

URBAN HOUSING SOLUTIONS, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

DECEMBER 31, 2011 AND 2010

URBAN HOUSING SOLUTIONS, INC.

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BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Urban Housing Solutions, Inc. ("UHS") as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of UHS's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Housing Solutions, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012, on our consideration of Urban Housing Solutions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* should be considered in assessing the results of our audit.

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 2011 and 2010 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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.

Bellenfant & Miles, PLLC

June 15, 2012

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Cash	\$ 684,130	\$ 895,531
Restricted cash:		
Tenant security deposits	135,800	101,498
Replacement reserves	398,139	401,838
Accounts receivable:		
Grants	119,479	76,969
Consortium Agreement	134,437	98,890
Tenants, net of doubtful accounts	119,562	81,891
Due from Mercury Court Apartments, LP	24,610	6,947
Insurance receivables	-	29,695
Prepaid expenses, deposits and other	28,813	11,216
Investment in Mercury Court Apartments, LP	70,000	70,000
Property and equipment - net of accumulated depreciation	25,818,104	22,542,730
Loan closing costs, net of accumulated amortization of \$ 106,210 and \$ 69,395 for 2011 and 2010.	<u>102,584</u>	<u>102,017</u>
TOTAL ASSETS	<u>\$ 27,635,658</u>	<u>\$ 24,419,222</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 169,080	\$ 159,859
Accrued payments in lieu of tax (PILOT) and property taxes payable	256,768	96,204
Tenant security deposits payable	164,338	131,871
Unearned revenue	48,417	59,861
Notes payable	<u>7,935,902</u>	<u>8,582,540</u>
TOTAL LIABILITIES	<u>8,574,505</u>	<u>9,030,335</u>

NET ASSETS

Unrestricted:

Undesignated	1,148,286	1,418,697
Property and equipment	<u>17,882,202</u>	<u>13,960,190</u>
Total unrestricted	19,030,488	15,378,887

Temporarily restricted	<u>30,665</u>	<u>10,000</u>
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TOTAL NET ASSETS	<u>19,061,153</u>	<u>15,388,887</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,635,658</u>	<u>\$ 24,419,222</u>
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The accompanying notes are an integral part of these financial statements.

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2011 AND 2010

	2011			2010		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts	\$ 39,766	\$ -	\$ 39,766	\$ 12,431	\$ 100	\$ 12,531
Grants:						
Government	1,008,900	-	1,008,900	4,761,244	-	4,761,244
Foundation	44,000	30,165	74,165	-	54,000	54,000
Other	20,934	500	21,434	31,780	4,527	36,307
Consortium Agreement	3,701,736	-	3,701,736	613,883	-	613,883
Total public support	4,815,336	30,665	4,846,001	5,419,338	58,627	5,477,965
Revenues:						
Rental income	3,365,864	-	3,365,864	3,185,655	-	3,185,655
Laundry and vending machine income	27,539	-	27,539	32,291	-	32,291
Investment income	6,617	-	6,617	12,564	-	12,564
Developer fees	281,101	-	281,101	49,970	-	49,970
Insurance proceeds	3,734	-	3,734	186,413	-	186,413
Management fees	9,120	-	9,120	10,401	-	10,401
Miscellaneous	47,171	-	47,171	10,848	-	10,848
Freedom recovery	23,402	-	23,402	9,215	-	9,215
Business income - The Academy	-	-	-	16,328	-	16,328
Special events	47,760	-	47,760	-	-	-
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	10,000	(10,000)	-	115,499	(115,499)	-
TOTAL SUPPORT AND REVENUES	8,637,644	20,665	8,658,309	9,048,522	(56,872)	8,991,650
EXPENSES						
Program services:						
Rental projects	4,006,524	-	4,006,524	3,636,087	-	3,636,087
Resident support programs	778,398	-	778,398	556,725	-	556,725
Total program services	4,784,922	-	4,784,922	4,192,812	-	4,192,812
Supporting services:						
Management and general	201,121	-	201,121	136,824	-	136,824
TOTAL EXPENSES	4,986,043	-	4,986,043	4,329,636	-	4,329,636
CHANGE IN NET ASSETS	3,651,601	20,665	3,672,266	4,718,886	(56,872)	4,662,014
NET ASSETS - BEGINNING OF YEAR	15,378,887	10,000	15,388,887	10,660,001	66,872	10,726,873
NET ASSETS - END OF YEAR	\$ 19,030,488	\$ 30,665	\$ 19,061,153	\$ 15,378,887	\$ 10,000	\$ 15,388,887

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, 2011

	PROGRAM SERVICES			SUPPORTING SERVICES	TOTAL
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	
Payroll and related expenses	\$ 963,308	\$ 556,839	\$ 1,520,147	\$ 101,595	\$ 1,621,742
Advertising	5,152	2	5,154	-	5,154
Contract services	534,381	3,721	538,102	-	538,102
Insurance	114,560	47,807	162,367	1,006	163,373
Interest	164,686	-	164,686	-	164,686
Legal and professional	9,224	3,739	12,963	21,222	34,185
Miscellaneous	4,309	1,880	6,189	3,353	9,542
Printing and postage	3,720	1,912	5,632	146	5,778
Repairs and maintenance	253,210	3,037	256,247	158	256,405
Social program funds	50,030	11,482	61,512	-	61,512
Special events	-	-	-	47,760	47,760
Supplies	19,601	7,898	27,499	1,432	28,931
Taxes and licenses	205,517	32,168	237,685	504	238,189
Telephone	19,078	9,345	28,423	812	29,235
Travel	33,370	21,265	54,635	1,086	55,721
Utilities	683,537	7,371	690,908	-	690,908
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	3,063,683	708,466	3,772,149	179,074	3,951,223
Depreciation and amortization	942,841	69,932	1,012,773	22,047	1,034,820
TOTAL FUNCTIONAL EXPENSES	\$ 4,006,524	\$ 778,398	\$ 4,784,922	\$ 201,121	\$ 4,986,043

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, 2010

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 879,145	\$ 459,019	\$ 1,338,164	\$ 75,050	\$ 1,413,214
Advertising	5,799	3	5,802	-	5,802
Contract services	409,455	221	409,676	-	409,676
Insurance	120,795	14,618	135,413	6,050	141,463
Interest	269,221	-	269,221	-	269,221
Legal and professional	25,087	3,826	28,913	21,043	49,956
Miscellaneous	56,154	1,897	58,051	3,164	61,215
Printing and postage	4,393	1,937	6,330	126	6,456
Repairs and maintenance	153,709	1,671	155,380	79	155,459
Social program funds	4,780	14,054	18,834	-	18,834
Special events	-	731	731	-	731
Supplies	42,455	26,965	69,420	545	69,965
Taxes and licenses	183,935	2,293	186,228	1,061	187,289
Telephone	14,728	6,418	21,146	3,516	24,662
Travel	23,856	13,619	37,475	339	37,814
Utilities	604,366	1,122	605,488	-	605,488
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,797,878	548,394	3,346,272	110,973	3,457,245
Depreciation and amortization	838,209	8,331	846,540	25,851	872,391
TOTAL FUNCTIONAL EXPENSES	\$ 3,636,087	\$ 556,725	\$ 4,192,812	\$ 136,824	\$ 4,329,636

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

URBAN HOUSING SOLUTIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 3,672,266	\$ 4,662,014
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,034,820	872,391
(Increase) decrease in:		
Restricted deposits	(30,603)	(330,430)
Accounts receivable:		
Grants	(42,510)	40,033
Consortium agreement	(35,547)	(98,890)
Tenants	(37,671)	(26,734)
Insurance receivable	29,695	(29,695)
Other assets	(35,260)	19,361
Increase (decrease) in:		
Accounts payable and accrued expenses	9,221	31,702
Tenant security deposits payable	32,467	27,058
Unearned revenue	(11,444)	(32,139)
Accrued payments in lieu of tax (PILOT) and property taxes payable	160,564	60,971
Net cash provided by operating activities	<u>4,745,998</u>	<u>5,195,642</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,273,382)	(6,678,745)
Net cash used by investing activities	<u>(4,273,382)</u>	<u>(6,678,745)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan closing costs incurred	(37,382)	(86,470)
Proceeds from notes payable	1,370,000	4,568,803
Principal payments on notes payable	(2,016,635)	(2,602,143)
Net cash (used) provided by financing activities	<u>(684,017)</u>	<u>1,880,190</u>
NET INCREASE (DECREASE) IN CASH	(211,401)	397,087
CASH - BEGINNING OF YEAR	<u>895,531</u>	<u>498,444</u>
CASH - END OF YEAR	<u>\$ 684,130</u>	<u>\$ 895,531</u>

Supplemental Information:

Interest expense of \$164,686 was paid in 2011 and \$269,221 in 2010.

Closing costs of \$37,382 were capitalized during 2011 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, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

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

Basis of Presentation:

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

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.

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 ending December 31, 2011 and 2010, 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, 2011 AND 2010

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.

Property and equipment

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Neighborhood Stabilization Program II - there are thirteen properties that were purchased to rehabilitate the neighborhoods.

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.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Resident support programs continued:

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

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

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

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

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

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

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

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

Allocation of functional expenses

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

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, 2011 and 2010, which was \$28,473 and \$20,377, respectively.

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:

	2011	2010
Land	\$ 4,090,786	\$ 3,607,678
Building and improvements	26,442,271	22,783,775
Furniture and equipment	1,488,015	1,220,227
	<u>32,021,072</u>	<u>27,611,680</u>
Less accumulated depreciation	<u>(6,202,968)</u>	<u>(5,068,950)</u>
	<u><u>\$ 25,818,104</u></u>	<u><u>\$ 22,542,730</u></u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash, cash equivalents, 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, 2011 AND 2010

5. NOTES PAYABLE

Notes payable consist of the following at December 31:	<u>2011</u>	<u>2010</u>
Note payable - Nashville Housing Fund (4.00%); payable in monthly principal and interest payments of \$2,510 beginning October 2004; final balloon payment for balance due October 2011; secured by real estate at River Terrace.	\$ -	\$ 475,535
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.	38,699	43,534
Note payable - Tenn Loan, Inc. (3.00%); payable in monthly installments of \$724 beginning October 1999, through May 2010; secured by real estate at Eastwood Courts.	-	4,274
Note payable - Renasant Bank (4.25%); monthly principal and interest payment of \$2,366 beginning January 2007; final balloon payment for the balance due December 2011; secured by real estate at Hope Terrace.	-	318,785
Note payable - Renasant Bank (4.25%); payable in monthly principal and interest payments of \$6,161 beginning of November 2006, final balloon payment for the balance due October 2011; secured by real estate at Greentree Terrace.	-	853,614
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.	820,201	-
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.	464,125	-

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

5. NOTES PAYABLE - continued

	<u>2011</u>	<u>2010</u>
Note payable - Pinnacle Bank (1.25%); payable in monthly principal and interest payment of \$7,839 beginning of October 2008, final balloon payment for the balance due March 2013; secured by real estate at Mercury Courts.	\$ 1,019,735	\$ 1,100,327
Note payable - Avenue Bank (prime rate - 2.00%); payable in monthly principal and interest payments of \$2,778 beginning March 2011, through February 2016; secured by real estate.	497,222	-
Note payable - Nashville Housing Fund (3.00%); interest due monthly beginning October 2009 through October 2010; monthly principal and interest payment of \$3,403 due beginning November 2010, final balloon payment for balance due September 2013; secured by real estate at Porter East.	-	611,645
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.	557,716	606,018
Note payable - Bank of TN (prime rate - 2%); payable in monthly principal payment of \$1,890 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	317,320	340,000
Note payable - Bank of TN (prime rate - 2%); payable in monthly principal payment of \$7,640 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	1,283,320	1,375,000

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

5. NOTES PAYABLE - continued

	<u>2011</u>	<u>2010</u>
Note payable - Bank of TN (prime rate - 2%); 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.	1,073,320	1,150,000
Note payable - Pinnacle (index rate - 2%); payable in monthly principal and interest payment of \$6,592 beginning February 2010, then \$8,625 beginning February 2011, final balloon payment for balance due January 2015; secured by real estate.	1,327,842	1,014,200
Note payable - Pinnacle (6.00%); payable in monthly principal and interest payment of \$1,018 beginning February 2010, final balloon payment for balance due January 2015; secured by real estate.	-	114,944
Note payable - US Bank (prime rate); payable in monthly principal payment of \$2,639 plus interest beginning April 2010, final balloon payment for balance due March 2020; secured by real estate.	419,584	451,250
Note payable - US Bank (3.50%); payable in monthly principal and interest payment of \$905 beginning July 2010, final balloon payment for balance due June 2025; secured by real estate.	<u>116,818</u>	<u>123,414</u>
Total Notes Payable	<u>\$ 7,935,902</u>	<u>\$ 8,582,540</u>

Annual principal maturities of notes payable as of December 31, 2011 are as follows:

2012	\$ 524,032
2013	1,384,222
2014	450,419
2015	1,462,377
2016 and thereafter	<u>4,114,852</u>
	<u>\$ 7,935,902</u>

Interest expense of \$164,686 was paid in 2011 and \$269,221 in 2010.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

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 \$444,798 in 2011 and \$679,198 in 2010. 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>2011</u>	<u>2010</u>
Foundation grants for tenant assistance and technology	<u>\$ 30,665</u>	<u>\$ 10,000</u>

8. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

9. ACCRUED PAYMENTS IN LIEU OF TAXES (PILOT)

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

The Metropolitan Council approved the formula for calculating PILOT payments to be 25% of the normal property taxes. Accrued PILOT has been recorded as a liability in the amount of \$35,208 and \$35,208 for the years ended December 31, 2011 and 2010, respectively. PILOT expenses were \$35,208 and \$35,208 for the years ended December 31, 2011 and 2010, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

10. CONSORTIUM AGREEMENT

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

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

11. RELATED PARTY TRANSACTIONS

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

Mercury Courts Apartments, LP has entered into an agreement with UHS, in connection with the management of the rental operations of the project. In accordance with this agreement, UHS earns 10% of the gross operating revenues received from the preceding month. Management fees that UHS earned were \$9,120 in 2011 and \$10,401 in 2010. No operating income or loss passed through to UHS from the Partnership in 2011 or 2010.

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. It is impractical to estimate the amount of compensation for future absences and, 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 \$27,857 and \$25,388 for the years ending December 31, 2011 and 2010, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 15, 2012 which is the date the financial statements were available to be issued.

Urban Housing Solutions, Inc. received \$60,000 in May and June 2012 from insurance proceeds for the Mercury Court North explosion. This payment represents full and final settlement of the claim.

SUPPLEMENTAL INFORMATION

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/11	Receipts 1/1/11 - 12/31/11	Expenditures 1/1/11 - 12/31/11	Grant Receivable 12/31/11
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	02/01/10 - 01/31/11	98,987	15,569	-	-	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	01/01/11 - 12/31/11	97,831	-	81,412	99,770	18,358
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	03/01/10 - 02/28/11	251,936	4,601	8,438	3,837	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	03/01/11 - 02/28/12	278,958	-	15,602	20,053	4,451
** Supportive Housing Program	14.235	TN0053B4040800	09/01/09 - 08/31/11	122,250	-	42,434	42,434	-
** Supportive Housing Program	14.235	TN0163B40401000	09/01/11 - 08/31/13	255,300	-	7,673	24,873	17,200
** Supportive Housing Program	14.235	TN37B24006	04/01/10 - 03/31/11	168,705	28,116	70,290	42,174	-
** Supportive Housing Program	14.235	TN0061B451041003	04/01/11 - 03/31/12	229,830	-	134,064	172,049	37,985
** Supportive Housing Program	14.235	TN54B10408	09/01/09 - 08/31/11	238,000	-	111,493	111,493	-
** Supportive Housing Program	14.235	TN0054B40401001	09/01/11 - 08/31/12	119,000	-	13,917	28,736	14,819
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/10 - 03/31/11	154,081	28,283	69,925	41,642	-
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/11 - 03/31/12	156,324	-	98,614	125,280	26,666
STATE OF TENNESSEE REVENUE:								
Tennessee Housing Development Agency		N/A	01/01/09 - 12/31/11	348,417	-	34,842	34,842	-
OTHER:								
Federal Home Bank Loan Grant		200602-0089/0116	06/16/09 - 04/01/10	500,000	-	396,600	396,600	-
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 76,569	\$ 1,100,873	\$ 1,143,783	\$ 119,479

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*.

** Tested as Major Program

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental Income	\$ 51,000	\$ -	\$ 801,588	\$ 67,024	\$ 61,791	\$ 102,571	\$ 65,766	\$ 74,465	\$ 444,072	\$ 38,154
Grants	-	-	25,000	20,961	20,033	-	-	148,780	44,335	19,608
Other	46	-	8,218	2,020	802	889	46	1,338	6,147	104
Total Revenues	51,046	-	834,806	90,005	82,626	103,460	65,812	224,583	494,554	57,866
EXPENSES										
Payroll and related expenses	13,558	6,136	272,209	34,106	21,831	23,081	13,567	56,546	99,169	16,284
Advertising	3	-	278	7	5	5	3	8	24	4
Contract services	7,734	495	88,364	16,429	8,326	9,816	5,646	18,657	76,775	14,194
Insurance	1,303	1,144	15,493	3,165	2,351	1,682	1,387	5,258	13,947	1,805
Interest	-	-	15,252	701	4,900	701	-	-	10,267	-
Legal and professional	90	44	2,244	194	124	131	90	373	563	93
Miscellaneous	48	-	657	115	79	75	47	139	370	62
Printing and postage	55	7	1,143	124	80	84	63	226	369	61
Repairs and maintenance	3,449	14	60,001	8,069	4,832	5,020	2,636	11,214	34,592	6,731
Social program funds	522	-	12,849	2,254	2,063	1,140	522	3,722	6,024	1,599
Special events	-	-	-	-	-	-	-	-	-	-
Supplies	263	49	4,585	639	419	428	263	1,016	1,954	321
Taxes and licenses	3	-	26	2,765	2,565	712	3	4,761	7,098	2,152
Telephone	209	818	3,839	528	330	361	208	789	3,039	259
Travel	550	140	5,331	1,518	1,013	998	551	998	3,188	531
Utilities	170	3,933	154,629	23,931	9,658	21,452	14,376	35,113	139,471	8,280
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	27,957	12,780	636,900	94,545	58,576	65,686	39,362	138,820	396,850	52,376
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	23,089	(12,780)	197,906	(4,540)	24,050	37,774	26,450	85,763	97,704	5,490
Depreciation and amortization	13,090	10,821	119,304	24,174	16,300	16,415	19,166	59,597	63,465	24,966
REVENUE OVER EXPENSES	\$ 9,999	\$ (23,601)	\$ 78,602	\$ (28,714)	\$ 7,750	\$ 21,359	\$ 7,284	\$ 26,166	\$ 34,239	\$ (19,476)

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICES							TOTAL RENTAL PROJECTS
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY	FREEDOM RECOVERY	EASTWOOD COURT	VILLAGE PLACE	
REVENUES								
Rental Income	\$ 238,470	\$ 67,676	\$ 129,068	\$ 510,360	\$ -	\$ 290,584	\$ 315,475	\$ 3,301,842
Grants	22,974	3,743	432,681	4,417	-	1,867	5,578	749,977
Other	2,394	47	2,058	2,431	23,402	4,187	3,903	80,236
Total Revenues	263,838	71,466	563,807	517,208	23,402	296,638	324,956	4,132,055
EXPENSES								
Payroll and related expenses	58,514	21,713	37,028	143,083	-	68,459	76,539	963,308
Advertising	14	5	446	4,318	-	15	17	5,152
Contract services	28,344	10,002	19,511	84,188	12,277	67,195	61,940	534,381
Insurance	8,122	3,822	7,576	21,322	-	8,363	9,385	114,560
Interest	31,938	13,686	8,507	22,310	-	20,781	16,982	164,686
Legal and professional	3,233	123	167	840	-	392	517	9,224
Miscellaneous	216	59	1,438	474	-	240	274	4,309
Printing and postage	218	80	121	518	-	253	312	3,720
Repairs and maintenance	16,094	5,030	7,345	32,202	-	27,650	27,697	253,210
Social program funds	3,220	1,243	463	6,478	-	3,507	4,382	50,030
Special events	-	-	-	-	-	-	-	-
Supplies	1,150	418	384	2,578	2,292	1,310	1,509	19,601
Taxes and licenses	4,468	2,087	96,039	69,292	-	8,312	5,142	205,517
Telephone	947	331	2,505	2,638	-	1,056	1,197	19,078
Travel	1,890	1,011	578	8,182	-	3,140	3,173	33,370
Utilities	39,874	11,790	38,106	81,354	-	42,723	36,129	683,537
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	198,242	71,400	220,214	479,777	14,569	253,396	245,195	3,063,683
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	65,596	66	343,593	37,431	8,833	43,242	79,761	1,068,372
Depreciation and amortization	61,235	16,481	146,280	156,310	-	60,668	68,050	942,841
REVENUE OVER EXPENSES	\$ 4,361	\$ (16,415)	\$ 197,313	\$ (118,879)	\$ 8,833	\$ (17,426)	\$ 11,711	\$ 125,531

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

	SERVICE COORDINATOR PROGRAM	PROGRAM SERVICES							SUPPORTING SERVICES	
		JOURNEYS OF HOPE PROGRAM	NEIGHBORHOOD STABILIZATION	MENTAL HEALTH	HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	RESIDENT SUPPORT PROGRAMS	MANAGEMENT AND GENERAL	TOTAL
REVENUES										
Rental Income	\$ -	\$ -	\$ 64,022	\$ -	\$ -	\$ -	\$ -	\$ 64,022	\$ -	\$ 3,365,864
Grants	189,940	37,008	-	45,200	44,000	-	33,208	349,356	5,165	1,099,333
Consortium Agreement	-	-	3,701,736	-	-	-	-	3,701,736	-	3,701,736
Other	-	-	281,436	30	-	39,766	-	321,232	84,743	486,211
Total Revenues	189,940	37,008	4,047,194	45,230	44,000	39,766	33,208	4,436,346	89,908	8,658,309
EXPENSES										
Payroll and related expenses	184,533	43,076	168,196	60,703	40,597	27,828	31,906	556,839	101,595	1,621,742
Advertising	-	-	2	-	-	-	-	2	-	5,154
Contract services	-	-	3,721	-	-	-	-	3,721	-	538,102
Insurance	5,977	1,746	34,187	1,746	1,423	1,613	1,115	47,807	1,006	163,373
Interest	-	-	-	-	-	-	-	-	-	164,686
Legal and professional	1,224	425	780	347	346	346	271	3,739	21,222	34,185
Miscellaneous	100	15	585	15	12	1,144	9	1,880	3,353	9,542
Printing and postage	523	151	545	195	185	206	107	1,912	146	5,778
Repairs and maintenance	435	125	2,060	137	100	101	79	3,037	158	256,405
Social program funds	376	6,516	601	-	3,872	16	101	11,482	-	61,512
Special events	-	-	-	-	-	-	-	-	47,760	47,760
Supplies	2,894	410	3,218	566	302	320	188	7,898	1,432	28,931
Taxes and licenses	-	-	32,168	-	-	-	-	32,168	504	238,189
Telephone	2,450	836	2,621	1,030	682	1,194	532	9,345	812	29,235
Travel	1,973	2,163	9,212	1,034	1,458	3,421	2,004	21,265	1,086	55,721
Utilities	1,372	-	5,999	-	-	-	-	7,371	-	690,908
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	201,857	55,463	263,895	65,773	48,977	36,189	36,312	708,466	179,074	3,951,223
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(11,917)	(18,455)	3,783,299	(20,543)	(4,977)	3,577	(3,104)	3,727,880	(89,166)	4,707,086
Depreciation and amortization	-	-	69,932	-	-	-	-	69,932	22,047	1,034,820
REVENUE OVER EXPENSES	\$ (11,917)	\$ (18,455)	\$ 3,713,367	\$ (20,543)	\$ (4,977)	\$ 3,577	\$ (3,104)	\$ 3,657,948	\$ (111,213)	\$ 3,672,266

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental Income	\$ 50,300	\$ -	\$ 804,809	\$ 70,302	\$ 62,581	\$ 107,622	\$ 66,611	\$ 78,954	\$ 466,860	\$ 50,420
Grants	-	-	6,841	21,578	17,333	-	-	106,897	60,724	25,324
Other	-	-	4,343	2,835	772	1,063	-	44,132	119,194	345
Total Revenues	50,300	-	815,993	94,715	80,686	108,685	66,611	229,983	646,778	76,089
EXPENSES										
Payroll and related expenses	13,948	732	218,175	27,729	18,491	18,580	13,506	43,587	77,026	12,922
Advertising	-	-	332	61	42	40	25	67	202	34
Contract services	5,604	103	57,593	18,087	12,780	7,594	3,993	19,773	62,463	14,729
Insurance	1,294	443	21,071	3,134	2,364	1,640	1,385	5,173	14,070	1,812
Interest	-	-	16,467	4,690	4,690	4,690	-	-	51,064	-
Legal and professional	164	-	7,499	370	259	239	166	572	10,016	188
Miscellaneous	615	-	9,447	1,668	1,496	1,088	609	2,932	7,590	1,004
Printing and postage	62	-	1,265	142	98	92	63	224	437	69
Repairs and maintenance	1,551	-	53,755	8,392	3,136	2,468	3,360	4,904	19,211	3,734
Social program funds	7	-	1,459	1,296	722	10	6	17	51	797
Special events	-	-	-	-	-	-	-	-	-	-
Supplies	242	-	5,745	576	394	379	243	806	1,845	307
Taxes and licenses	-	-	-	2,758	2,567	708	-	4,753	7,083	2,148
Telephone	160	-	2,625	406	262	274	161	517	2,498	203
Travel	548	128	2,305	1,021	737	631	511	471	1,857	317
Utilities	736	2,169	158,119	22,098	9,634	20,142	12,499	35,216	137,076	8,001
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	24,931	3,575	555,857	92,428	57,672	58,575	36,527	119,012	392,489	46,265
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	25,369	(3,575)	260,136	2,287	23,014	50,110	30,084	110,971	254,289	29,824
Depreciation and amortization	16,352	7,396	131,630	27,476	17,655	20,195	18,967	50,055	68,482	25,710
REVENUE OVER EXPENSES	\$ 9,017	\$ (10,971)	\$ 128,506	\$ (25,189)	\$ 5,359	\$ 29,915	\$ 11,117	\$ 60,916	\$ 185,807	\$ 4,114

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM SERVICES										TOTAL RENTAL PROJECTS
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY	FREEDOM RECOVERY	EASTWOOD COURT	VILLAGE PLACE	THE ACADEMY	LINDSLEY		
REVENUES											
Rental Income	\$ 223,232	\$ 79,192	\$ 26,759	\$ 468,168	\$ -	\$ 293,597	\$ 305,620	\$ -	\$ 20,113	\$ 3,175,140	
Grants	19,214	13,740	446,906	3,241,984	-	20,869	31,072	511,365	-	4,523,847	
Other	2,398	-	1,500	6,166	9,215	13,355	3,704	16,878	-	225,900	
Total Revenues	244,844	92,932	475,165	3,716,318	9,215	327,821	340,396	528,243	20,113	7,924,887	
EXPENSES											
Payroll and related expenses	44,808	16,933	30,792	195,925	-	55,698	69,288	21,005	-	879,145	
Advertising	117	42	-	4,564	-	128	145	-	-	5,799	
Contract services	39,727	10,087	1,457	22,604	3,618	55,713	59,685	867	12,978	409,455	
Insurance	8,170	3,822	11,171	19,442	-	8,342	9,276	7,121	1,065	120,795	
Interest	37,622	20,882	5,998	20,463	-	22,654	60,777	5,502	13,722	269,221	
Legal and professional	1,265	236	134	2,124	-	757	903	195	-	25,087	
Miscellaneous	3,935	1,799	241	11,868	-	5,480	6,255	61	66	56,154	
Printing and postage	251	91	63	831	-	289	344	72	-	4,393	
Repairs and maintenance	646	3,088	46	15,239	-	19,193	14,429	236	321	153,709	
Social program funds	30	39	76	84	-	33	37	116	-	4,780	
Special events	-	-	-	-	-	-	-	-	-	-	
Supplies	1,265	384	285	3,232	1,168	1,195	1,377	23,012	-	42,455	
Taxes and licenses	4,455	2,082	34,840	67,908	-	8,297	5,130	44	41,162	183,935	
Telephone	1,234	254	269	2,782	-	817	910	1,356	-	14,728	
Travel	986	643	31	9,024	-	2,208	2,438	-	-	23,856	
Utilities	31,674	10,701	4,801	57,435	-	39,626	37,116	8,617	8,706	604,366	
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	176,185	71,083	90,204	433,525	4,786	220,430	268,110	68,204	78,020	2,797,878	
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	68,659	21,849	384,961	3,282,793	4,429	107,391	72,286	460,039	(57,907)	5,127,009	
Depreciation and amortization	59,449	16,429	104,066	73,813	-	61,177	73,089	-	66,268	838,209	
REVENUE OVER EXPENSES	\$ 9,210	\$ 5,420	\$ 280,895	\$ 3,208,980	\$ 4,429	\$ 46,214	\$ (803)	\$ 460,039	\$ (124,175)	\$ 4,288,800	

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

	SERVICE COORDINATOR PROGRAM	PROGRAM SERVICES										SUPPORTING SERVICES				
		JOURNEYS OF HOPE PROGRAM										MANAGEMENT AND GENERAL	TOTAL			
		NEIGHBORHOOD STABILIZATION	MENTAL HEALTH	HEALTH MATTERS	EDUCATIONAL PROGRAM	CLIENT FUND PROGRAM	HOPWA	RESIDENT SUPPORT PROGRAMS	TOTAL							
REVENUES																
Rental Income	\$ -	\$ -	\$ 10,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,515	\$ -	\$ 3,185,655	\$ -	\$ 3,185,655
Grants	153,197	38,359	-	44,820	50,000	-	-	8,527	32,801	-	-	327,704	4,851,551	-	-	4,851,551
Consortium Agreement	-	-	613,883	-	-	-	-	-	-	-	-	613,883	613,883	-	-	613,883
Other	-	-	49,970	-	1,213	100	-	10,442	-	-	-	61,725	287,625	52,936	-	340,561
Total Revenues	153,197	38,359	674,368	44,820	51,213	100	32,801	18,969	-	-	-	1,013,827	8,938,714	52,936	-	8,991,650
EXPENSES																
Payroll and related expenses	177,562	47,295	54,871	60,165	42,700	961	30,952	44,513	-	-	-	459,019	1,338,164	75,050	-	1,413,214
Advertising	-	-	3	-	-	-	-	-	-	-	-	3	5,802	-	-	5,802
Contract services	-	-	221	-	-	-	-	-	-	-	-	221	409,676	-	-	409,676
Insurance	5,744	1,724	1,278	1,724	1,480	78	1,017	1,573	-	-	-	14,618	135,413	6,050	-	141,463
Interest	-	-	-	-	-	-	-	-	-	-	-	-	269,221	-	-	269,221
Legal and professional	1,476	388	262	664	317	66	227	426	-	-	-	3,826	28,913	21,043	-	49,956
Miscellaneous	206	21	746	19	9	9	9	887	-	-	-	1,897	58,051	3,164	-	61,215
Printing and postage	629	160	299	239	132	22	116	340	-	-	-	1,937	6,330	126	-	6,456
Repairs and maintenance	524	126	530	127	140	19	74	131	-	-	-	1,671	155,380	79	-	155,459
Social program funds	356	4,365	-	-	3,261	-	21	6,051	-	-	-	14,054	18,834	-	-	18,834
Special events	-	-	-	-	731	-	-	-	-	-	-	731	-	-	-	731
Supplies	2,002	408	23,136	499	355	35	186	344	-	-	-	26,965	69,420	545	-	69,965
Taxes and licenses	-	-	2,293	-	-	-	-	-	-	-	-	2,293	186,228	1,061	-	187,289
Telephone	1,927	755	515	980	560	19	448	1,214	-	-	-	6,418	21,146	3,516	-	24,662
Travel	2,404	1,485	1,082	1,044	1,180	-	1,424	5,000	-	-	-	13,619	37,475	339	-	37,814
Utilities	-	-	1,122	-	-	-	-	-	-	-	-	1,122	605,488	-	-	605,488
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	192,830	56,727	86,358	65,461	50,865	1,200	34,474	60,479	-	-	-	548,394	3,346,272	110,973	-	3,457,245
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(39,633)	(18,368)	588,010	(20,641)	348	(1,100)	(1,673)	(41,510)	-	-	-	465,433	5,592,442	(58,037)	-	5,534,405
Depreciation and amortization	-	-	8,331	-	-	-	-	-	-	-	-	8,331	846,540	25,851	-	872,391
REVENUE OVER EXPENSES	\$ (39,633)	\$ (18,368)	\$ 579,679	\$ (20,641)	\$ 348	\$ (1,100)	\$ (1,673)	\$ (41,510)	\$ (1,673)	\$ (1,673)	\$ (1,673)	\$ 457,102	\$ 4,745,902	\$ (83,888)	\$ -	\$ 4,662,014



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Urban Housing Solutions, Inc., as of and for the year ended December 31, 2011, and have issued our report thereon dated June 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Bellenfant & Miles, PLLC

June 15, 2012



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Urban Housing Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Urban Housing Solutions, Inc.'s major federal programs for the year ended December 31, 2011. Urban Housing Solutions, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Urban Housing Solutions, Inc.'s management. Our responsibility is to express an opinion on Urban Housing Solutions, Inc.'s compliance based on our audit.

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

In our opinion, Urban Housing Solutions, Inc. complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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

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

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

Ballenfant & Miles, PLLC

June 15, 2012

URBAN HOUSING SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

PART I - SUMMARY OF AUDITORS' RESULTS

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____yes x no

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

Noncompliance material to financial statements noted? _____yes x no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____yes x no

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

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

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

Identification of major programs:

14.235 Supportive Housing Program

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

Auditee qualified as low-risk auditee? _____yes x no

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

There were no audit findings for the year ended December 31, 2010.