

URBAN HOUSING SOLUTIONS, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

DECEMBER 31, 2007 AND 2006

URBAN HOUSING SOLUTIONS, INC.

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URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
Cash	\$ 209,221	\$ 327,683
Restricted cash:		
Tenant security deposits	102,859	106,948
Cash	499,442	239,887
Replacement reserves	280,000	280,000
Accounts receivable:		
Grants	651,204	344,006
Tenants	30,032	7,181
Accrued interest	-	737
Receivable from insurance company for damages relate to fire	25,000	25,000
Due from Mercury Court Apartments, LP	13,680	12,692
Prepaid expenses, deposits and other	39,425	30,000
Investment in Mercury Court Apartments, LP	70,000	70,000
Accrued developer fees	6,200	16,200
Property and equipment - net of accumulated depreciation	12,436,095	11,343,890
Loan closing costs, net of accumulated amortization of \$ 43,468 and \$ 26,234 for 2007 and 2006.	46,814	38,391
	\$ 14,409,972	\$ 12,842,615
TOTAL ASSETS		

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 65,976	\$ 55,405
Accrued payments in lieu of tax (PILOT)	34,263	922
Tenant security deposits payable	102,691	106,830
Unearned revenue	155,999	128,000
Notes payable	7,283,738	7,078,489
	7,642,667	7,369,646
TOTAL LIABILITIES		
NET ASSETS		
Unrestricted:		
Undesignated	3,056,149	1,804,497
Property and equipment	3,569,662	3,569,662
	6,625,811	5,374,159
Temporarily restricted	141,494	98,810
	6,767,305	5,472,969
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 14,409,972	\$ 12,842,615

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2007 AND 2006

	2007			2006		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts	\$ 19,408	\$ -	19,408	\$ 36,831	\$ -	36,831
Grants:						
Government	1,722,081	-	1,722,081	710,526	-	710,526
Foundation	-	137,635	137,635	13,300	100,000	113,300
Total public support	1,741,489	137,635	1,879,124	760,657	100,000	860,657
Revenues:						
Rental income	2,449,559	-	2,449,559	2,162,934	-	2,162,934
Laundry income	22,538	-	22,538	19,260	-	19,260
Investment income	28,101	-	28,101	27,380	-	27,380
Resident vending machine	33,787	-	33,787	20,696	-	20,696
Security deposits forfeited	24,000	-	24,000	5,000	-	5,000
Management fees	11,650	-	11,650	11,501	-	11,501
Miscellaneous	8,303	-	8,303	2,046	-	2,046
Insurance proceeds	-	-	-	25,000	-	25,000
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	94,951	(94,951)	-	22,271	(22,271)	-
TOTAL SUPPORT AND REVENUES	4,414,378	42,684	4,457,062	3,056,745	77,729	3,134,474
EXPENSES						
Program services:						
Rental projects	2,701,604	-	2,701,604	2,441,984	-	2,441,984
Resident support programs	356,598	-	356,598	429,701	-	429,701
Total program services	3,058,202	-	3,058,202	2,871,685	-	2,871,685
Supporting services:						
Management and general	104,524	-	104,524	29,956	-	29,956
TOTAL EXPENSES	3,162,726	-	3,162,726	2,901,641	-	2,901,641
CHANGE IN NET ASSETS	1,251,652	42,684	1,294,336	155,104	77,729	232,833
NET ASSETS - BEGINNING OF YEAR	5,374,159	98,810	5,472,969	5,219,055	21,081	5,240,136
NET ASSETS - END OF YEAR	<u>\$ 6,625,811</u>	<u>\$ 141,494</u>	<u>\$ 6,767,305</u>	<u>\$ 5,374,159</u>	<u>\$ 98,810</u>	<u>\$ 5,472,969</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, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 1,294,336	\$ 232,833
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	513,765	447,700
(Increase) decrease in:		
Accounts receivable:		
Grants	(307,198)	(163,826)
Tenants	(22,851)	46,312
Insurance Receivable	-	93,363
Accrued Interest	737	(737)
Prepaid expenses, deposits and other, due from Mercury Court Apartments, LP	(10,413)	91,083
Accrued developer fees	10,000	21,400
Increase (decrease) in:		
Accounts payable and accrued expenses	10,571	(100,106)
Unearned revenue	27,999	128,000
Accrued payments in lieu of tax (PILOT)	33,341	(19,530)
Net cash (used) provided by operating activities	1,550,287	776,492
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,614,393)	(919,570)
(Increase) decrease in restricted deposits	(255,466)	86,049
Increase (decrease) in tenant security deposits payable	(4,139)	24,613
Advances from (to) Mercury Court Apartments, LP	-	(63)
Net cash (used) provided by investing activities	(1,873,998)	(808,971)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan closing costs	10,131	8,527
Proceeds from notes payable	1,778,807	3,120,783
Principal payments on notes payable	(1,583,689)	(3,369,896)
Net cash (used) provided by financing activities	205,249	(240,586)
NET INCREASE (DECREASE) IN CASH	(118,462)	(273,065)
CASH - BEGINNING OF YEAR	327,683	600,748
CASH - END OF YEAR	\$ 209,221	\$ 327,683
NONCASH INVESTING ACTIVITIES		
Receivable for insurance proceeds relating to property damaged by fire	\$ 25,000	\$ 25,000

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 604,398	\$ 265,828	\$ 870,226	\$ 30,893	\$ 901,119
Advertising	2,683	-	2,683	-	2,683
Contract services	20,089	15,642	35,731	479	36,210
Equipment	23	-	23	75	98
Insurance	105,690	5,759	111,449	665	112,114
Interest	334,411	-	334,411	-	334,411
Lawn care	15,176	-	15,176	-	15,176
Legal and professional	39,617	3,200	42,817	35,080	77,897
Management fees	30,110	-	30,110	-	30,110
Miscellaneous	37,856	911	38,767	1,764	40,531
Pest control	22,755	-	22,755	-	22,755
Printing and postage	1,275	663	1,938	750	2,688
Rent	3,254	849	4,103	341	4,444
Repairs and maintenance	396,816	3,304	400,120	1,613	401,733
Social program funds	6,267	8,304	14,571	8	14,579
Supplies	12,072	2,982	15,054	5,061	20,115
Taxes and licenses	70,971	-	70,971	10	70,981
Telephone	12,137	5,067	17,204	707	17,911
Trash removal	16,370	-	16,370	-	16,370
Travel	18,878	12,215	31,093	7,976	39,069
Utilities	456,521	254	456,775	435	457,210
Vending machine expenses	-	30,757	30,757	-	30,757
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,207,369	355,735	2,563,104	85,857	2,648,961
Depreciation and amortization	494,235	863	495,098	18,667	513,765
TOTAL FUNCTIONAL EXPENSES	\$ 2,701,604	\$ 356,598	\$ 3,058,202	\$ 104,524	\$ 3,162,726

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 514,930	\$ 303,403	\$ 818,333	\$ 10,239	\$ 828,572
Advertising	1,403	-	1,403	19	1,422
Contract services	6,171	23,521	29,692	-	29,692
Equipment	654	3,815	4,469	520	4,989
Insurance	102,918	5,268	108,186	251	108,437
Interest	420,366	-	420,366	-	420,366
Lawn care	16,282	-	16,282	-	16,282
Legal and professional	58,980	6,518	65,498	289	65,787
Management fees	19,664	6,209	25,873	-	25,873
Miscellaneous	16,686	11,269	27,955	5,828	33,783
Pest control	869	-	869	-	869
Printing and postage	1,182	94	1,276	994	2,270
Rent	112	-	112	-	112
Repairs and maintenance	354,380	3,367	357,747	667	358,414
Social program funds	5,017	19,195	24,212	48	24,260
Supplies	9,064	3,283	12,347	815	13,162
Taxes and licenses	2,556	79	2,635	287	2,922
Telephone	4,700	2,436	7,136	675	7,811
Trash removal	13,960	-	13,960	855	14,815
Travel	16,175	14,076	30,251	119	30,370
Utilities	437,061	1,337	438,398	505	438,903
Vending machine expenses	-	24,830	24,830	-	24,830
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,003,130	428,700	2,431,830	22,111	2,453,941
Depreciation and amortization	438,854	1,001	439,855	7,845	447,700
TOTAL FUNCTIONAL EXPENSES	\$ 2,441,984	\$ 429,701	\$ 2,871,685	\$ 29,956	\$ 2,901,641

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

Urban Housing Solutions, Inc. ("UHS") was founded in 1991 as Tennessee not-for-profit corporation. UHS provides affordable housing for homeless and other people with special needs in Middle Tennessee.

Basis of Presentation:

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

Contributions and support

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

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

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

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

Income taxes

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

Jointly-owned properties

Interests in jointly owned properties are accounted for on the equity method of accounting.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Property and equipment

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

Donated property and materials

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

Donated services

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

Program and supporting services

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

Rental projects:

Mercury Courts - promotes individual self-improvement and provides opportunities for both independent living and integration back into the mainstream of community life by providing housing for homeless and low-income individuals.

Rex Courts - provides 96 units of housing for low-income individuals and families, of which 25 units are designed for persons with mental illness.

Clay Street - provides affordable housing for persons with mental illness.

Greentree Terrace - provides 56 units of housing for low-income individuals and families, of which 20 units are designated for persons with mental illness.

Hope Terrace (formerly known as Centennial Commons), Crown Courts , Fisk Court and Vultee - provide a recovery community, including housing and counseling for homeless persons and families recovering from drug and alcohol addictions, through the Journeys of Hope program.

Russell Street and Woodland Street - provide supportive and affordable independent living for persons with mental illness.

Shelby Courtyards - supports multi-unit housing specifically designated to accommodate the changing needs of persons living with AIDS and other low-income individuals and families.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Program and supporting services

Rental projects continued:

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

Village Place - provides 68 units of housing for low income individuals and families.

The Park at Mercury Court - provide 20 units of housing for individuals through the low income housing tax credit program. Equity partner is SunTrust Bank.

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

Resident support programs:

Service Coordinator Program - provides the social work staff that is essential to assess and manage the resident population at the Fisk and Mercury Court properties. Service coordinators provide referrals to needed services, transportation, and employment assistance.

Journeys of Hope Program - provides supportive service to 65 units of housing in three different properties. These services include weekly meetings and counseling sessions, random drug screens, and community service.

SEED Program - provides socio-economic development activities. The SEED program sponsors the resident association and its social activities, and the educational and self-improvement classes and activities.

Client Fund Program - provides direct financial assistance to residents in order to meet their transportation, healthcare, or other emergency needs. The fund purchases bus passes, maintains the UHS transportation service, pays for eye examination and eyeglasses, and assists with dentures.

Health Matters - assists residents with health issues including social work assistance and transportational issues.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Resident support programs continued:

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

HOPWA - provides subsidized rental assistance and some supportive services to residents with HIV/AIDS.

Rex and Greentree Mental Health Program - provides subsidized rental assistance and case management supportive services for homeless residents who are diagnosed with a mental illness.

The Academy - promotes the development of a "Delancy Street" replication project in Nashville under the auspices of Urban Housing Solutions. Initial activities include research and training with subsequent activities including property acquisition, rehabilitation, and new construction.

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

Allocation of functional expenses

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

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, no allowance for uncollectible accounts was considered necessary as of December 31, 2007 or 2006.

Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year's presentation.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

2. GRANTS RECEIVABLE

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

3. PROPERTY AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Land	\$ 2,587,850	\$ 1,912,850
Building and improvements	12,268,863	11,494,933
Furniture and equipment	666,083	526,274
	<u>15,522,796</u>	<u>13,934,057</u>
Less accumulated depreciation	<u>(3,086,701)</u>	<u>(2,590,167)</u>
	<u><u>\$ 12,436,095</u></u>	<u><u>\$ 11,343,890</u></u>

UHS received grants totaling \$100,000 in 2007 and \$120,000 in 2006 that were utilized to fund rehabilitation expenditures.

4. EASTWOOD COURT

In 2005, Urban Housing Solutions, Inc. purchased all equity in Eastwood Courts, LLC, a 61-unit apartment complex in East Nashville. Prior to 2005, Urban Housing Solutions had been a 50% owner.

5. NOTES PAYABLE

Notes payable consist of the following as of December 31 2007:

Note payable - Nashville Housing Fund (4.00%); payable in monthly principle and interest payments of \$2,510 beginning October 2004; final balloon payment for balance due October 2009; secured by real estate.

\$ 507,679

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

5. NOTES PAYABLE - CONTINUED

Note Payable - Green Bank (4.25%); payable in monthly principle and interest payments of \$10,128 beginning January 2008; final balloon payment for the balance due February 2012; secured by real estate.	\$ 1,281,527
Note payable - Renasant Bank (2.00%); interest due monthly beginning May 2007; final balloon payment for balance due June 2008; secured by real estate.	448,938
Mortgage payable - Renasant Bank (4.25%); payable in monthly principle and interest payments of \$10,280 beginning November 2007, with final balloon payment for the balance due November 2012 ; secured by real estate.	1,523,498
Note payable - Tenn Loan, Inc. (3.00%); payable in monthly installments of \$724 beginning October 1999, through May 2010; secured by real estate	28,840
Mortgage payable - Regions Bank (5.60%); payable in monthly installments of \$9,573 beginning October 2004, with final balloon payment for the balance due October 2009; secured by real estate	1,270,808
Note payable - Renasant Bank (4.25%); monthly principal and interest payment of \$2,366 beginning January 2007; final balloon payment for the balance due December 2011; secured by real estate	359,913
Note payable - Renasant Bank (4.25%); payable in monthly principal and interest payment of \$6,161 beginning of November 2006, final balloon payment for the balance due October 2011; secured by real estate	957,913

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

5. NOTES PAYABLE - CONTINUED

Note payable - Rensant Bank (4.25%); interest due monthly beginning July 2006 , final balloon payment for balance due May 2008 ; secured by real estate.	\$ 163,713
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Note payable - Regions Bank (5.00%); payable in monthly principle and interest payment of \$6,439 beginning September 2006, final balloon payment for balance due August 2009; secured by real estate.	740,909
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Total Notes Payable	<u>\$ 7,283,738</u>
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Annual principal maturities of notes payable as of December 31, 2007 are as follows:

2008	\$ 891,168
2009	2,614,915
2010	203,665
2011	1,315,614
2012 and thereafter	<u>2,258,376</u>
	<u>\$ 7,283,738</u>

Interest expense of \$334,411 was paid in 2007 and \$420,366 in 2006.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

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 two financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000 each. Excess uninsured balances of UHS approximated \$964,120 in 2007 and \$751,121 in 2006. 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:

	2007	2006
Foundation grants for tenant assistance	\$ 141,494	\$ 98,810

8. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

8. COMMITMENTS AND CONTINGENCIES - continued

Insurance settlement for the fire damage at Rex's Courtyards Apartments

In September 2003, one of the buildings at Rex's Courtyards that was under renovation was destroyed by fire. UHS and the insurance company are still negotiating the terms of the applicable insurance coverage on this property and under the builders risk policies relating to the renovation in progress at the time of the fire. At December 31, 2004, UHS had received \$918,251 of the insurance proceeds. As of December 31, 2005 UHS accrued \$118,363 of additional proceeds, which was received in May 2006. As of December 31, 2007, UHS accrued \$25,000 of additional proceeds, which was received in February 2008. Management is pursuing additional damage to the other two buildings on site. The amount of such additional proceeds, if any, will be recognized in the period a settlement is reached.

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 would be 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. As of December 31, 2007, accrued PILOT has been recorded as a liability in the amount of \$34,263. PILOT expenses were \$68,956 in 2007.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

10. RELATED PARTY TRANSACTIONS

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

Mercury Courts Apartments, LP has entered into an agreement with UHS, in connection the management of the rental operations of the project. In accordance with this agreement, UHS earns 10% of the gross operating revenues received from the preceding month. Management fees that UHS earned were \$11,650 in 2007 and \$11,501 in 2006. No operating income or loss passed through to UHS from the Partnership in 2007 or 2006.

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.

SUPPLEMENTAL INFORMATION

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/07	1/1/07 - 12/31/07		Grant Receivable 12/31/07
						Receipts	Expenditures	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	3/1/07 - 2/28/07	\$ 92,934	\$ 19,661	\$ 20,138	\$ 477	\$ -
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	4/1/07 - 3/31/08	95,722	-	33,370	88,498	55,128
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	3/1/07 - 2/28/07	27,339	592	592	-	-
Multifamily Housing Service Coordinator Program	14.191	TN37B004005	3/1/08 - 2/28/08	27,632	-	-	10,063	10,063
Supportive Housing Program	14.235	TN37B504001	1/1/07 - 12/31/07	240,000	-	13,558	48,215	34,657
Supportive Housing Program	14.235	TN37B504002	1/1/07 - 12/31/07	300,000	-	300,000	300,000	-
Supportive Housing Program	14.235	TN37B604003	8/1/07 - 7/31/08	168,705	-	128,427	152,045	23,618
Supportive Housing Program	14.235	TN37B204002	1/1/05 - 12/31/07	73,750	21,687	26,278	4,591	-
Supportive Housing Program	14.235	TN37B504004	9/1/06 - 8/31/07	37,840	20,036	26,890	8,489	1,635
Supportive Housing Program	14.235	TN37B504006	8/1/06 - 7/31/07	133,721	64,627	132,368	69,094	1,353
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	12.241	N/A	4/1/07 - 3/31/08	91,690	-	49,685	74,435	24,750
Housing Opportunities for Persons with AIDS	12.241	N/A	4/1/06 - 3/31/07	111,552	11,622	29,312	17,690	-
Community Housing Development Organization -HOME Investment Partnership Program - administrative funds		N/A		73,304	73,304	90,298	16,994	-
Community Housing Development Organization -HOME Investment Partnership Program - administrative funds		N/A			-	182,750	182,750	-
Community Housing Development Organization -HOME Investment Partnership Program		N/A			60,107	72,687	12,580	-
Community Housing Development Organization -HOME Investment Partnership Program	12.241	N/A		122,000	52,370	122,000	69,630	-
Community Housing Development Organization -HOME Investment Partnership Program	12.241	N/A			-	184,000	184,000	-
Community Housing Development Organization -HOME Investment Partnership Program	12.241	N/A		-	-	-	500,000	500,000
Community Housing Development Organization -HOME Investment Partnership Program	12.241	N/A			20,000	20,000		-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 344,006	\$ 1,432,353	\$ 1,739,551	\$ 651,204

(1) Not specified by grantor

Basis of presentation

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

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

PROGRAM SERVICES																	
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	CLAY STREET	REX'S COURTYARD	VULTEE GARDENS	GREENTREE TERRACE	RIVER TERRACE	MERCURY CONVERSIONS	EASTWOOD COURT	VILLAGE PLACE	THE ACADEMY	TOTAL RENTAL PROJECTS
REVENUES																	
Rental Income	\$ 44,744	\$ -	\$ 630,821	\$ 111,685	\$ 71,480	\$ 85,105	\$ 64,295	\$ 8,400	\$ 488,813	\$ 57,749	\$ 197,069	\$ 88,354	\$ -	\$ 303,674	\$ 297,368	\$ -	\$ 2,449,557
Grants	16,994	-	500,000	42,136	18,497	69,630	-	-	65,797	19,247	18,147	12,580	-	30,999	8,000	716,600	1,518,627
Other	490	-	9,720	3,405	768	1,159	480	168	11,219	720	6,271	721	-	8,679	2,880	1,200	47,880
Total Revenues	62,228	-	1,140,541	157,226	90,745	155,894	64,775	8,568	565,829	77,716	221,487	101,655	-	343,352	308,248	717,800	4,016,064
EXPENSES																	
Payroll and related expenses	10,462	-	221,700	25,127	18,419	22,543	11,641	2,607	75,806	14,217	47,726	17,092	-	48,140	53,242	35,676	604,398
Advertising	34	2	469	84	58	55	35	10	278	46	162	58	-	178	197	1,017	2,683
Contract services	210	-	10,467	548	485	478	235	52	2,226	464	1,217	395	-	958	1,500	854	20,089
Equipment	-	-	-	-	-	-	-	-	-	23	-	-	-	-	0	-	23
Insurance	1,947	777	24,491	4,623	3,012	2,226	2,343	822	16,485	2,909	11,455	3,504	-	12,854	12,511	5,731	105,690
Interest	-	-	79,032	5,298	5,259	5,259	-	-	63,801	-	42,018	20,514	-	39,651	66,938	6,641	334,411
Lawn care	350	105	2,347	810	526	428	1,665	-	701	584	2,753	1,280	-	2,457	650	520	15,176
Legal and professional	758	52	9,392	8,617	1,433	357	130	39	5,572	1,157	2,672	893	-	2,474	4,617	1,454	39,617
Management fees	-	-	-	4,836	1,978	4,594	-	-	2,000	2,492	3,263	1,200	-	2,400	7,347	-	30,110
Miscellaneous	182	-	5,518	590	442	323	173	52	2,702	385	1,972	318	-	2,125	4,541	18,533	37,856
Pest control	410	-	7,353	169	830	732	680	1,076	3,493	420	1,975	509	-	2,229	2,479	400	22,755
Printing and postage	16	1	249	41	28	28	16	5	133	147	203	28	-	85	95	200	1,275
Rent	17	-	230	41	28	27	17	6	136	-	79	28	-	86	96	2,463	3,254
Repairs and maintenance	2,816	34	80,742	24,411	11,865	7,602	5,440	1,380	86,591	14,018	25,102	8,017	-	57,749	68,558	2,491	396,816
Social program funds	98	2	2,447	306	186	156	98	30	786	131	458	164	-	499	736	170	6,267
Supplies	219	5	3,841	533	368	421	219	67	1,866	326	1,068	369	-	1,121	1,268	381	12,072
Taxes and licenses	-	-	22	4,676	3,480	587	-	-	16,772	3,881	10,490	3,929	-	14,413	12,523	198	70,971
Telephone	151	7	2,195	367	254	505	157	48	3,350	203	1,814	254	-	771	874	1,187	12,137
Trash removal	1,128	-	3,029	774	889	1,012	324	-	1,251	1,193	1,665	56	-	1,710	3,061	278	16,370
Travel	367	-	2,907	1,322	667	818	456	58	2,387	490	824	918	-	2,290	2,356	3,018	18,878
Utilities	2,470	231	156,480	22,107	8,754	14,044	7,666	-	131,454	6,484	24,701	7,057	-	40,937	29,530	4,606	456,521
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	21,635	1,216	612,911	105,280	58,961	62,195	31,295	6,252	417,790	49,570	181,617	66,583	-	233,127	273,119	85,818	2,207,369
Depreciation and amortization	15,513	5,538	106,182	26,822	16,941	18,065	12,916	2,368	64,481	24,272	54,568	13,831	6,392	54,405	65,249	6,692	494,235
TOTAL FUNCTIONAL EXPENSES	37,148	6,754	719,093	132,102	75,902	80,260	44,211	8,620	482,271	73,842	236,185	80,414	6,392	287,532	338,368	92,510	2,701,604
REVENUE OVER EXPENSES	\$ 25,080	\$ (6,754)	\$ 421,448	\$ 25,124	\$ 14,843	\$ 75,634	\$ 20,564	\$ (52)	\$ 83,558	\$ 3,874	\$ (14,698)	\$ 21,241	\$ (6,392)	55,820	\$ (30,120)	\$ 625,290	\$ 1,314,460

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	SERVICE COORDINATOR PROGRAM	JOURNEYS OF HOPE PROGRAM	VENDING PROGRAM	MENTAL HEALTH	HEALTH MATTERS	SEED PROGRAM	CLIENT FUND PROGRAM	HOPWA	RESIDENT SUPPORT PROGRAMS	TOTAL	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
REVENUES												
Program Income	\$ -	\$ -	\$ 33,787	\$ -	\$ -	\$ -	\$ 5,346	\$ -	\$ 39,133	\$ 2,488,690	\$ -	\$ 2,488,690
Grants	99,038	60,423	-	46,558	22,635	-	-	12,434	241,088	1,759,715	100,000	1,859,715
Other	-	-	-	-	-	-	19,264	-	19,264	67,144	41,513	108,657
Total Revenues	99,038	60,423	33,787	46,558	22,635	-	24,610	12,434	299,485	4,315,549	141,513	4,457,062
EXPENSES												
Payroll and related expenses	115,341	68,130	-	52,643	1,457	198	16,185	11,874	265,828	870,226	30,893	901,119
Advertising	-	-	-	-	-	-	-	-	-	2,683	-	2,683
Contract services	2,305	2,633	-	1,947	52	6,635	1,821	249	15,642	35,731	479	36,210
Equipment	-	-	-	-	-	-	-	-	-	23	75	98
Insurance	1,326	1,191	1,093	949	-	442	758	-	5,759	111,449	665	112,114
Interest	-	-	-	-	-	-	-	-	-	334,411	-	334,411
Lawn care	-	-	-	-	-	-	-	-	-	15,176	-	15,176
Legal and professional	1,200	1,200	-	800	-	-	-	-	3,200	42,817	35,080	77,897
Management fees	-	-	-	-	-	-	-	-	-	30,110	-	30,110
Miscellaneous	278	28	35	30	-	-	540	-	911	38,767	1,764	40,531
Pest control	-	-	-	-	-	-	-	-	-	22,755	-	22,755
Printing and postage	57	27	-	9	-	10	538	22	663	1,938	750	2,688
Rent	133	53	-	53	44	106	292	168	849	4,103	341	4,444
Repairs and maintenance	71	4	-	698	-	20	2,491	20	3,304	400,120	1,613	401,733
Social program funds	103	5,960	-	71	-	69	2,050	51	8,304	14,571	8	14,579
Supplies	1,795	147	-	406	43	335	179	77	2,982	15,054	5,061	20,115
Taxes and licenses	-	-	-	-	-	-	-	-	-	70,971	10	70,981
Telephone	2,152	803	-	927	-	-	735	450	5,067	17,204	707	17,911
Trash removal	-	-	-	-	-	-	-	-	-	16,370	-	16,370
Travel	5,748	42	-	2,410	-	153	3,434	428	12,215	31,093	7,976	39,069
Utilities	42	44	-	79	-	58	6	25	254	456,775	435	457,210
Vending machine expenses	-	-	30,757	-	-	-	-	-	30,757	30,757	-	30,757
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	130,551	80,262	31,885	61,022	1,596	8,026	29,029	13,364	355,735	2,563,104	85,857	2,648,961
Depreciation and amortization	-	-	-	-	-	863	-	-	863	495,098	18,667	513,765
TOTAL FUNCTIONAL EXPENSES	130,551	80,262	31,885	61,022	1,596	8,889	29,029	13,364	356,598	3,058,202	104,524	3,162,726
REVENUE OVER EXPENSES	\$ (31,513)	\$ (19,839)	\$ 1,902	\$ (14,464)	\$ 21,039	\$ (8,889)	\$ (4,419)	\$ (930)	\$ (57,113)	\$ 1,257,347	\$ 36,989	\$ 1,294,336

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

PROGRAM SERVICES																	
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	CLAY STREET	REX'S COURTYARD	VULTEE GARDENS	GREENTREE TERRACE	RIVER TERRACE	MERCURY CONVERSIONS	EASTWOOD COURT	VILLAGE PLACE	THE ACADEMY	TOTAL RENTAL PROJECTS
REVENUES																	
Rental Income	\$ 28,588	\$ 12,650	\$ 620,644	\$ 91,657	\$ 66,965	\$ 33,970	\$ 38,102	\$ 8,400	\$ 456,756	\$ 56,589	\$ 202,678	\$ 87,044	\$ -	\$ 265,739	\$ 209,661	\$ -	\$ 2,179,443
Grants	90,298	-	100,000	22,786	10,530	52,370	-	-	34,606	25,695	60,122	640	-	16,000	48,269	10,000	471,316
Other	19	-	3,633	2,255	-	349	-	-	29,714	-	2,441	-	-	5,849	-	-	44,260
Total Revenues	118,905	12,650	724,277	116,698	77,495	86,689	38,102	8,400	521,076	82,284	265,241	87,684	-	287,588	257,930	10,000	2,695,019
EXPENSES																	
Payroll and related expenses	21,427	2,802	201,958	18,822	18,144	14,750	16,827	1,464	56,135	9,973	36,087	15,938	-	44,898	41,182	14,523	514,930
Advertising	18	8	720	44	30	29	18	5	144	24	83	30	-	92	83	75	1,403
Contract services	7	-	6,019	104	-	-	-	-	-	-	41	-	-	-	-	-	6,171
Equipment	17	7	233	42	29	27	17	4	138	23	-	29	-	88	-	-	654
Insurance	1,887	1,431	26,559	4,544	2,184	1,923	1,949	695	17,242	2,852	11,523	3,536	-	14,882	11,711	-	102,918
Interest	-	-	76,586	11,124	10,361	10,361	-	-	64,256	6,195	102,332	19,731	-	41,750	77,670	-	420,366
Lawn care	724	-	809	476	944	539	2,606	60	1,473	1,994	2,523	903	-	2,465	766	-	16,282
Legal and professional	1,635	147	15,335	3,051	2,473	2,100	573	98	12,794	1,283	4,529	1,336	-	7,304	6,021	301	58,980
Management fees	1,000	-	-	301	-	276	-	-	4,153	-	3,049	1,460	-	2,225	7,200	-	19,664
Miscellaneous	2,133	115	4,372	704	625	734	391	68	2,187	411	1,294	451	-	1,534	1,570	97	16,686
Pest control	18	7	252	43	30	28	18	4	142	24	82	30	-	90	101	-	869
Printing and postage	24	10	256	66	41	36	24	6	250	32	109	40	-	121	135	32	1,182
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	112	-	112
Repairs and maintenance	4,008	2,485	87,325	12,146	16,891	5,937	14,500	1,241	92,903	8,368	25,065	5,979	-	53,551	23,981	-	354,380
Social program funds	80	33	2,031	194	140	127	80	20	641	107	368	134	-	408	654	-	5,017
Supplies	359	75	2,794	389	295	280	176	45	1,417	235	817	295	-	834	1,039	14	9,064
Taxes and licenses	2	1	203	24	4	4	2	1	174	3	35	4	-	2,086	13	-	2,556
Telephone	59	24	921	142	98	93	59	15	1,268	78	1,094	98	-	298	453	-	4,700
Trash removal	1,257	-	2,376	495	898	1,084	345	-	2,471	1,018	804	25	-	1,984	1,203	-	13,960
Travel	847	151	1,479	1,065	1,163	1,114	864	61	1,805	407	576	932	-	2,664	1,708	1,339	16,175
Utilities	6,500	47	141,565	24,854	9,559	9,289	6,768	5	126,763	11,134	21,744	6,042	-	47,932	24,859	-	437,061
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	42,002	7,343	571,793	78,630	63,909	48,731	45,217	3,792	386,356	44,161	212,155	56,993	-	225,206	200,461	16,381	2,003,130
Depreciation and amortization	11,241	5,540	76,999	23,317	15,593	12,867	12,759	2,363	61,917	25,227	52,638	13,355	6,084	51,841	67,066	47	438,854
TOTAL FUNCTIONAL EXPENSES	53,243	12,883	648,792	101,947	79,502	61,598	57,976	6,155	448,273	69,388	264,793	70,348	6,084	277,047	267,527	16,428	2,441,984
REVENUE OVER EXPENSES	\$ 65,662	\$ (233)	\$ 75,485	\$ 14,751	\$ (2,007)	\$ 25,091	\$ (19,874)	\$ 2,245	\$ 72,803	\$ 12,896	\$ 448	\$ 17,336	\$ (6,084)	10,541	\$ (9,597)	\$ (6,428)	\$ 253,035

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2006

	SERVICE COORDINATOR PROGRAM	JOURNEYS OF HOPE PROGRAM	VENDING PROGRAM	MENTAL HEALTH	IDA PROGRAM	SEED PROGRAM	CLIENT FUND PROGRAM	HOPWA	RESIDENT SUPPORT PROGRAMS	TOTAL	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
REVENUES												
Program Income	\$ -	\$ -	\$ 20,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,696	\$ 2,200,139	\$ -	\$ 2,200,139
Grants	120,556	81,378	4,325	47,989	-	14,000	15,778	4,288	288,314	759,630	101,027	860,657
Other	-	-	-	-	-	-	3,975	-	3,975	48,235	25,443	73,678
Total Revenues	120,556	81,378	25,021	47,989	-	14,000	19,753	4,288	312,985	3,008,004	126,470	3,134,474
EXPENSES												
Payroll and related expenses	121,189	105,179	-	53,641	1,119	66	18,148	4,061	303,403	818,333	10,239	828,572
Advertising	-	-	-	-	-	-	-	-	-	1,403	19	1,422
Contract services	-	1,606	5,506	1,936	-	11,833	2,640	-	23,521	29,692	-	29,692
Equipment	-	-	-	3,073	-	106	424	212	3,815	4,469	520	4,989
Insurance	342	342	-	228	-	114	4,242	-	5,268	108,186	251	108,437
Interest	-	-	-	-	-	-	-	-	-	420,366	-	420,366
Lawn care	-	-	-	-	-	-	-	-	-	16,282	-	16,282
Legal and professional	2,364	2,552	-	1,120	22	-	376	84	6,518	65,498	289	65,787
Management fees	-	6,209	-	-	-	-	-	-	6,209	25,873	-	25,873
Miscellaneous	2,857	2,897	-	1,031	-	199	4,285	-	11,269	27,955	5,828	33,783
Pest control	-	-	-	-	-	-	-	-	-	869	-	869
Printing and postage	43	51	-	-	-	-	-	-	94	1,276	994	2,270
Rent	-	-	-	-	-	-	-	-	-	112	-	112
Repairs and maintenance	27	8	2,392	313	-	25	602	-	3,367	357,747	667	358,414
Social program funds	350	7,713	-	1,952	-	3,980	5,200	-	19,195	24,212	48	24,260
Supplies	1,698	429	423	612	17	76	23	5	3,283	12,347	815	13,162
Taxes and licenses	-	79	-	-	-	-	-	-	79	2,635	287	2,922
Telephone	758	99	-	484	-	720	-	375	2,436	7,136	675	7,811
Trash removal	-	-	-	-	-	-	-	-	-	13,960	855	14,815
Travel	4,444	1,668	-	2,704	-	65	5,174	21	14,076	30,251	119	30,370
Utilities	170	221	-	454	-	373	-	119	1,337	438,398	505	438,903
Vending machine expenses	-	-	24,830	-	-	-	-	-	24,830	24,830	-	24,830
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	134,242	129,053	33,151	67,548	1,158	17,557	41,114	4,877	428,700	2,431,830	22,111	2,453,941
Depreciation and amortization	-	-	-	-	-	1,001	-	-	1,001	439,855	7,845	447,700
TOTAL FUNCTIONAL EXPENSES	134,242	129,053	33,151	67,548	1,158	18,558	41,114	4,877	429,701	2,871,685	29,956	2,901,641
REVENUE OVER EXPENSES	\$ (13,686)	\$ (47,675)	\$ (8,130)	\$ (19,559)	\$ (1,158)	\$ (4,558)	\$ (21,361)	\$ (589)	\$ (116,716)	\$ 136,319	\$ 96,514	\$ 232,833