 2012, which was \$33,487 and \$47,962, respectively.

**2. GRANTS RECEIVABLE**

Grants receivable consists of receivables from programs funded by the U.S. Department of Housing and Urban Development ("HUD"), the Metropolitan Development and Housing Agency ("MDHA") and the Tennessee Department of Health. 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:

	<u>2013</u>	<u>2012</u>
Land	\$ 4,232,649	\$ 4,232,649
Building and improvements	31,153,958	29,369,243
Furniture and equipment	<u>2,893,985</u>	<u>2,472,927</u>
	38,280,592	36,074,819
Less accumulated depreciation	<u>(9,028,980)</u>	<u>(7,476,621)</u>
	<u><u>\$ 29,251,612</u></u>	<u><u>\$ 28,598,198</u></u>

**4. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Cash, cash equivalents, investments, accounts receivable, prepaid expenses, accounts payables, unearned revenue 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, 2013 AND 2012**

**5. NOTES PAYABLE**

Notes payable consist of the following at December 31:	<u>2013</u>	<u>2012</u>
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.	\$ 28,380	\$ 33,653
Note payable - Renasant Bank (prime rate less 4.00%); payable in monthly principal and interest payments of \$3,439 beginning November 2011, final balloon payment for balance due October 2016; secured by real estate.	737,661	778,931
Note payable - Pinnacle (index rate less 4.00%); payable in monthly principal and interest payments of \$1,958, beginning October 2011; final balloon payment for balance due October 2016; secured by real estate.	417,125	440,625
Note payable - Pinnacle Bank (index rate - 4%); payable in monthly principal and interest payment of \$5,363 beginning of October 2008, final balloon payment for the balance due August 2017; secured by real estate at Mercury Courts.	879,579	943,938
Note payable - Regions Bank (3.50%); payable in monthly principal and interest payment of \$5,751 beginning March 2010, final balloon payment for balance due August 2021; secured by real estate.	455,637	507,738
Note payable - Bank of TN (prime rate - 4%); payable in monthly principal payment of \$7,640 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	1,099,960	1,191,640
Note payable - Bank of TN (prime rate - 4%); payable in monthly principal payment of \$6,390 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	919,960	996,640

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**5. NOTES PAYABLE - continued**

	<u>2013</u>	<u>2012</u>
Note payable - Pinnacle (index rate - 4%); payable in monthly principal and interest payment of \$7,095 beginning February 2010, then \$8,625 beginning February 2011, final balloon payment for balance due August 2017; secured by real estate.	1,163,598	1,248,739
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$1,334 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	303,992	320,000
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$4,167 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	949,996	1,000,000
Note payable - Truxton Trust (prime rate - 4%); payable in interest only payments beginning February 2013 through July 2014. Monthly principle payment of \$3,241 plus interest, beginning August 2014; final balloon payment for balance due January 2018; secured by real estate.	525,000	525,000
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$2,778 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	466,664	500,000
Total Notes Payable	<u>\$ 7,947,552</u>	<u>\$ 8,486,904</u>

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

2014	\$ 500,618
2015	526,894
2016	1,544,596
2017	2,080,642
2018	1,950,571
2019 and thereafter	1,344,231
	<u>\$ 7,947,552</u>

Interest expense of \$19,085 was paid in 2013 and \$98,015 in 2012.



**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**6. 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 \$47,646 in 2013 and \$790,455 in 2012. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

**7. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2013</u>	<u>2012</u>
Foundation grants for tenant assistance and technology	<u>\$ 10,678</u>	<u>\$ 141</u>

**8. COMMITMENTS AND CONTINGENCIES**

**Federal and State Grants**

UHS 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.

**9. 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 \$11,744 and \$13,258 for the years ended December 31, 2013 and 2012, respectively. PILOT expenses were \$37,007 and \$41,474 for the years ended December 31, 2013 and 2012, respectively.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**10. CONSORTIUM AGREEMENT**

UHS is a consortium member with Metropolitan Development and Housing Agency (MDHA) to implement the Neighborhood Stabilization Program 2 (NSP2) by conducting certain activities including:

- Acquisition and Rehab of Abandoned or Foreclosed Homes of Residential Properties,
- Redevelopment of Demolished or Vacant Property as Housing (New Construction).

**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 the developer of the 20-unit multifamily residential project.

Mercury Courts Apartments, LP has entered into an agreement with UHS, in connection with 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 \$9,356 in 2013 and \$9,333 in 2012. No operating income or loss passed through to UHS from the Partnership in 2013 or 2012.

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. COMPENSATED ABSENCES**

Employees of UHS are entitled to paid vacation days. Employees are allowed to carryover a very minimal amount of unused vacation days at December 31; accordingly, no liability has been recorded in the accompanying financial statements. UHS's policy is to recognize the cost of compensated absences when actually paid to employees.

**13. PENSION**

UHS maintains a 401(k) plan. Matching contributions are made on each employee's behalf up to 3.5% of compensation. Employees are eligible after ninety days of service. Total contributions were \$24,172 and \$28,001 for the years ended December 31, 2013 and 2012, respectively.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013 AND 2012**

**14. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 15, 2014 which is the date the financial statements were available to be issued.

In June 2014, the Organization filed an insurance claim for a theft loss occurring in a prior year. The claim was approved and paid in July 2014 for \$100,000.

## SUPPLEMENTAL INFORMATION

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal /State/ Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/13	1/1/13 - 12/31/13 Receipts	Expenditures	Grant Receivable 12/31/13
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	05/01/12 - 04/30/13	95,332	20,185	48,374	28,189	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	05/01/13 - 04/30/14	97,715	-	51,075	66,053	14,978
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	03/01/11 - 02/28/13	278,958	4,755	8,992	4,237	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	04/01/13 - 03/31/14	28,289	-	15,564	19,618	4,054
Total for CFDA 14.191					24,940	124,005	118,097	19,032
** Supportive Housing Program	14.235	TN0163B4J041000	09/01/11 - 08/31/13	255,300	24,448	116,193	91,745	-
** Supportive Housing Program	14.235	TN0163L4J041201	09/01/13 - 08/31/14	130,996	-	36,953	47,877	10,924
** Supportive Housing Program	14.235	TN006145J041004	04/01/12 - 03/31/13	229,830	48,996	98,304	49,308	-
** Supportive Housing Program	14.235	TN0061L4J041205	04/01/13 - 03/31/14	234,551	-	195,085	203,704	8,619
** Supportive Housing Program	14.235	TN0054N4J041102	08/01/12 - 07/31/13	119,000	13,453	69,234	64,736	8,955
** Supportive Housing Program	14.235	TN0191B4J041100	10/01/12 - 09/30/14	262,784	14,013	129,544	126,756	11,225
Total for CFDA 14.235					100,910	645,313	584,126	39,723
<b>PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:</b>								
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/11 - 03/31/12	178,306	24,644	65,397	40,753	-
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/12 - 03/31/13	168,854	-	99,144	124,192	25,048
Total for CFDA 14.241					24,644	164,541	164,945	25,048
HOME Program	14.239	N/A	03/01/13 - 04/01/14	472,930	-	16,118	56,190	40,072
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 150,494	\$ 949,977	\$ 923,358	\$ 123,875

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal/State/Grantor/Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/13	1/1/13 - 12/31/13 Receipts	Expenditures	Grant Receivable 12/31/13
<b>STATE OF TENNESSEE REVENUE:</b>								
Tennessee Department of Health	N/A	N/A	07/01/12 - 06/30/13	45,000	5,475	19,675	14,200	-
Tennessee Department of Health	N/A	N/A	07/01/12 - 06/30/13	25,000	-	8,250	18,500	10,250
HOME Program	N/A	N/A	03/01/13 - 04/01/14	285,180	-	-	33,857	33,857
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>					<b>5,475</b>	<b>27,925</b>	<b>66,557</b>	<b>44,107</b>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>					<b>\$ 155,969</b>	<b>\$ 977,902</b>	<b>\$ 989,915</b>	<b>\$ 167,982</b>

***Basis of presentation***

This schedule of expenditures of federal and state awards includes the federal and state 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, *Audits of States, Local Governments, and Non-Profit Organizations*.

**\*\* Tested as Major Program**

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
<b>REVENUES</b>										
Rental income	\$ 51,000	\$ -	\$ 782,426	\$ 99,883	\$ 66,596	\$ 97,983	\$ 70,661	\$ 105,055	\$ 400,849	\$ 57,328
Grants	-	-	110,615	44,500	42,928	-	-	41,563	81,621	27,672
Other	138	-	24,590	31,110	15,667	1,755	938	3,595	19,275	2,749
<b>Total Revenues</b>	<b>51,138</b>	<b>-</b>	<b>917,631</b>	<b>175,493</b>	<b>125,191</b>	<b>99,738</b>	<b>71,599</b>	<b>150,213</b>	<b>501,745</b>	<b>87,749</b>
<b>EXPENSES</b>										
Payroll and related expenses	12,170	1,490	233,095	27,953	20,297	19,845	12,346	31,827	92,842	17,058
Advertising	6	-	68	14	9	8	5	14	42	7
Contract services	10,123	3,676	106,005	25,932	18,884	11,034	11,387	20,299	66,212	22,433
Insurance	2,242	3,921	33,468	5,569	4,144	3,005	2,438	9,179	24,552	3,310
Interest	-	-	1,346	-	-	-	-	-	267	-
Legal and professional	68	8	1,398	167	113	114	68	186	516	105
Miscellaneous	456	2	9,765	2,624	2,030	1,464	454	2,464	6,726	1,665
Printing and postage	103	26	2,025	245	167	174	102	279	805	132
Repairs and maintenance	2,163	2,799	41,200	10,314	6,941	4,854	2,487	5,576	21,316	3,721
Social program funds	5	-	65	12	8	8	5	38	140	7
Supplies	115	40	1,722	280	192	184	115	351	1,209	195
Taxes and licenses	-	-	-	3,431	2,756	962	-	1,252	988	2,818
Telephone	277	22	4,919	698	460	479	274	805	3,733	387
Travel	514	818	8,292	1,082	820	733	504	1,403	3,571	675
Utilities	195	9,546	178,460	21,738	10,427	17,620	8,836	32,236	147,910	11,179
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>28,437</b>	<b>22,348</b>	<b>621,828</b>	<b>100,059</b>	<b>67,248</b>	<b>60,484</b>	<b>39,021</b>	<b>105,909</b>	<b>370,829</b>	<b>63,692</b>
<b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>22,701</b>	<b>(22,348)</b>	<b>295,803</b>	<b>75,434</b>	<b>57,943</b>	<b>39,254</b>	<b>32,578</b>	<b>44,304</b>	<b>130,916</b>	<b>24,057</b>
Depreciation and amortization	10,083	22,779	108,915	25,300	16,468	12,686	19,254	68,033	73,391	25,291
<b>REVENUE OVER EXPENSES</b>	<b>\$ 12,618</b>	<b>\$ (45,127)</b>	<b>\$ 186,888</b>	<b>\$ 50,134</b>	<b>\$ 41,475</b>	<b>\$ 26,568</b>	<b>\$ 13,324</b>	<b>\$ (23,729)</b>	<b>\$ 57,525</b>	<b>\$ (1,234)</b>

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	PROGRAM SERVICES								TOTAL RENTAL PROJECTS
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY	FREEDOM RECOVERY	EASTWOOD COURT	VILLAGE PLACE	LINDSLEY	
<b>REVENUES</b>									
Rental income	\$ 215,008	\$ 71,765	\$ 255,532	\$ 682,623	\$ -	\$ 284,906	\$ 292,263	\$ 29,860	\$ 3,563,738
Grants	26,597	13,525	23,001	32,637	-	24,373	5,644	-	474,676
Other	5,640	1,729	5,230	13,547	10,502	9,440	12,498	4	158,407
<b>Total Revenues</b>	<b>247,245</b>	<b>87,019</b>	<b>283,763</b>	<b>728,807</b>	<b>10,502</b>	<b>318,719</b>	<b>310,405</b>	<b>29,864</b>	<b>4,196,821</b>
<b>EXPENSES</b>									
Payroll and related expenses	53,043	20,296	43,410	132,868	-	64,212	60,458	4,081	847,291
Advertising	25	9	15	57	-	27	30	2	338
Contract services	25,657	14,154	31,681	139,789	4,566	70,263	61,888	18,264	662,247
Insurance	13,043	7,366	13,659	35,825	-	13,830	15,006	14,363	204,920
Interest	-	-	-	-	-	17,198	274	-	19,085
Legal and professional	287	113	2,221	759	-	354	349	25	6,851
Miscellaneous	3,099	1,892	2,190	8,723	-	3,671	5,545	73	52,843
Printing and postage	478	167	364	1,162	-	528	542	34	7,333
Repairs and maintenance	12,742	4,411	10,727	42,627	-	37,692	22,617	3,324	235,511
Social program funds	23	8	15	55	-	26	29	3	447
Supplies	529	192	343	1,304	1,528	589	769	33	9,690
Taxes and licenses	5,373	2,772	8,990	86,450	-	9,087	7,568	-	132,447
Telephone	1,359	462	4,127	3,264	-	1,453	1,530	95	24,344
Travel	2,022	830	1,926	7,328	-	2,556	2,395	147	35,616
Utilities	36,061	9,836	58,923	95,332	-	41,194	41,046	-	720,539
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>153,741</b>	<b>62,508</b>	<b>178,591</b>	<b>555,543</b>	<b>6,094</b>	<b>262,680</b>	<b>220,046</b>	<b>40,444</b>	<b>2,959,502</b>
<b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>93,504</b>	<b>24,511</b>	<b>105,172</b>	<b>173,264</b>	<b>4,408</b>	<b>56,039</b>	<b>90,359</b>	<b>(10,580)</b>	<b>1,237,319</b>
Depreciation and amortization	56,870	19,752	176,012	175,434	-	62,933	73,814	65,968	1,012,983
<b>REVENUE OVER EXPENSES</b>	<b>\$ 36,634</b>	<b>\$ 4,759</b>	<b>\$ (70,840)</b>	<b>\$ (2,170)</b>	<b>\$ 4,408</b>	<b>\$ (6,894)</b>	<b>\$ 16,545</b>	<b>\$ (76,548)</b>	<b>\$ 224,336</b>



**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	SERVICE COORDINATOR PROGRAM	PROGRAM SERVICES							SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
		NEIGHBORHOOD STABILIZATION	HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	SUPPORTIVE HOUSING	VANDERBILT HEALTH	RESIDENT SUPPORT PROGRAMS		
<b>REVENUES</b>										
Rental Income	\$ -	\$ 284,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,293	\$ 40	\$ 3,848,071
Grants	118,097	-	71,794	9,078	20,655	213,906	46,981	480,511	25,000	980,187
Consortium Agreement	-	463,109	-	-	-	-	-	463,109	-	463,109
Other	-	28,784	-	78,258	-	-	-	107,042	30,444	295,893
<b>Total Revenues</b>	<b>118,097</b>	<b>776,186</b>	<b>71,794</b>	<b>87,336</b>	<b>20,655</b>	<b>213,906</b>	<b>46,981</b>	<b>1,334,955</b>	<b>55,484</b>	<b>5,587,260</b>
<b>EXPENSES</b>										
Payroll and related expenses	115,761	153,592	42,545	6,899	24,252	229,482	42,115	614,646	76,981	1,538,918
Advertising	-	30	-	-	-	-	-	30	550	918
Contract services	-	28,826	-	-	-	3,692	-	32,518	-	694,765
Insurance	5,715	68,184	2,045	896	1,091	11,045	1,967	90,943	1,170	297,033
Interest	-	-	-	-	-	-	-	-	-	19,085
Legal and professional	666	748	243	49	1,473	5,249	175	8,603	17,103	32,557
Miscellaneous	73	5,443	984	209	15	2,287	111	9,122	4,024	65,989
Printing and postage	849	996	347	78	204	1,850	283	4,607	780	12,720
Repairs and maintenance	32	22,136	20	-	8	-	13	22,209	75	257,795
Social program funds	150	31	32,538	887	-	1,738	-	35,344	-	35,791
Supplies	560	1,006	575	21	185	1,202	128	3,677	1,066	14,433
Taxes and licenses	-	66,317	-	-	-	-	-	66,317	1,345	200,109
Telephone	1,442	2,450	1,093	381	474	4,279	809	10,928	608	35,880
Travel	568	8,995	2,587	629	1,550	4,251	64	18,644	6,013	60,273
Utilities	-	32,005	-	-	-	6,783	-	38,788	-	759,327
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>125,816</b>	<b>390,759</b>	<b>82,977</b>	<b>10,049</b>	<b>29,252</b>	<b>271,858</b>	<b>45,665</b>	<b>956,376</b>	<b>109,715</b>	<b>4,025,593</b>
<b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>(7,719)</b>	<b>385,427</b>	<b>(11,183)</b>	<b>77,287</b>	<b>(8,597)</b>	<b>(57,952)</b>	<b>1,316</b>	<b>378,579</b>	<b>(54,231)</b>	<b>1,561,667</b>
Depreciation and amortization	-	556,908	-	1,321	-	-	-	558,229	10,973	1,582,185
<b>REVENUE OVER EXPENSES</b>	<b>\$ (7,719)</b>	<b>\$ (171,481)</b>	<b>\$ (11,183)</b>	<b>\$ 75,966</b>	<b>\$ (8,597)</b>	<b>\$ (57,952)</b>	<b>\$ 1,316</b>	<b>\$ (179,650)</b>	<b>\$ (65,204)</b>	<b>\$ (20,518)</b>

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**PROGRAM SERVICES**

	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
<b>REVENUES</b>										
Rental Income	\$ 51,335	\$ -	\$ 819,770	\$ 81,848	\$ 57,725	\$ 97,506	\$ 62,928	\$ 68,390	\$ 432,738	\$ 38,408
Grants	-	-	25,329	29,235	21,628	-	-	64,715	52,497	17,313
Other	719	-	13,250	3,963	2,329	2,158	719	2,753	11,109	1,031
<b>Total Revenues</b>	<b>52,054</b>	<b>-</b>	<b>858,349</b>	<b>115,046</b>	<b>81,682</b>	<b>99,664</b>	<b>63,647</b>	<b>135,858</b>	<b>496,344</b>	<b>56,752</b>
<b>EXPENSES</b>										
Payroll and related expenses	9,833	5,365	229,697	27,641	17,474	18,862	9,833	46,457	99,960	16,611
Advertising	-	-	-	-	-	-	-	-	-	-
Contract services	7,606	3,302	69,265	15,065	6,950	9,978	4,038	15,045	60,642	10,273
Insurance	1,737	1,124	21,075	4,376	3,251	2,373	1,906	7,514	19,148	2,572
Interest	-	-	10,006	-	3,883	-	-	-	13,189	-
Legal and professional	48	27	1,333	141	89	96	48	244	527	87
Miscellaneous	76	15	1,073	184	127	121	76	207	614	103
Printing and postage	74	13	1,721	205	133	139	74	321	727	120
Repairs and maintenance	2,620	4,442	38,905	4,601	4,871	3,362	4,113	6,568	20,237	2,391
Social program funds	411	-	9,811	2,773	1,403	651	411	2,325	7,709	1,420
Special events	-	-	-	-	-	-	-	-	-	-
Supplies	171	445	3,029	443	288	299	171	704	1,450	238
Taxes and licenses	3	-	55	3,131	2,950	879	3	-	8,072	2,504
Telephone	228	130	4,670	606	388	412	229	927	3,190	332
Travel	449	176	8,251	1,295	865	854	451	1,685	4,853	808
Utilities	204	8,609	159,990	23,979	10,090	21,066	11,061	37,937	147,498	9,068
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>23,460</b>	<b>23,648</b>	<b>558,881</b>	<b>84,440</b>	<b>52,762</b>	<b>59,092</b>	<b>32,414</b>	<b>119,934</b>	<b>387,816</b>	<b>46,527</b>
<b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>28,594</b>	<b>(23,648)</b>	<b>299,468</b>	<b>30,606</b>	<b>28,920</b>	<b>40,572</b>	<b>31,233</b>	<b>15,924</b>	<b>108,528</b>	<b>10,225</b>
Depreciation and amortization	9,931	18,075	105,640	24,200	29,318	12,736	19,206	69,211	65,844	25,153
<b>REVENUE OVER EXPENSES</b>	<b>\$ 18,663</b>	<b>\$ (41,723)</b>	<b>\$ 193,828</b>	<b>\$ 6,406</b>	<b>\$ (398)</b>	<b>\$ 27,836</b>	<b>\$ 12,027</b>	<b>\$ (53,287)</b>	<b>\$ 42,684</b>	<b>\$ (14,928)</b>

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	PROGRAM SERVICES								TOTAL
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY	FREEDOM RECOVERY	EASTWOOD COURT	VILLAGE PLACE	LINDSLEY	
<b>REVENUES</b>									
Rental income	\$ 224,894	\$ 74,083	\$ 222,917	\$ 668,583	\$ -	\$ 278,664	\$ 323,897	\$ 31,638	\$ 3,535,324
Grants	20,918	13,525	8,034	31,824	-	17,191	4,361	-	306,570
Other	6,537	1,198	1,737	21,601	10,178	7,414	7,744	-	94,440
<b>Total Revenues</b>	<b>252,349</b>	<b>88,806</b>	<b>232,688</b>	<b>722,008</b>	<b>10,178</b>	<b>303,269</b>	<b>336,002</b>	<b>31,638</b>	<b>3,936,334</b>
<b>EXPENSES</b>									
Payroll and related expenses	59,645	17,477	52,224	144,197	-	55,603	56,540	2,096	869,515
Advertising	-	-	-	-	-	-	-	-	-
Contract services	25,772	11,941	17,588	129,483	4,477	53,327	53,400	3,674	501,826
Insurance	10,241	5,684	12,352	27,805	-	10,805	11,621	10,933	154,517
Interest	-	-	8,871	9,655	-	19,033	15,770	17,608	98,015
Legal and professional	311	89	207	708	-	284	278	10	4,527
Miscellaneous	359	127	175	834	-	392	438	19	4,940
Printing and postage	428	133	295	1,016	-	419	427	13	6,258
Repairs and maintenance	10,848	6,489	3,962	44,486	-	20,446	19,196	983	198,520
Social program funds	3,792	1,461	2,041	13,504	-	5,184	6,541	8	59,445
Special events	-	-	-	-	-	-	-	-	-
Supplies	903	290	731	2,039	1,230	904	1,030	29	14,394
Taxes and licenses	5,095	2,436	11,819	74,587	-	9,344	5,807	-	126,685
Telephone	1,198	385	3,512	3,260	-	1,226	1,309	53	22,055
Travel	2,832	859	1,542	8,413	-	2,679	2,629	110	38,751
Utilities	38,570	13,116	42,800	92,486	-	43,611	41,704	-	701,789
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>159,994</b>	<b>60,487</b>	<b>158,119</b>	<b>552,473</b>	<b>5,707</b>	<b>223,257</b>	<b>216,690</b>	<b>35,536</b>	<b>2,801,237</b>
<b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>92,355</b>	<b>28,319</b>	<b>74,569</b>	<b>169,535</b>	<b>4,471</b>	<b>80,012</b>	<b>119,312</b>	<b>(3,898)</b>	<b>1,135,097</b>
Depreciation and amortization	55,733	17,402	162,408	181,138	-	61,535	70,431	66,526	994,487
<b>REVENUE OVER EXPENSES</b>	<b>\$ 36,622</b>	<b>\$ 10,917</b>	<b>\$ (87,839)</b>	<b>\$ (11,603)</b>	<b>\$ 4,471</b>	<b>\$ 18,477</b>	<b>\$ 48,881</b>	<b>\$ (70,424)</b>	<b>\$ 140,610</b>

URBAN HOUSING SOLUTIONS, INC.  
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

	PROGRAM SERVICES												SUPPORTING SERVICES MANAGEMENT AND GENERAL
	SERVICE COORDINATOR PROGRAM	JOURNEYS OF HOPE PROGRAM		NEIGHBORHOOD STABILIZATION	MENTAL HEALTH	HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	SUPPORTIVE HOUSING	VANDERBILT HEALTH	RESIDENT SUPPORT PROGRAMS	TOTAL	
REVENUES													
Rental Income	\$	-	\$	\$	-	\$	-	\$	-	\$	-	\$	\$ 3,652,650
Grants	143,263	13,242	-	19,423	51,600	5,800	20,026	155,267	19,079	427,700	35,000	734,270	769,270
Consortium Agreement	-	-	3,361,811	-	-	-	-	-	-	3,361,811	-	3,456,251	3,456,251
Other	-	-	310,707	-	400	14,095	-	7,268	-	332,470	138,170	332,470	470,640
Total Revenues	143,263	13,242	3,789,844	19,423	52,000	19,895	20,026	162,535	19,079	4,239,307	173,170	8,175,641	8,348,811
EXPENSES													
Payroll and related expenses	147,455	12,446	182,185	23,486	25,621	23,393	25,014	179,807	19,755	643,162	130,059	1,512,677	1,642,736
Advertising	-	-	-	-	-	-	-	-	-	-	1,494	-	1,494
Contract services	-	-	10,584	-	59	-	-	187	-	10,830	-	512,656	512,656
Insurance	5,608	880	55,736	942	1,201	1,388	1,027	5,673	393	72,848	2,422	227,365	229,787
Interest	-	-	-	-	-	-	-	-	-	-	-	98,015	98,015
Legal and professional	807	106	726	86	128	145	140	719	64	2,921	18,911	7,448	26,359
Miscellaneous	559	-	315	-	1,985	679	82	1,049	308	4,977	19,778	9,917	29,695
Printing and postage	705	58	785	90	138	179	134	872	78	3,039	831	9,297	10,128
Repairs and maintenance	119	38	3,460	38	32	29	28	7,478	-	11,222	239	209,742	209,981
Social program funds	232	1,826	2,972	-	6,462	1,828	58	2,996	-	16,374	112	75,819	75,931
Special events	-	-	-	-	-	-	-	-	-	-	41,251	-	41,251
Supplies	1,475	35	941	83	86	94	187	3,540	151	6,592	2,331	20,986	23,317
Taxes and licenses	-	-	41,356	-	-	-	-	-	-	41,356	892	168,041	168,933
Telephone	2,119	228	3,089	341	597	1,258	510	2,780	253	11,175	1,108	33,230	34,338
Travel	1,155	360	6,139	611	1,771	997	1,641	2,932	-	15,606	3,511	54,357	57,868
Utilities	-	-	8,432	-	-	150	-	8,191	-	16,773	-	718,562	718,562
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	160,234	15,977	316,720	25,677	42,080	30,140	28,821	216,224	21,002	856,875	222,939	3,638,112	3,881,051
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(16,971)	(2,735)	3,473,124	(6,254)	9,920	(10,245)	(8,795)	(53,689)	(1,923)	3,382,432	(49,769)	4,517,529	4,467,760
Depreciation and amortization	-	-	314,466	-	-	-	-	-	-	314,466	9,897	1,308,953	1,318,850
REVENUE OVER EXPENSES	\$ (16,971)	\$ (2,735)	\$ 3,138,658	\$ (6,254)	\$ 9,920	\$ (10,245)	\$ (8,795)	\$ (53,689)	\$ (1,923)	\$ 3,067,966	\$ (59,666)	\$ 3,208,576	\$ 3,148,910



**BELLENFANT + MILES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Urban Housing Solutions, Inc. which comprise the statement of financial position as of December 31, 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, and have issued our report thereon dated July 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Urban Housing Solutions, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Solutions, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Urban Housing Solutions, Inc.'s financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

July 15, 2014

*Bollenfent & Miles, LLC*



**BELLENFANT + MILES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Urban Housing Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Urban Housing Solutions, Inc.'s major federal programs for the year ended December 31, 2013. Urban Housing Solutions, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Urban Housing Solutions, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 A-133, *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 on compliance for each major federal program. However, our audit does not provide a legal determination of Urban Housing Solutions, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Urban Housing Solutions, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

## Report on Internal Control Over Compliance

Management of Urban Housing Solutions, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Urban Housing Solutions, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

July 15, 2014

A handwritten signature in cursive script that reads "Bollenfent & Mills, LLC". The signature is written in dark ink and is positioned to the right of the date.



**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**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   none reported

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, 2013**

There were no audit findings for the year ended December 31, 2012.