

URBAN HOUSING SOLUTIONS, INC.

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

DECEMBER 31, 2015 AND 2014

URBAN HOUSING SOLUTIONS, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Financial Statements:	
Statements of Financial Position	5
Statements of Activities	6
Statement of Functional Expenses - 2015	7
Statement of Functional Expenses - 2014	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplemental Information	
Schedule of Expenditures of Federal and State Awards	21
Schedule of Program Services Revenues and Expenses - 2015	23
Schedule of Program Services Revenues and Expenses - 2014	26
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 <i>Government Auditing Standards</i>	29
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	31
Schedule of Findings and Questioned Costs	33
Schedule of Prior Audit Findings	34

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTING FIRM

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, 2015 and 2014, 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, 2015 and 2014, 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 2015 and 2014 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 June 30, 2016 on our consideration of Urban Housing Solutions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Housing Solutions, Inc.'s internal control over financial reporting and compliance.

Belloufant PLLC

June 30, 2016

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash	\$ 3,273,933	\$ 1,880,192
Restricted cash:		
Tenant security deposits	167,992	176,489
Replacement reserves	284,857	304,637
Accounts receivable:		
Grants	377,799	366,868
Tenants, net of doubtful accounts	81,638	127,996
Other	8,000	14,820
Due from Mercury Court Apartments, LP	109,255	68,913
Prepaid expenses, deposits and other	8,200	8,200
Investment in Mercury Court Apartments, LP	70,000	70,000
Property and equipment - net of accumulated depreciation	28,504,370	28,844,386
Loan closing costs, net of accumulated amortization of \$ 187,202 and \$ 161,017 for 2015 and 2014.	28,666	54,850
TOTAL ASSETS	<u>\$ 32,914,710</u>	<u>\$ 31,917,351</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 423,102	\$ 475,335
Tenant security deposits	179,714	215,995
Unearned revenue	2,169	2,169
Notes payable	7,749,976	8,386,908
TOTAL LIABILITIES	<u>8,354,961</u>	<u>9,080,407</u>

NET ASSETS

Unrestricted:		
Undesignated	3,795,497	2,368,931
Property and equipment	20,754,394	20,457,478
Total unrestricted	24,549,891	22,826,409
Temporarily restricted	9,858	10,535
TOTAL NET ASSETS	<u>24,559,749</u>	<u>22,836,944</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,914,710</u>	<u>\$ 31,917,351</u>

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts	\$ 43,159	\$ -	\$ 43,159	\$ 49,365	\$ 675	\$ 50,040
Grants:						
Government	1,533,782	-	1,533,782	1,266,340	-	1,266,340
Foundation	178,263	-	178,263	59,288	-	59,288
Other	20,214	-	20,214	38,324	-	38,324
Total public support	1,775,418	-	1,775,418	1,413,317	675	1,413,992
Revenues:						
Rental income	5,262,270	-	5,262,270	4,485,647	-	4,485,647
Laundry and vending machine income	71,525	-	71,525	28,074	-	28,074
Investment income	3,668	-	3,668	613	-	613
Developer fees	-	-	-	-	-	-
Insurance proceeds	11,264	-	11,264	312,463	-	312,463
Management fees	11,120	-	11,120	10,712	-	10,712
Miscellaneous	58,357	-	58,357	47,984	-	47,984
Application fees	16,128	-	16,128	20,025	-	20,025
Comcast wiring fees	-	-	-	57,000	-	57,000
Sale of Shelby	475,005	-	475,005			
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	677	(677)	-	818	(818)	-
TOTAL SUPPORT AND REVENUES	7,685,432	(677)	7,684,755	6,376,653	(143)	6,376,510
EXPENSES						
Program services:						
Rental projects	5,216,498	-	5,216,498	5,072,753	-	5,072,753
Resident support programs	640,782	-	640,782	533,930	-	533,930
Total program services	5,857,280	-	5,857,280	5,606,683	-	5,606,683
Supporting services:						
Management and general	104,670	-	104,670	122,428	-	122,428
TOTAL EXPENSES	5,961,950	-	5,961,950	5,729,111	-	5,729,111
CHANGE IN NET ASSETS	1,723,482	(677)	1,722,805	647,542	(143)	647,399
NET ASSETS - BEGINNING OF YEAR	22,826,409	10,535	22,836,944	22,178,867	10,678	22,189,545
NET ASSETS - END OF YEAR	\$ 24,549,891	\$ 9,858	\$ 24,559,749	\$ 22,826,409	\$ 10,535	\$ 22,836,944

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, 2015

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 1,152,940	\$ 530,835	\$ 1,683,775	\$ 43,168	\$ 1,726,943
Advertising	21	-	21	200	221
Contract services	518,145	6,465	524,610	50	524,660
Insurance	274,917	18,437	293,354	842	294,196
Interest	13,769	-	13,769	-	13,769
Legal and professional	36,542	8,932	45,474	17,958	63,432
Miscellaneous	39,665	2,712	42,377	2,838	45,215
Printing and postage	6,749	2,615	9,364	1,057	10,421
Repairs and maintenance	285,550	5,495	291,045	5,310	296,355
Social program funds	41,341	38,944	80,285	-	80,285
Supplies	8,517	3,093	11,610	1,774	13,384
Taxes and licenses	268,288	31	268,319	948	269,267
Telephone	21,280	5,793	27,073	657	27,730
Travel	40,320	7,363	47,683	979	48,662
Utilities	818,933	10,067	829,000	-	829,000
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	3,526,977	640,782	4,167,759	75,781	4,243,540
Depreciation and amortization	1,689,521	-	1,689,521	28,889	1,718,410
TOTAL FUNCTIONAL EXPENSES	\$ 5,216,498	\$ 640,782	\$ 5,857,280	\$ 104,670	\$ 5,961,950

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, 2014

	PROGRAM SERVICES			SUPPORTING SERVICES	TOTAL
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	
Payroll and related expenses	\$ 1,110,433	\$ 424,753	\$ 1,535,186	\$ 40,266	\$ 1,575,452
Advertising	194	-	194	880	1,074
Contract services	531,780	5,675	537,455	-	537,455
Insurance	349,883	26,253	376,136	-	376,136
Interest	16,410	-	16,410	-	16,410
Legal and professional	14,172	5,649	19,821	25,597	45,418
Miscellaneous	43,095	431	43,526	4,259	47,785
Printing and postage	7,030	2,787	9,817	2,277	12,094
Repairs and maintenance	199,379	655	200,034	11,100	211,134
Social program funds	29,882	39,964	69,846	-	69,846
Supplies	10,431	2,669	13,100	1,748	14,848
Taxes and licenses	232,137	-	232,137	1,131	233,268
Telephone	21,104	5,627	26,731	891	27,622
Travel	34,356	8,465	42,821	3,161	45,982
Utilities	817,326	9,681	827,007	-	827,007
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	3,417,612	532,609	3,950,221	91,310	4,041,531
Depreciation and amortization	1,655,141	1,321	1,656,462	31,118	1,687,580
TOTAL FUNCTIONAL EXPENSES	\$ 5,072,753	\$ 533,930	\$ 5,606,683	\$ 122,428	\$ 5,729,111

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

URBAN HOUSING SOLUTIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 1,722,804	\$ 647,399
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,718,412	1,687,580
(Increase) decrease in:		
Restricted deposits	28,277	(144,693)
Accounts receivable:		
Grants	(10,931)	(198,886)
Consortium agreement	-	-
Tenants	46,358	5,954
Other	6,820	5,086
Other assets	(40,342)	19,165
Increase (decrease) in:		
Accounts payable and accrued expenses	(52,233)	(12,587)
Tenant security deposits payable	(36,281)	34,174
Unearned revenue	-	(19,426)
Accrued payments in lieu of tax (PILOT) and property taxes payable	-	(11,744)
Net cash provided by operating activities	<u>3,382,884</u>	<u>2,012,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Book value of closing costs	-	(9,990)
Book value of property sold	124,995	-
Purchase of property and equipment	(1,477,206)	(1,250,619)
Net cash used by investing activities	<u>(1,352,211)</u>	<u>(1,260,609)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan closing costs incurred	-	-
Proceeds from notes payable	-	1,000,000
Principal payments on notes payable	(636,932)	(560,644)
Net cash (used) provided by financing activities	<u>(636,932)</u>	<u>439,356</u>
NET INCREASE (DECREASE) IN CASH	1,393,741	1,190,769
CASH - BEGINNING OF YEAR	<u>1,880,192</u>	<u>689,423</u>
CASH - END OF YEAR	<u><u>\$ 3,273,933</u></u>	<u><u>\$ 1,880,192</u></u>

Supplemental Information:

Interest expense of \$16,410 was paid in 2015 and \$16,410 in 2014.

Closing costs of \$9,990 were capitalized during 2015 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, 2015 AND 2014

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 \$9,858 and \$10,535, for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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, 2015 AND 2014

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 2012 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, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Program and supporting services - continued

Rental projects:

Mercury Courts - provides 164 units of housing for formerly homeless and low-income adults, as well as access to the agency's shuttle service, on-site classes, service coordination, and health advocacy.

Rex Courts - provides 96 units of housing for low-income individuals and families.

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

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

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

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

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

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

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

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

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

Porter East - provides apartments for low-income adults and families, as well as space for a variety of small commercial enterprises.

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

Neighborhood Stabilization Program II - Thirteen properties, which were purchased to rehabilitate the neighborhoods in the Nashville area, including a total of 131 residential units for lower income adults and families. At December 31, 2015, all properties were complete.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Resident support programs:

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

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

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

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

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

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

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

Mainstream Supportive Housing Program - provides subsidized rent and case management for people who are homeless.

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

Allocation of functional expenses

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, which was \$20,409 and \$31,999, 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:

	2015	2014
Land	\$ 4,400,649	\$ 4,410,649
Building and improvements	33,394,514	32,226,576
Furniture and equipment	2,852,536	2,893,985
	<u>40,647,699</u>	<u>39,531,210</u>
Less accumulated depreciation	<u>(12,143,329)</u>	<u>(10,686,825)</u>
	<u><u>\$ 28,504,370</u></u>	<u><u>\$ 28,844,385</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, 2015 AND 2014

5. NOTES PAYABLE

Notes payable consist of the following at December 31:	<u>2015</u>	<u>2014</u>
Mortgage payable - Pinnacle Bank (4.25%); payable in monthly installments of \$552 beginning October 2008 through September 2018; secured by real estate at Mercury Courts.	\$ -	\$ 22,877
Note payable - Renasant Bank (prime rate less 4.00%); payable in monthly principal and interest payments of \$3,439 beginning November 2011, final balloon payment for balance due October 2016; secured by real estate.	655,122	696,392
Note payable - Pinnacle (index rate less 4.00%); payable in monthly principal and interest payments of \$1,958, beginning October 2011; final balloon payment for balance due October 2016; secured by real estate.	306,667	393,625
Note payable - Pinnacle Bank (index rate - 4%); payable in monthly principal and interest payment of \$5,363 beginning of October 2008, final balloon payment for the balance due August 2017; secured by real estate at Mercury Courts.	750,860	815,219
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.	346,266	401,920
Note payable - Bank of TN (prime rate - 4%); payable in monthly principal payment of \$7,640 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	916,600	1,008,280
Note payable - Bank of TN (prime rate - 4%); payable in monthly principal payment of \$6,390 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	766,600	843,280

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

5. NOTES PAYABLE - continued

	<u>2015</u>	<u>2014</u>
Note payable - Pinnacle (index rate - 4%); payable in monthly principal and interest payment of \$7,095 beginning February 2010, then \$8,625 beginning February 2011, final balloon payment for balance due August 2017; secured by real estate.	993,315	1,078,457
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.	271,976	287,984
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$4,167 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	849,988	899,992
Note payable - Truxton Trust (prime rate - 4%); payable in interest only payments beginning February 2013 through July 2014. Monthly principle payment of \$3,241 plus interest, beginning August 2014; final balloon payment for balance due January 2018; secured by real estate.	492,590	505,554
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$2,778 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	399,992	433,328
Note Payable - Truxton Trust (prime rate - 4%); 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.	1,000,000	1,000,000
Total Notes Payable	<u>\$ 7,749,976</u>	<u>\$ 8,386,908</u>

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

2016	\$ 1,468,404
2017	2,047,657
2018	2,018,445
2019	1,101,198
2020	230,375
2021 and thereafter	883,897
	<u>\$ 7,749,976</u>

Interest expense of \$13,772 was paid in 2015 and \$16,410 was paid in 2014.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

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 \$2,517,615 in 2015 and \$1,204,878 in 2014. 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>2015</u>	<u>2014</u>
Foundation grants for tenant assistance and technology	<u>\$ 9,858</u>	<u>\$ 10,535</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 \$57,045 and \$34,521 for the years ended December 31, 2015 and 2014, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

10. CONSORTIUM AGREEMENT

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

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

11. RELATED PARTY TRANSACTIONS

In December 2001, UHS transferred property valued at \$70,000 to Mercury Court Apartments, LP a Tennessee limited partnership, for a .10% ownership interest through its wholly-owned subsidiary, The Park Development, Inc. The Park is the general partner in the partnership. UHS is the developer of the 20-unit multifamily residential project.

Mercury Courts Apartments, LP has entered into an agreement with UHS, in connection with the management of the rental operations of the project. In accordance with this agreement, UHS earns 10% of the gross operating revenues received from the preceding month. Management fees that UHS earned were \$11,120 in 2015 and \$10,712 in 2014. No operating income or loss passed through to UHS from the Partnership in 2015 or 2014.

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

12. COMPENSATED ABSENCES

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

13. PENSION

UHS maintains a 401(k) plan. Matching contributions are made on each employee's behalf up to 3.5% of compensation. Employees are eligible after ninety days of service. Total contributions were \$28,638 and \$28,697 for the years ended December 31, 2015 and 2014, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 30, 2016 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal /State/ Grantor/ Pass-Through Grant Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/15	1/1/15 - 12/31/15 Receipts	Expenditures	Grant Receivable 12/31/15
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	04/01/14 - 03/31/15	99,083	17,499	43,836	26,337	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	04/01/15 - 03/31/16	100,767	-	57,218	66,733	9,515
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	04/01/14 - 03/31/16	28,685	4,292	10,972	6,680	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	06/01/15 - 05/31/16	29,173	-	15,805	22,984	7,179
Total for CFDA 14.191					21,791	127,831	122,754	16,694
** Supportive Housing Program	14.235	TN0163L4J041302	09/01/14 - 08/31/15	123,220	11,839	87,016	75,177	-
** Supportive Housing Program	14.235	TN0061L4J041306	04/01/14 - 03/31/15	240,017	19,593	50,626	31,053	-
Supportive Housing Program	14.235				-	138,640	334,656	196,016
** Supportive Housing Program	14.235	TN0191L4J041301	10/01/14 - 9/30/15	134,788	9,724	96,689	101,718	14,753
Total for CFDA 14.235					41,156	372,971	542,584	210,769
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/14 - 03/31/15	219,094	28,695	75,430	46,735	-
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/15 - 03/31/16	219,094	-	96,909	161,981	65,072
Total for CFDA 14.241					28,695	172,339	208,716	65,072
HOME Program	14.239	N/A	03/01/13 - 04/01/15	472,930	12,578	163,995	151,417	-
HOME Program	14.239	N/A	11/1/14 - 10/31/15	805,975	200,000	683,517	562,258	78,741
Total HOME Program					212,578	847,512	713,675	78,741
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 304,220	\$ 1,520,653	\$ 1,587,709	\$ 371,276

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal /State/ Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/15	1/1/15 - 12/31/15 Receipts	Expenditures	Grant Receivable 12/31/15
STATE OF TENNESSEE REVENUE:								
Tennessee Department of Health	N/A	N/A	07/01/14 - 06/30/15	25,000	11,000	18,650	7,650	-
Tennessee Department of Health	N/A	N/A	07/01/15 - 06/30/16	32,000	-	8,652	15,175	6,523
HOME Program	N/A	N/A	03/01/13 - 04/01/14	285,180	33,857	123,893	90,036	-
TOTAL EXPENDITURES OF STATE AWARDS					44,857	151,195	112,861	6,523
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS					\$ 349,077	\$ 1,671,848	\$ 1,700,570	\$ 377,799

Basis of presentation

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

** Tested as Major Program

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISSK	RUSSELL	MERCURY NORTH	REN'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental income	\$ 34,864	\$ -	\$ 970,876	\$ 104,298	\$ 80,927	\$ 120,741	\$ 69,406	\$ 160,840	\$ 504,875	\$ 63,320
Grants	-	-	260,863	46,560	27,301	-	-	28,486	68,252	29,426
Other	475,168	-	22,233	8,033	3,549	3,821	840	4,388	21,865	2,585
Total Revenues	510,032	-	1,253,972	158,891	111,777	124,562	70,246	193,714	594,992	95,331
EXPENSES										
Payroll and related expenses	10,472	1,215	219,089	34,023	24,009	28,603	14,124	31,737	102,256	18,832
Advertising	-	-	9	2	1	-	-	2	-	-
Contract services	6,479	6,015	84,460	13,576	10,208	7,249	4,984	25,559	52,749	8,959
Insurance	1,324	2,084	40,110	5,259	3,831	2,745	2,123	5,781	25,110	3,095
Interest	-	-	411	-	-	-	-	-	-	-
Legal and professional	2,690	21	5,720	1,509	1,029	521	254	600	4,831	818
Miscellaneous	9,570	326	5,279	929	641	557	386	979	3,051	456
Printing and postage	56	6	1,574	179	127	160	74	182	578	99
Repairs and maintenance	1,032	4,532	58,520	9,864	5,878	3,756	2,144	10,092	20,395	4,085
Social program funds	32	-	8,482	824	982	1,346	44	2,405	4,740	586
Supplies	90	713	1,854	247	172	162	99	204	604	132
Taxes and licenses	-	-	3,555	3,464	2,946	996	-	1,252	9,151	2,852
Telephone	171	58	3,758	527	371	421	218	523	1,601	290
Travel	453	52	6,933	1,407	1,000	1,057	582	924	3,220	776
Utilities	196	9,967	207,708	22,314	7,434	21,511	8,042	40,202	144,306	8,258
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	32,565	24,989	647,462	94,124	58,629	69,064	33,074	120,442	372,592	49,238
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	477,467	(24,989)	606,510	64,767	53,148	55,498	37,172	73,272	222,400	46,093
Depreciation and amortization	7,403	21,981	98,112	27,628	17,682	12,948	19,123	63,964	71,068	25,392
REVENUE OVER EXPENSES	\$ 470,064	\$ (46,970)	\$ 508,398	\$ 37,139	\$ 35,466	\$ 42,550	\$ 18,049	\$ 9,308	\$ 151,332	\$ 20,701

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES										TOTAL RENTAL PROJECTS
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY	EASTWOOD COURT	VILLAGE PLACE	LINDSLEY	CLARKSVILLE HIGHWAY	NEIGHBORHOOD STABILIZATION		
REVENUES											
Rental Income	\$ 265,411	\$ 99,655	\$ 291,301	\$ 870,894	\$ 382,378	\$ 417,972	\$ 32,895	\$ -	\$ 791,617	\$ 5,262,270	
Grants	42,772	9,562	35,191	21,614	9,201	9,624	-	574,258	3,208	1,166,318	
Other	10,890	1,401	2,535	14,321	19,820	15,719	3	-	15,849	623,020	
Total Revenues	319,073	110,618	329,027	906,829	411,399	443,315	32,898	574,258	810,674	7,051,608	
EXPENSES											
Payroll and related expenses	66,380	23,540	42,372	167,786	75,397	104,193	5,904	36,345	146,663	1,152,940	
Advertising	-	-	-	-	-	-	-	-	7	21	
Contract services	19,422	10,968	18,522	131,071	31,174	35,104	4,475	-	47,171	518,145	
Insurance	14,123	3,815	16,937	41,317	14,317	16,858	6,375	438	69,275	274,917	
Interest	-	-	-	-	13,358	-	-	-	-	13,769	
Legal and professional	2,840	1,023	1,361	3,164	3,167	1,968	107	419	4,500	36,542	
Miscellaneous	1,642	781	1,776	4,409	1,979	1,955	193	9	4,747	39,665	
Printing and postage	350	121	221	943	392	589	33	171	894	6,749	
Repairs and maintenance	29,873	7,473	10,822	55,592	15,463	23,791	808	256	21,194	285,550	
Social program funds	1,570	971	-	6,280	3,698	3,333	9	-	6,039	41,341	
Supplies	477	165	298	984	517	623	39	108	1,029	8,517	
Taxes and licenses	5,407	2,806	31,991	85,785	9,087	7,568	-	8,662	92,766	268,288	
Telephone	1,260	363	3,465	3,021	1,138	1,484	94	246	2,271	21,280	
Travel	2,747	970	1,747	4,299	3,043	3,518	231	1,400	5,961	40,320	
Utilities	39,275	9,858	64,678	100,646	36,187	38,150	-	-	60,201	818,933	
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	185,366	62,854	194,190	605,297	208,917	239,134	18,268	48,054	462,718	3,526,977	
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	133,707	47,764	134,837	301,532	202,482	204,181	14,630	526,204	347,956	3,524,631	
Depreciation and amortization	62,226	16,202	174,781	167,894	60,460	77,505	47,562	28,164	689,426	1,689,521	
REVENUE OVER EXPENSES	\$ 71,481	\$ 31,562	\$ (39,944)	\$ 133,638	\$ 142,022	\$ 126,676	\$ (32,932)	\$ 498,040	\$ (341,470)	\$ 1,835,110	

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	SERVICE COORDINATOR PROGRAM	PROGRAM SERVICES					RESIDENT SUPPORT PROGRAMS		TOTAL	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
		HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	SUPPORTIVE HOUSING	VANDERBILT HEALTH					
REVENUES											
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,262,270	\$ -	\$ 5,262,270
Grants	122,734	64,025	12,000	50,780	193,125	8,214	450,878	1,617,196	51,000	1,668,196	
Other	-	-	91,142	-	-	-	91,142	714,162	40,126	754,288	
Total Revenues	122,734	64,025	103,142	50,780	193,125	8,214	542,020	7,593,628	91,126	7,684,754	
EXPENSES											
Payroll and related expenses	137,202	48,472	81,315	46,893	208,681	8,272	530,835	1,683,775	43,168	1,726,943	
Advertising	-	-	-	-	-	-	-	21	200	221	
Contract services	-	-	-	-	6,465	-	6,465	524,610	50	524,660	
Insurance	4,986	2,489	789	2,279	7,350	544	18,437	293,554	842	294,196	
Interest	-	-	-	-	-	-	-	13,769	-	13,769	
Legal and professional	2,056	901	1,454	637	3,728	156	8,932	45,474	17,958	63,432	
Miscellaneous	841	133	254	203	1,247	34	2,712	42,377	2,838	45,215	
- Printing and postage	692	277	284	211	1,099	52	2,615	9,364	1,057	10,421	
Repairs and maintenance	1,366	572	663	262	2,473	159	5,495	291,045	5,310	296,355	
Social program funds	167	30,508	2,885	263	5,115	6	38,944	80,285	-	80,285	
Supplies	661	345	695	165	1,183	44	3,093	11,610	1,774	13,384	
Taxes and licenses	-	-	31	-	-	-	31	268,319	948	269,267	
Telephone	1,343	759	686	529	2,321	155	5,793	27,073	657	27,730	
Travel	347	1,847	562	1,104	3,503	-	7,363	47,683	979	48,662	
Utilities	-	-	-	-	10,067	-	10,067	829,000	-	829,000	
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	149,661	86,303	89,618	52,546	253,232	9,422	640,782	4,167,759	75,781	4,243,540	
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(26,927)	(22,278)	13,524	(1,766)	(60,107)	(1,208)	(98,762)	3,425,869	15,345	3,441,214	
Depreciation and amortization	-	-	-	-	-	-	-	1,689,521	28,889	1,718,410	
REVENUE OVER EXPENSES	\$ (26,927)	\$ (22,278)	\$ 13,524	\$ (1,766)	\$ (60,107)	\$ (1,208)	\$ (98,762)	\$ 1,756,348	\$ (13,544)	\$ 1,722,804	

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

PROGRAM SERVICES										
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISSK	RUSSELL	MERCURY NORTH	REN'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental income	\$ 55,000	\$ -	\$ 789,026	\$ 107,614	\$ 69,711	\$ 109,466	\$ 59,581	\$ 121,312	\$ 438,182	\$ 68,572
Grants	-	-	389,471	40,296	20,942	-	-	33,323	76,604	22,368
Other	3,087	-	64,683	13,804	8,330	5,881	3,087	30,854	38,765	4,636
Total Revenues	58,087	-	1,243,180	161,714	98,983	115,347	62,668	185,489	553,551	95,576
EXPENSES										
Payroll and related expenses	13,766	1,777	253,688	34,646	23,538	27,000	13,765	31,523	101,486	19,046
Advertising	2	-	31	5	3	3	2	5	21	3
Contract services	7,550	2,507	85,659	15,386	9,682	5,174	6,011	17,151	66,218	8,262
Insurance	2,833	2,743	48,319	7,275	5,276	3,755	2,958	7,976	34,106	4,272
Interest	-	-	1,116	-	-	-	-	-	-	-
Legal and professional	164	21	3,312	412	279	329	164	400	1,202	213
Miscellaneous	192	7	2,525	466	323	1,242	377	1,626	7,415	802
Printing and postage	86	11	1,722	215	145	169	86	213	638	121
Repairs and maintenance	1,088	736	26,013	5,069	2,786	6,795	1,092	5,109	26,524	3,662
Social program funds	186	-	18,697	878	783	467	2	388	18	3
Supplies	104	161	2,467	257	175	198	104	356	828	172
Taxes and licenses	-	-	1,222	3,431	2,756	962	-	-	9,117	2,818
Telephone	227	23	3,756	577	386	432	227	544	1,147	296
Travel	581	91	6,795	1,417	1,008	895	580	795	2,827	728
Utilities	239	11,881	205,704	22,750	8,569	20,101	8,516	33,637	145,175	10,378
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	27,018	19,958	661,026	92,784	55,709	67,522	33,884	99,723	396,722	50,776
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	31,069	(19,958)	582,154	68,930	43,274	47,825	28,784	85,766	156,829	44,800
Depreciation and amortization	10,046	22,361	129,111	26,751	17,645	12,336	19,255	65,054	69,654	25,291
REVENUE OVER EXPENSES	\$ 21,023	\$ (42,319)	\$ 453,043	\$ 42,179	\$ 25,629	\$ 35,489	\$ 9,529	\$ 20,712	\$ 87,175	\$ 19,509

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM SERVICES								TOTAL RENTAL PROJECTS	
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY	EASTWOOD COURT	VILLAGE PLACE	LINDSLEY	CLARKSVILLE HIGHWAY		NEIGHBORHOOD STABILIZATION
REVENUES										
Rental Income	\$ 229,150	\$ 74,126	\$ 321,638	\$ 731,966	\$ 283,434	\$ 353,198	\$ 39,000	\$ -	\$ 634,671	\$ 4,485,647
Grants	40,395	10,410	14,922	27,754	15,039	8,225	-	200,000	435	900,184
Other	18,696	11,388	10,006	30,901	26,171	10,421	53	-	177,585	458,348
Total Revenues	288,241	95,924	346,566	790,621	324,644	371,844	39,053	200,000	812,691	5,844,179
EXPENSES										
Payroll and related expenses	61,418	23,186	36,177	158,806	71,597	75,903	5,680	23,242	134,189	1,110,433
Advertising	9	3	6	40	15	29	1	-	16	194
Contract services	30,638	10,447	19,208	107,309	53,055	39,515	5,636	-	42,372	531,780
Insurance	19,016	5,250	22,602	56,230	19,548	22,274	8,556	295	76,599	349,883
Interest	-	-	-	-	15,294	-	-	-	-	16,410
Legal and professional	731	276	436	1,961	851	935	72	780	1,634	14,172
Miscellaneous	3,157	1,657	575	9,963	5,520	4,923	91	22	2,212	43,095
Printing and postage	376	145	228	949	446	485	38	84	873	7,030
Repairs and maintenance	12,505	4,296	5,949	36,642	24,728	16,682	476	-	19,227	199,379
Social program funds	11	4	1,153	32	13	14	-	-	7,233	29,882
Supplies	503	174	294	1,784	567	882	53	192	1,160	10,431
Taxes and licenses	5,373	2,772	3,396	86,798	9,087	7,568	-	4,697	92,140	232,137
Telephone	999	430	4,450	2,503	1,187	1,171	113	207	2,429	21,104
Travel	1,853	994	1,394	4,607	3,067	1,770	160	620	4,174	34,356
Utilities	37,551	8,750	67,790	92,490	38,372	39,160	-	-	66,263	817,326
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	174,140	58,384	163,658	560,114	243,347	211,311	20,876	30,139	450,521	3,417,612
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	114,101	37,540	182,908	230,507	81,297	160,533	18,177	169,861	362,170	2,426,567
Depreciation and amortization	59,175	16,802	172,389	176,219	62,188	73,993	52,207	8,225	636,439	1,655,141
REVENUE OVER EXPENSES	\$ 54,926	\$ 20,738	\$ 10,519	\$ 54,288	\$ 19,109	\$ 86,540	\$ (34,030)	\$ 161,636	\$ (274,269)	\$ 771,426

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	SERVICE COORDINATOR PROGRAM	PROGRAM SERVICES					RESIDENT SUPPORT PROGRAMS		TOTAL	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
		HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	SUPPORTIVE HOUSING	VANDERBILT HEALTH					
REVENUES											
Rental Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,485,647	\$ -	\$ 4,485,647
Grants	134,809	73,113	-	23,837	190,911	26,098	448,768	30,840	1,348,952	15,000	1,363,952
Other	-	-	30,840	-	-	-	-	-	489,188	37,723	526,911
Total Revenues	134,809	73,113	30,840	23,837	190,911	26,098	479,608		6,323,787	52,723	6,376,510
EXPENSES											
Payroll and related expenses	127,709	37,116	996	24,086	213,835	21,011	424,753	-	1,535,186	40,266	1,575,452
Advertising	-	-	-	-	-	-	-	-	194	880	1,074
Contract services	-	-	-	-	5,675	-	5,675	-	537,455	-	537,455
Insurance	7,706	2,020	133	1,404	13,692	1,298	26,253	-	376,136	-	376,136
Interest	-	-	-	-	-	-	-	-	16,410	-	16,410
Legal and professional	1,352	466	398	322	2,900	211	5,649	-	19,821	25,597	45,418
Miscellaneous	35	31	51	25	267	22	431	-	43,526	4,259	47,785
Printing and postage	733	238	12	165	1,530	109	2,787	-	9,817	2,277	12,094
Repairs and maintenance	180	74	37	50	262	52	655	-	200,034	11,100	211,134
Social program funds	60	31,243	818	4	7,837	2	39,964	-	69,846	-	69,846
Supplies	617	206	27	168	1,555	96	2,669	-	13,100	1,748	14,848
Taxes and licenses	-	-	-	-	-	-	-	-	232,137	1,131	233,268
Telephone	1,043	695	63	311	3,236	279	5,627	-	26,731	891	27,622
Travel	238	2,866	67	922	4,372	-	8,465	-	42,821	3,161	45,982
Utilities	-	-	-	-	9,681	-	9,681	-	827,007	-	827,007
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	139,673	74,955	2,602	27,437	264,842	23,080	532,609		3,950,221	91,310	4,041,531
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(4,864)	(1,842)	28,238	(3,620)	(73,931)	3,018	(53,001)		2,373,566	(38,587)	2,334,979
Depreciation and amortization	-	-	1,321	-	-	-	1,321	-	1,656,462	31,118	1,687,580
REVENUE OVER EXPENSES	\$ (4,864)	\$ (1,842)	\$ 26,917	\$ (3,620)	\$ (73,931)	\$ 3,018	\$ (54,322)		\$ 717,104	\$ (69,705)	\$ 647,399



BELLENFANT

CERTIFIED PUBLIC ACCOUNTING FIRM

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, 2015, 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 June 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

P.O. Box 3588 • Brentwood TN 37024 • Tel: 615.370.8700 • Fax: 615.370.4475

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.

June 30, 2016

Belloufent PLLC

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTING FIRM

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, 2015. 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, 2015.

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.

June 30, 2016

Bellonfant PLLC

URBAN HOUSING SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2015

PART I - SUMMARY OF AUDITORS' RESULTS

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____yes _____X_no

Significant deficiencies identified not
considered to be material weaknesses? _____yes _____X_none reported

Noncompliance material to financial statements noted? _____yes _____X_no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____yes _____X_no

Significant deficiencies identified not
Considered to be material weaknesses? _____yes _____X_none reported

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

Any Audit findings disclosed that are required to be
reported in accordance with 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: \$300,000

Auditee qualified as low-risk auditee? _____X_yes _____no

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

There were no audit findings for the year ended December 31, 2014.