

URBAN HOUSING SOLUTIONS, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

DECEMBER 31, 2017 AND 2016

URBAN HOUSING SOLUTIONS, INC.

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S 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, 2017 and 2016, 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.

Auditor's 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, 2017 and 2016, 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 2017 and 2016 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 May 31, 2018 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 effectiveness of Urban Housing Solution, Inc.'s 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.

Bellenfant, PLLC

May 31, 2018

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 2,901,774	\$ 2,225,684
Restricted cash:		
Tenant security deposits	173,421	167,992
Replacement reserves	590,930	285,540
Accounts receivable:		
Grants	217,598	187,406
Tenants, net of doubtful accounts	97,893	61,121
Other	75,000	-
Other Receivable - Hampton Terrace	244,515	-
Due from Mercury Court Apartments, LP	30,307	150,298
Utility Deposits	8,200	8,200
Investment in Mercury Court Apartments, LP	70,000	70,000
Property and equipment - net of accumulated depreciation of \$14,991,384 and \$13,350,351 for 2017 and 2016	29,980,578	30,131,903
Loan closing costs, net of accumulated amortization of \$207,196 and \$220,408 for 2017 and 2016.	9,449	3,996
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 34,399,665</u>	<u>\$ 33,292,140</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 445,997	\$ 466,980
Tenant security deposits	173,421	204,609
Current notes payable	1,126,985	-
Non-current notes payable	4,736,103	6,724,418
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>6,482,506</u>	<u>7,396,007</u>
NET ASSETS		
Unrestricted:		
Undesignated	3,637,719	2,487,592
Property and equipment	24,117,490	23,407,485
	<u> </u>	<u> </u>
Total unrestricted	27,755,209	25,895,077
Temporarily restricted	161,950	1,056
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>27,917,159</u>	<u>25,896,133</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,399,665</u>	<u>\$ 33,292,140</u>

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts	\$ 550,755	\$ 293,983	\$ 844,738	\$ 115,568	\$ -	\$ 115,568
Grants:						
Government	839,540	-	839,540	2,621,370	-	2,621,370
Foundation	-	-	-	35,410	-	35,410
Other	-	-	-	44,388	-	44,388
Total public support	1,390,295	293,983	1,684,278	2,816,736	-	2,816,736
Revenues:						
Rental income	5,799,828	-	5,799,828	5,495,109	-	5,495,109
Laundry and vending machine income	38,550	-	38,550	33,908	-	33,908
Investment income	10,271	-	10,271	6,852	-	6,852
Developer fees	-	-	-	-	-	-
Insurance proceeds	552,317	-	552,317	89,858	-	89,858
Management fees	12,184	-	12,184	11,833	-	11,833
Miscellaneous	89,512	-	89,512	25,048	-	25,048
Application fees	16,624	-	16,624	15,308	-	15,308
Sale of Shelby	-	-	-	-	-	-
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	133,089	(133,089)	-	8,802	(8,802)	-
TOTAL SUPPORT AND REVENUES	8,042,670	160,894	8,203,564	8,503,454	(8,802)	8,494,652
EXPENSES						
Program services:						
Rental projects	5,227,800	-	5,227,800	6,408,198	-	6,408,198
Resident support programs	869,628	-	869,628	635,488	-	635,488
Total program services	6,097,428	-	6,097,428	7,043,686	-	7,043,686
Supporting services:						
Management and general	85,110	-	85,110	114,582	-	114,582
TOTAL EXPENSES	6,182,538	-	6,182,538	7,158,268	-	7,158,268
CHANGE IN NET ASSETS	1,860,132	160,894	2,021,026	1,345,186	(8,802)	1,336,384
NET ASSETS - BEGINNING OF YEAR	25,895,077	1,056	25,896,133	24,549,891	9,858	24,559,749
NET ASSETS - END OF YEAR	\$ 27,755,209	\$ 161,950	\$ 27,917,159	\$ 25,895,077	\$ 1,056	\$ 25,896,133

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, 2017

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 1,111,833	\$ 745,627	\$ 1,857,460	\$ 46,811	\$ 1,904,271
Advertising	-	-	-	75	75
Contract services	638,647	6,870	645,517	1,115	646,632
Insurance	299,054	19,538	318,592	690	319,282
Interest	14,071	-	14,071	-	14,071
Legal and professional	24,877	24,271	49,148	13,996	63,144
Miscellaneous	43,582	4,923	48,505	4,272	52,777
Printing and postage	5,182	3,834	9,016	2,550	11,566
Repairs and maintenance	273,574	2,620	276,194	4,080	280,274
Social program funds	56,846	41,801	98,647	-	98,647
Supplies	5,503	1,373	6,876	3,117	9,993
Taxes and licenses	301,147	-	301,147	-	301,147
Telephone	14,221	9,096	23,317	2,266	25,583
Travel	32,428	9,675	42,103	242	42,345
Utilities	766,838	-	766,838	-	766,838
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	3,587,803	869,628	4,457,431	79,214	4,536,645
Depreciation and amortization	1,639,997	-	1,639,997	5,896	1,645,893
TOTAL FUNCTIONAL EXPENSES	\$ 5,227,800	\$ 869,628	\$ 6,097,428	\$ 85,110	\$ 6,182,538

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, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 1,227,914	\$ 543,295	\$ 1,771,209	\$ 52,597	\$ 1,823,806
Advertising	-	-	-	100	100
Contract services	553,044	6,957	560,001	160	560,161
Insurance	290,616	14,900	305,516	786	306,302
Interest	11,374	-	11,374	-	11,374
Legal and professional	25,132	9,622	34,754	16,501	51,255
Loss on sale of property	1,128,870	603	1,129,473	619	1,130,092
Miscellaneous	66,921	2,389	69,310	1,023	70,333
Printing and postage	6,234	2,514	8,748	3,878	12,626
Repairs and maintenance	269,285	34,143	303,428	367	303,795
Social program funds	69,195	1,289	70,484	2,123	72,607
Supplies	8,221	225	8,446	1,684	10,130
Taxes and licenses	281,087	6,859	287,946	4,798	292,744
Telephone	17,551	8,444	25,995	3,001	28,996
Travel	38,374	4,248	42,622	-	42,622
Utilities	719,919	-	719,919	-	719,919
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	4,713,737	635,488	5,349,225	87,637	5,436,862
Depreciation and amortization	1,694,461	-	1,694,461	26,945	1,721,406
TOTAL FUNCTIONAL EXPENSES	\$ 6,408,198	\$ 635,488	\$ 7,043,686	\$ 114,582	\$ 7,158,268

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 2,021,026	\$ 1,336,384
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,645,893	1,721,406
(Increase) decrease in:		
Restricted deposits	(310,819)	(683)
Accounts receivable:		
Grants	(30,192)	190,393
Tenants	(36,772)	20,517
Other	(75,000)	8,000
Other assets	(124,524)	(41,043)
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,983)	43,878
Tenant security deposits payable	(31,188)	24,895
Unearned revenue	-	(2,169)
Net cash provided by operating activities	<u>3,037,441</u>	<u>3,301,578</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Book value of closing costs	-	-
Book value of property sold	-	1,629,267
Purchase of property and equipment	(1,490,708)	(4,953,536)
Net cash used by investing activities	<u>(1,490,708)</u>	<u>(3,324,269)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan closing costs incurred	(9,313)	-
Proceeds from notes payable	-	-
Principal payments on notes payable	(861,330)	(1,025,558)
Net cash used by financing activities	<u>(870,643)</u>	<u>(1,025,558)</u>
NET INCREASE (DECREASE) IN CASH	676,090	(1,048,249)
CASH - BEGINNING OF YEAR	<u>2,225,684</u>	<u>3,273,933</u>
CASH - END OF YEAR	<u><u>\$ 2,901,774</u></u>	<u><u>\$ 2,225,684</u></u>

Supplemental Information:

Interest expense of \$14,071 was paid in 2017 and \$11,374 in 2016.

Closing costs of \$9,313 and \$0 were capitalized during 2017 and 2016, respectively, 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, 2017 AND 2016

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 \$161,950 and \$1,056, for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 AND 2016

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 2014 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, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Program and supporting services - continued

Rental projects:

Dickerson - land purchased for future development. Currently is being leased by United Parcel Service as a parking lot for trucks.

Woodland - this building is used as our main administrative and leasing office.

Mercury Courts - provides 144 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.

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 in recovery from drug and alcohol addiction, some of whom are homeless. UHS's Journeys of Hope program provides supportive services for these residents.

Fisk Court - provides 19 units of affordable housing for low-income homeless adults and youth sponsored by the Oasis Center.

Russell Street - provides 12 units of affordable rental housing for low-income individuals and families.

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

Greentree Terrace - provides 57 units of housing for low-income individuals and families, some of whom are homeless.

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

Porter East - provides 20 apartments for low-income adults and families with a focus on deaf individuals, as well as space for a variety of small commercial enterprises.

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

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

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

Clarksville Highway - provides 23 units of housing for low-income adults and families.

Lewis (1233-1235) - provides 20 units of housing for developmentally-challenged adults and their friends from the Vanderbilt Divinity School.

Old Hickory - land purchased for future development.

Rex Courtyard - provides 96 units of housing for low-income individuals and families, many of whom are homeless.

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. All properties are complete.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Resident support programs:

Service Coordinator Program - provides the supportive service staff that is essential to assess and assist the formerly homeless residents of Fisk Court and Mercury Courts and those in need at other properties. 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

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

Homeless Recovery Program (SHP) - At the end of 2015, the Permanent SHP, SOAR SHP and Mainstream SHP programs were consolidated into the Homeless Recovery Program. This program provides subsidized rent and case management services for people who are homeless and disabled. The SOAR SHP provided subsidized rent and supportive services for people who have applied for SSI/SSDI through the SOAR process. The Mainstream SHP provided subsidized rent and case management for people who are homeless.

Vanderbilt - provides the Safety Net grant for lab and medication fees. The grant proceeds pass-through Urban Housing Solutions from the State of Tennessee to the Clinic at Mercury Court.

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, 2017 AND 2016

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, 2017 and 2016, which was \$17,325 and \$15,280, 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:

	2017	2016
Land	\$ 5,365,525	\$ 5,365,525
Building and improvements	36,730,603	35,289,140
Furniture and equipment	2,875,834	2,827,589
	<u>44,971,962</u>	<u>43,482,254</u>
Less accumulated depreciation	<u>(14,991,384)</u>	<u>(13,350,351)</u>
	<u><u>\$ 29,980,578</u></u>	<u><u>\$ 30,131,903</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, 2017 AND 2016

5. NOTES PAYABLE

Notes payable consist of the following at December 31:	<u>2017</u>	<u>2016</u>
Note payable - Renasant Bank (4.00%); payable in monthly installments of \$6,400 beginning January 2017 final balloon payment for balance due January 2022; secured by real estate.	\$ 555,566	\$ 620,731
Note payable - Pinnacle Bank (index rate - 4.00%); payable in monthly principal and interest payment of \$5,479 beginning of October 2008, final balloon payment for the balance due August 2027; secured by real estate at Mercury Courts.	627,840	686,500
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.	228,893	288,649
Note payable - Bank of TN (prime rate - 4.00%); 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.	733,240	824,920
Note payable - Bank of TN (prime rate - 4.00%); 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.	613,240	689,920
Note payable - Pinnacle (index rate - 4.00%); payable in monthly principal and interest payment of \$7,248 beginning February 2010, then \$8,625 beginning February 2011, final balloon payment for balance due August 2027; secured by real estate.	837,603	908,173
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. ¹	240,039	255,968

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

5. NOTES PAYABLE - continued

	<u>2017</u>	<u>2016</u>
Note payable - Truxton Trust (prime rate - 4.00%); 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. ¹	750,228	799,984
Note payable - Pinnacle Bank (prime rate - 4.00%); 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.	-	287,084
Note payable - Truxton Trust (prime rate - 4.00%); 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. ¹	333,432	366,656
Note Payable - Truxton Trust (prime rate - 4.00%); payable in monthly principal payment of \$4,167 plus interest; beginning June 2016, final balloon payment for balance due December 2019; secured by real estate.	943,007	995,833
Total Notes Payable	<u><u>\$ 5,863,088</u></u>	<u><u>\$ 6,724,418</u></u>

¹ These three loans were consolidated and refinanced in January 2018 with Truxton Trust (prime rate - 4%); payable in monthly principal amounts of \$11,031 plus interest; beginning February 2018, final balloon payment for balance due January 31, 2028; secured by real estate.

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

2018	\$ 1,126,985
2019	2,046,874
2020	454,380
2021	435,950
2022	393,845
2023 and thereafter	<u>1,405,054</u>
	<u><u>\$ 5,863,088</u></u>

Interest expense of \$14,071 was paid in 2017 and \$11,374 was paid in 2016.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

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 \$2,567,991 in 2017 and \$1,574,567 in 2016. 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>2017</u>	<u>2016</u>
Foundation grants for tenant assistance and technology	\$ -	\$ 1,056
Architect compensation	80,298	-
Fisk rehabilitation	74,152	-
Rex stairs	7,500	-
	<u>\$ 161,950</u>	<u>\$ 1,056</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. PILOT expenses were \$69,302 and \$55,538 for the years ended December 31, 2017 and 2016, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

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 .01% ownership interest through its wholly-owned subsidiary, The Park Development, Inc. The Park Development, LLC 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 \$12,184 in 2017 and \$11,833 in 2016. No operating income or loss passed through to UHS from the Partnership in 2017 or 2016.

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 credits 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 fifteen years in order to remain qualified to receive the credits. After meeting the fifteen year requirement, all tax credits have been earned.

In December 2017, UHS paid earnest fees and expenses amounting to \$244,515 for the upcoming purchase of Hampton Terrace, which occurred in April 2018. This property will be transferred to 300 E Webster Street Holdings, LP, a limited partnership, for a .01% ownership interest through its wholly owned subsidiary, 300 E. Webster Street Holdings GP, LLC. These expenses will be reimbursed once the closing is complete. UHS is the developer of the property.

The property will be managed by S&S Property Management. UHS will be responsible for paying insurance, taxes, and other fees which will be reimbursed by 300 E Webster Street Holdings, LP.

300 E Webster Street Holdings, LP plans to qualify 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 credits 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 fifteen years in order to remain qualified to receive the credits. After meeting the fifteen year requirement, all tax credits have been earned.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

12. COMPENSATED ABSENCES

Employees of UHS are entitled to paid vacation and sick days. Employees are allowed to carryover 5 unused vacation days at December 31; sick days are not paid if the employee leaves. Accordingly, the accrued leave has been calculated as the total of vacation days available. As of December 31, 2017 and 2016, the amount of accrued leave was \$20,056 and \$0, respectively.

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 \$41,697 and \$34,729 for the years ended December 31, 2017 and 2016, respectively.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 31, 2018 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/17	1/1/17 - 12/31/17 Receipts	Expenditures	Grant Receivable 12/31/17
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	04/01/16 - 03/31/17	100,767	19,225	19,225	-	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	06/01/16 - 05/31/17	29,057	3,842	3,842	-	-
Total for CFDA 14.191					23,067	23,067	-	-
** Supportive Housing Program - Merged	14.235	TN0061L4J041508	04/01/16 - 03/31/17	525,088	94,488	148,207	53,719	-
** Supportive Housing Program - Merged	14.235	TN0061L4J041508	04/01/17 - 03/31/18	525,088	-	353,797	458,739	104,942
** Total for CFDA 14.235					94,488	502,004	512,458	104,942
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241	N/A	07/01/16 - 06/30/17	209,094	29,704	125,555	95,851	-
Housing Opportunities for Persons with AIDS	14.241	N/A	07/01/17 - 06/30/18	239,289	-	101,303	143,741	42,438
Total for CFDA 14.241					29,704	226,858	239,592	42,438
HOME Program - Clarksville	14.239	N/A	11/1/14 - 10/31/15	805,975	29,772	-	-	29,772
TOTAL EXPENDITURES OF FEDERAL AWARDS					177,031	751,929	752,050	147,380

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/ Pass-Through Grantor Agency & Program Name</u>	<u>Federal CFDA #</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Grant Receivable 1/1/17</u>	<u>1/1/17 - 12/31/17 Receipts</u>	<u>Expenditures</u>	<u>Grant Receivable 12/31/17</u>
STATE OF TENNESSEE REVENUE:								
Tennessee Department of Health	N/A	N/A	07/01/16 - 06/30/17	40,000	10,375	10,375	-	-
Tennessee Department of Health	N/A	N/A	07/01/17 - 06/30/18	40,000	-	17,272	21,737	4,465
Total for Tennessee Department of Health					10,375	27,647	21,737	4,465
Tennessee Housing Development Agency	N/A	N/A	01/01/16-12/31/18	500,000	-	-	65,753	65,753
TOTAL EXPENDITURES OF STATE AWARDS					10,375	27,647	87,490	70,218
TOTAL FEDERAL AND STATE AWARDS					\$ 187,406	\$ 779,576	\$ 839,540	\$ 217,598

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 the Uniform Guidance.

** Tested as Major Program

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES							
	DICKERSON	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISK	RUSSELL	MERCURY NORTH
REVENUES								
Rental Income	\$ 60,000	\$ -	\$ 934,010	\$ 113,527	\$ 102,717	\$ 121,417	\$ 84,083	\$ 167,174
Grants	-	-	31,568	49,786	18,447	-	-	42,348
Other	-	-	22,358	5,400	4,003	144,718	1,283	4,128
Total Revenues	60,000	-	987,936	168,713	125,167	266,135	85,366	213,650
EXPENSES								
Payroll and related expenses	-	1,132	181,299	32,841	22,649	32,655	13,589	32,716
Advertising	-	-	-	-	-	-	-	-
Contract services	-	10,913	113,146	20,131	11,907	7,109	13,833	35,499
Insurance	-	2,017	37,549	5,991	4,329	2,525	2,420	6,725
Interest	-	-	799	-	367	-	-	-
Legal and professional	-	24	4,468	687	474	679	284	667
Miscellaneous	-	148	7,080	1,235	820	888	565	1,468
Printing and postage	-	4	943	144	100	138	60	145
Repairs and maintenance	-	7,650	56,483	4,664	2,889	1,199	11,393	6,690
Social program funds	-	-	21,086	508	385	2,510	693	3,854
Supplies	-	2,690	949	49	34	44	20	61
Taxes and licenses	12,279	-	5,568	3,043	3,244	1,131	-	1,091
Telephone	-	12	1,856	350	242	295	143	315
Travel	-	36	4,667	1,032	712	773	428	957
Utilities	-	10,271	154,837	20,275	8,847	20,256	6,813	43,661
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	12,279	34,897	590,730	90,950	56,999	70,202	50,241	133,849
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	47,721	(34,897)	397,206	77,763	68,168	195,933	35,125	79,801
Depreciation and amortization	491	15,983	143,242	28,188	17,507	13,275	19,166	46,825
REVENUE OVER EXPENSES	\$ 47,230	\$ (50,880)	\$ 253,964	\$ 49,575	\$ 50,661	\$ 182,658	\$ 15,959	\$ 32,976

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES							
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY MEADOWS	EASTWOOD COURTS	VILLAGE PLACE	LINDSLEY	CLARKSVILLE HIGHWAY
REVENUES								
Rental Income	\$ 284,029	\$ 90,559	\$ 355,981	\$ 964,981	\$ 373,500	\$ 430,904	\$ -	\$ 103,349
Grants	40,285	12,968	46,741	64,571	45,376	33,236	-	15,155
Other	22,044	2,116	2,278	27,473	21,977	13,937	1,620	431,736
Total Revenues	346,358	105,643	405,000	1,057,025	440,853	478,077	1,620	550,240
EXPENSES								
Payroll and related expenses	64,549	22,649	32,951	145,732	69,079	102,399	-	30,111
Advertising	-	-	-	-	-	-	-	-
Contract services	30,627	8,050	22,569	85,679	75,822	49,023	-	12,481
Insurance	15,084	4,329	22,852	42,165	16,014	19,256	-	1,003
Interest	-	-	1,147	872	9,256	-	-	1,115
Legal and professional	1,351	474	662	2,932	1,446	2,422	-	579
Miscellaneous	2,624	921	1,218	6,924	3,025	3,307	-	929
Printing and postage	284	100	145	640	313	495	-	189
Repairs and maintenance	20,181	3,368	9,043	30,843	32,786	32,519	-	1,354
Social program funds	1,262	1,066	1,909	6,497	1,819	3,383	-	770
Supplies	96	34	51	412	102	273	-	104
Taxes and licenses	5,995	2,443	28,594	72,348	15,414	9,350	-	23,917
Telephone	688	242	3,195	1,224	744	953	-	240
Travel	2,028	711	1,022	4,275	2,451	3,242	-	836
Utilities	37,521	9,871	66,214	79,943	33,088	44,741	-	23,899
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	182,290	54,258	191,572	480,486	261,359	271,363	-	97,527
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	164,068	51,385	213,428	576,539	179,494	206,714	1,620	452,713
Depreciation and amortization	64,459	16,482	174,147	160,910	59,512	82,247	-	108,745
REVENUE OVER EXPENSES	\$ 99,609	\$ 34,903	\$ 39,281	\$ 415,629	\$ 119,982	\$ 124,467	\$ 1,620	\$ 343,968

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES					
	1227-1235 LEWIS	OLD HICKORY	REX'S COURTYARD	VULTEE GARDENS	NEIGHBORHOOD STABILIZATION	TOTAL RENTAL PROJECTS
REVENUES						
Rental Income	\$ 119,010	\$ -	\$ 573,736	\$ 67,867	\$ 851,443	\$ 5,798,287
Grants	65,753	-	69,802	20,276	29,450	585,762
Other	43,566	-	22,864	3,276	548,191	1,322,968
Total Revenues	228,329	-	666,402	91,419	1,429,084	7,707,017
EXPENSES						
Payroll and related expenses	29,024	-	133,455	18,119	146,884	1,111,833
Advertising	-	-	-	-	-	-
Contract services	8,599	-	54,678	10,865	67,716	638,647
Insurance	5,370	-	28,938	3,522	78,965	299,054
Interest	-	-	-	-	515	14,071
Legal and professional	820	-	2,958	379	3,571	24,877
Miscellaneous	932	-	4,799	747	5,952	43,582
Printing and postage	185	-	578	80	639	5,182
Repairs and maintenance	3,351	-	22,017	3,824	23,320	273,574
Social program funds	129	-	5,544	424	5,007	56,846
Supplies	162	-	177	27	218	5,503
Taxes and licenses	8,490	7,784	11,261	2,033	87,162	301,147
Telephone	393	-	1,571	193	1,565	14,221
Travel	752	-	3,326	569	4,611	32,428
Utilities	6,620	-	136,388	8,091	55,502	766,838
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	64,827	7,784	405,690	48,873	481,627	3,587,803
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	163,502	(7,784)	260,712	42,546	947,457	4,119,214
Depreciation and amortization	34,302	1,211	70,613	25,260	557,432	1,639,997
REVENUE OVER EXPENSES	\$ 129,200	\$ (8,995)	\$ 190,099	\$ 17,286	\$ 390,025	\$ 2,479,217

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES							SUPPORTING SERVICES		
	SERVICE COORDINATOR PROGRAM	HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	PERMANENT SUPPORTIVE HOUSING	VANDERBILT HEALTH	RESIDENT SUPPORT PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
REVENUES										
Rental Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,798,287	\$ 1,541	\$ 5,799,828
Grants	-	21,737	-	45,231	186,810	-	253,778	839,540	-	839,540
Other	-	34,358	173,668	-	-	-	208,026	1,530,994	33,202	1,564,196
Total Revenues	-	56,095	173,668	45,231	186,810	-	461,804	8,168,821	34,743	8,203,564
EXPENSES										
Payroll and related expenses	136,648	34,796	280,502	43,192	250,489	-	745,627	1,857,460	46,811	1,904,271
Advertising	-	-	-	-	-	-	-	-	75	75
Contract services	314	16	40	11	6,489	-	6,870	645,517	1,115	646,632
Insurance	4,908	1,382	3,354	1,051	8,843	-	19,538	318,592	690	319,282
Interest	-	-	-	-	-	-	-	14,071	-	14,071
Legal and professional	2,440	817	15,504	709	4,801	-	24,271	49,148	13,996	63,144
Miscellaneous	46	-	4,469	408	-	-	4,923	48,505	4,272	52,777
Printing and postage	472	153	2,099	140	970	-	3,834	9,016	2,550	11,566
Repairs and maintenance	750	191	150	132	1,397	-	2,620	276,194	4,080	280,274
Social program funds	-	28,813	9,178	26	3,784	-	41,801	98,647	-	98,647
Supplies	669	61	74	36	533	-	1,373	6,876	3,117	9,993
Taxes and licenses	-	-	-	-	-	-	-	301,147	-	301,147
Telephone	1,769	712	2,149	445	4,021	-	9,096	23,317	2,266	25,583
Travel	226	656	2,526	2,701	3,566	-	9,675	42,103	242	42,345
Utilities	-	-	-	-	-	-	-	766,838	-	766,838
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	148,242	67,597	320,045	48,851	284,893	-	869,628	4,457,431	79,214	4,536,645
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(148,242)	(11,502)	(146,377)	(3,620)	(98,083)	-	(407,824)	3,711,390	(44,471)	3,666,919
Depreciation and amortization	-	-	-	-	-	-	-	1,639,997	5,896	1,645,893
REVENUE OVER EXPENSES	\$ (148,242)	\$ (11,502)	\$ (146,377)	\$ (3,620)	\$ (98,083)	\$ -	\$ (407,824)	\$ 2,071,393	\$ (50,367)	\$ 2,021,026

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							
	DICKERSON	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISK	RUSSELL	MERCURY NORTH
REVENUES								
Rental Income	\$ -	\$ -	\$ 933,447	\$ 111,687	\$ 93,564	\$ 127,698	\$ 65,859	\$ 172,291
Grants	-	-	28,308	53,015	25,624	-	-	24,646
Other	-	-	26,118	4,113	2,308	2,231	232	3,767
Total Revenues	<u>-</u>	<u>-</u>	<u>987,873</u>	<u>168,815</u>	<u>121,496</u>	<u>129,929</u>	<u>66,091</u>	<u>200,704</u>
EXPENSES								
Payroll and related expenses	-	1,180	209,491	36,220	25,303	21,428	15,185	37,222
Advertising	-	-	-	-	-	-	-	-
Contract services	-	4,111	134,158	14,190	8,995	7,400	2,803	22,084
Insurance	-	2,168	35,394	5,443	3,994	2,063	2,207	6,138
Interest	-	-	-	-	-	-	-	-
Legal and professional	-	22	4,981	670	468	415	281	686
Loss on Sale of Property	-	-	-	-	-	-	-	-
Miscellaneous	-	11	6,466	1,178	838	767	483	1,301
Printing and postage	-	5	1,268	171	120	108	72	177
Repairs and maintenance	-	2,374	50,791	6,543	2,904	4,723	2,371	5,241
Social program funds	-	-	22,931	603	320	2,788	79	4,715
Supplies	-	1,679	2,071	153	107	129	61	202
Taxes and licenses	11,966	-	7,615	3,453	2,924	984	5	1,252
Telephone	-	16	2,952	446	311	263	187	471
Travel	-	49	5,784	1,300	920	527	555	1,113
Utilities	-	10,189	161,058	22,309	8,404	23,651	7,688	40,691
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	<u>11,966</u>	<u>21,804</u>	<u>644,960</u>	<u>92,679</u>	<u>55,608</u>	<u>65,246</u>	<u>31,977</u>	<u>121,293</u>
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(11,966)	(21,804)	342,913	76,136	65,888	64,683	34,114	79,411
Depreciation and amortization	<u>460</u>	<u>20,394</u>	<u>94,298</u>	<u>28,197</u>	<u>17,845</u>	<u>13,588</u>	<u>18,996</u>	<u>55,446</u>
REVENUE OVER EXPENSES	<u>\$ (12,426)</u>	<u>\$ (42,198)</u>	<u>\$ 248,615</u>	<u>\$ 47,939</u>	<u>\$ 48,043</u>	<u>\$ 51,095</u>	<u>\$ 15,118</u>	<u>\$ 23,965</u>

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY MEADOWS	EASTWOOD COURTS	VILLAGE PLACE	LINDSLEY	CLARKSVILLE HIGHWAY
REVENUES								
Rental Income	\$ 278,165	\$ 94,589	\$ 330,650	\$ 943,984	\$ 379,775	\$ 414,091	\$ 32,581	\$ -
Grants	37,676	8,651	37,643	19,894	12,958	11,809	-	1,422,696
Other	4,891	1,187	1,097	75,419	17,982	9,362	29	-
Total Revenues	320,732	104,427	369,390	1,039,297	410,715	435,262	32,610	1,422,696
EXPENSES								
Payroll and related expenses	71,251	25,303	45,538	155,096	82,273	113,210	4,746	33,888
Advertising	-	-	-	-	-	-	-	-
Contract services	27,533	9,583	19,623	75,876	34,740	67,878	3,498	-
Insurance	14,282	3,986	24,108	43,115	15,115	18,262	7,139	544
Interest	-	-	-	-	11,374	-	-	-
Legal and professional	1,319	468	843	2,925	1,525	2,376	1,256	411
Loss on Sale of property	-	-	-	-	-	-	1,128,870	-
Miscellaneous	2,463	812	1,460	6,011	2,821	2,733	7,958	-
Printing and postage	337	121	216	758	396	604	70	128
Repairs and maintenance	29,517	5,427	9,300	28,795	23,132	41,106	437	100
Social program funds	1,191	680	1,528	10,041	3,362	3,609	25	-
Supplies	291	119	221	777	342	606	26	28
Taxes and licenses	5,396	2,794	18,425	85,672	9,090	7,571	2	5,958
Telephone	875	311	3,079	1,774	1,012	1,446	70	308
Travel	2,593	920	1,650	4,495	3,047	2,601	185	580
Utilities	33,428	7,642	60,227	67,737	34,132	40,317	-	-
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	190,476	58,166	186,218	483,072	222,361	302,319	1,154,282	41,945
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	130,256	46,261	183,172	556,225	188,354	132,943	(1,121,672)	1,380,751
Depreciation and amortization	63,660	16,538	176,933	158,743	59,480	81,878	47,531	39,877
REVENUE OVER EXPENSES	\$ 66,596	\$ 29,723	\$ 6,239	\$ 397,482	\$ 128,874	\$ 51,065	\$ (1,169,203)	\$ 1,340,874

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES					
	1227-1235 LEWIS	OLD HICKORY	REX'S COURTYARD	VULTEE GARDENS	NEIGHBORHOOD STABILIZATION	TOTAL RENTAL PROJECTS
REVENUES						
Rental Income	\$ 37,460	\$ -	\$ 568,117	\$ 56,919	\$ 854,232	\$ 5,495,109
Grants	434,247	-	57,356	31,197	4,788	2,210,508
Other	53	-	14,849	3,339	10,995	177,972
Total Revenues	471,760	-	640,322	91,455	870,015	7,883,589
EXPENSES						
Payroll and related expenses	29,189	-	141,408	20,244	159,739	1,227,914
Advertising	-	-	-	-	-	-
Contract services	1,480	-	57,507	12,954	48,631	553,044
Insurance	3,577	19	27,463	3,236	72,363	290,616
Interest	-	-	-	-	-	11,374
Legal and professional	442	-	2,719	375	2,950	25,132
Loss on Sale of property	-	-	-	-	-	1,128,870
Miscellaneous	21,810	-	3,890	648	5,271	66,921
Printing and postage	142	-	696	96	749	6,234
Repairs and maintenance	8,045	-	22,147	6,025	20,307	269,285
Social program funds	4,985	-	6,952	739	4,647	69,195
Supplies	11	-	630	96	672	8,221
Taxes and licenses	7,150	7,192	10,020	2,841	90,777	281,087
Telephone	160	-	1,654	249	1,967	17,551
Travel	762	-	4,662	730	5,901	38,374
Utilities	2,392	-	134,264	8,609	57,181	719,919
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	80,145	7,211	414,012	56,842	471,155	4,713,737
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	391,615	(7,211)	226,310	34,613	398,860	3,169,852
Depreciation and amortization	10,342	-	72,149	25,450	692,656	1,694,461
REVENUE OVER EXPENSES	\$ 381,273	\$ (7,211)	\$ 154,161	\$ 9,163	\$ (293,796)	\$ 1,475,391

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							SUPPORTING SERVICES		
	SERVICE COORDINATOR PROGRAM	HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	PERMANENT SUPPORTIVE HOUSING	VANDERBILT HEALTH	RESIDENT SUPPORT PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
REVENUES										
Rental Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,495,109	\$ -	\$ 5,495,109
Grants	129,824	64,175	11,000	44,388	216,862	-	466,249	2,676,757	24,410	2,701,167
Other	-	-	8,763	-	-	18	8,781	186,753	111,622	298,375
Total Revenues	129,824	64,175	19,763	44,388	216,862	18	475,030	8,358,619	136,032	8,494,651
EXPENSES										
Payroll and related expenses	134,595	47,280	73,621	43,636	244,163	-	543,295	1,771,209	52,597	1,823,806
Advertising	-	-	-	-	-	-	-	-	100	100
Contract services	-	-	-	-	6,957	-	6,957	560,001	160	560,161
Insurance	4,285	1,643	917	1,093	6,962	-	14,900	305,516	786	306,302
Interest	-	-	-	-	-	-	-	11,374	-	11,374
Legal and professional	2,407	1,181	878	806	4,350	-	9,622	34,754	16,501	51,255
Loss on Sale of property								1,128,870		1,128,870
Miscellaneous	-	103	448	-	52	-	603	67,524	619	68,143
Printing and postage	625	280	223	195	1,066	-	2,389	8,623	1,023	9,646
Repairs and maintenance	720	317	200	223	1,054	-	2,514	271,799	3,878	275,677
Social program funds	396	19,622	9,785	-	4,340	-	34,143	103,338	367	103,705
Supplies	319	202	112	191	465	-	1,289	9,510	2,123	11,633
Taxes and licenses	-	-	-	-	225	-	225	281,312	1,684	282,996
Telephone	1,477	820	389	502	3,671	-	6,859	24,410	4,798	29,208
Travel	439	1,451	1,592	982	3,980	-	8,444	46,818	3,001	49,819
Utilities	-	-	-	-	4,248	-	4,248	724,167	-	724,167
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	145,263	72,899	88,165	47,628	281,533	-	635,488	5,349,225	87,637	5,436,862
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(15,439)	(8,724)	(68,402)	(3,240)	(64,671)	18	(160,458)	3,009,394	48,395	3,057,789
Depreciation and amortization	-	-	-	-	-	-	-	1,694,461	26,945	1,721,406
REVENUE OVER EXPENSES	\$ (15,439)	\$ (8,724)	\$ (68,402)	\$ (3,240)	\$ (64,671)	\$ 18	\$ (160,458)	\$ 1,314,933	\$ 21,450	\$ 1,336,383

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

**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, 2017, 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 May 31, 2018.

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 Urban Housing Solutions, Inc.'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.

Bellenfant, PLLC

May 31, 2018

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bellenfant, PLLC

May 31, 2018

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

PART I - SUMMARY OF AUDITOR'S RESULTS

I. Summary of Auditor's Results

Financial Statements

Type of auditor's 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 Uniform Guidance _____ Yes X No

Identification of major programs:

14.235 Supportive Housing Program

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

There were no audit findings for the year ended December 31, 2016.