

**URBAN HOUSING SOLUTIONS, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**DECEMBER 31, 2014 AND 2013**

# URBAN HOUSING SOLUTIONS, INC.

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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Urban Housing Solutions, Inc. which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Housing Solutions, Inc. as of December 31, 2014 and 2013, 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 2014 and 2013 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015 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.

June 30, 2015

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

**ASSETS**

	<b><u>2014</u></b>	<b><u>2013</u></b>
Cash	\$ 1,880,192	\$ 689,423
Restricted cash:		
Tenant security deposits	176,489	146,994
Replacement reserves	304,637	189,439
Accounts receivable:		
Grants	366,868	167,982
Tenants, net of doubtful accounts	127,996	133,950
Other	14,820	19,906
Due from Mercury Court Apartments, LP	68,913	45,932
Prepaid expenses, deposits and other	8,200	50,346
Investment in Mercury Court Apartments, LP	70,000	70,000
Property and equipment - net of accumulated depreciation	28,844,386	29,251,612
Loan closing costs, net of accumulated amortization of \$ 161,017 and \$ 131,281 for 2014 and 2013.	54,850	74,595
<b>TOTAL ASSETS</b>	<b><u>\$ 31,917,351</u></b>	<b><u>\$ 30,840,179</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 475,335	\$ 487,922
Accrued payments in lieu of tax (PILOT) and property taxes payable	-	11,744
Tenant security deposits	215,995	181,821
Unearned revenue	2,169	21,595
Notes payable	8,386,908	7,947,552
<b>TOTAL LIABILITIES</b>	<b><u>9,080,407</u></b>	<b><u>8,650,634</u></b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	2,368,931	874,807
Property and equipment	20,457,478	21,304,060
Total unrestricted	22,826,409	22,178,867
Temporarily restricted	10,535	10,678
<b>TOTAL NET ASSETS</b>	<b><u>22,836,944</u></b>	<b><u>22,189,545</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 31,917,351</u></b>	<b><u>\$ 30,840,179</u></b>

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

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
<b>SUPPORT AND REVENUES</b>						
Public Support:						
Individual and corporate gifts	\$ 49,365	\$ 675	\$ 50,040	\$ 67,722	\$ 10,537	\$ 78,259
Grants:						
Government	1,266,340	-	1,266,340	830,971	-	830,971
Foundation	59,288	-	59,288	85,172	-	85,172
Other	38,324	-	38,324	64,044	-	64,044
Consortium Agreement	-	-	-	463,109	-	463,109
Total public support	1,413,317	675	1,413,992	1,511,018	10,537	1,521,555
Revenues:						
Rental income	4,485,647	-	4,485,647	3,848,071	-	3,848,071
Laundry and vending machine income	28,074	-	28,074	39,353	-	39,353
Investment income	613	-	613	2,062	-	2,062
Developer fees	-	-	-	24,363	-	24,363
Insurance proceeds	312,463	-	312,463	55,430	-	55,430
Management fees	10,712	-	10,712	9,356	-	9,356
Miscellaneous	47,984	-	47,984	76,568	-	76,568
Application fees	20,025	-	20,025	-	-	-
Comcast wiring fees	57,000	-	57,000	-	-	-
Freedom recovery	-	-	-	10,502	-	10,502
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	818	(818)	-	-	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>6,376,653</b>	<b>(143)</b>	<b>6,376,510</b>	<b>5,576,723</b>	<b>10,537</b>	<b>5,587,260</b>
<b>EXPENSES</b>						
Program services:						
Rental projects	3,985,793	-	3,985,793	3,972,485	-	3,972,485
Resident support programs	1,620,890	-	1,620,890	1,514,605	-	1,514,605
Total program services	5,606,683	-	5,606,683	5,487,090	-	5,487,090
Supporting services:						
Management and general	122,428	-	122,428	120,688	-	120,688
<b>TOTAL EXPENSES</b>	<b>5,729,111</b>	<b>-</b>	<b>5,729,111</b>	<b>5,607,778</b>	<b>-</b>	<b>5,607,778</b>
<b>CHANGE IN NET ASSETS</b>	<b>647,542</b>	<b>(143)</b>	<b>647,399</b>	<b>(31,055)</b>	<b>10,537</b>	<b>(20,518)</b>
NET ASSETS - BEGINNING OF YEAR	22,178,867	10,678	22,189,545	22,209,922	141	22,210,063
NET ASSETS - END OF YEAR	\$ 22,826,409	\$ 10,535	\$ 22,836,944	\$ 22,178,867	\$ 10,678	\$ 22,189,545

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**

	<b>PROGRAM SERVICES</b>			<b>SUPPORTING SERVICES</b>	<b>TOTAL</b>
	<b>RENTAL PROJECTS</b>	<b>RESIDENT SUPPORT PROGRAMS</b>	<b>TOTAL</b>	<b>MANAGEMENT AND GENERAL</b>	
Payroll and related expenses	\$ 976,244	\$ 558,942	\$ 1,535,186	\$ 40,266	\$ 1,575,452
Advertising	178	16	194	880	1,074
Contract services	489,408	48,047	537,455	-	537,455
Insurance	273,284	102,852	376,136	-	376,136
Interest	16,410	-	16,410	-	16,410
Legal and professional	12,538	7,283	19,821	25,597	45,418
Miscellaneous	40,883	2,643	43,526	4,259	47,785
Printing and postage	6,157	3,660	9,817	2,277	12,094
Repairs and maintenance	180,152	19,882	200,034	11,100	211,134
Social program funds	22,649	47,197	69,846	-	69,846
Supplies	9,271	3,829	13,100	1,748	14,848
Taxes and licenses	139,997	92,140	232,137	1,131	233,268
Telephone	18,675	8,056	26,731	891	27,622
Travel	30,182	12,639	42,821	3,161	45,982
Utilities	751,063	75,944	827,007	-	827,007
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	2,967,091	983,130	3,950,221	91,310	4,041,531
Depreciation and amortization	1,018,702	637,760	1,656,462	31,118	1,687,580
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 3,985,793</b>	<b>\$ 1,620,890</b>	<b>\$ 5,606,683</b>	<b>\$ 122,428</b>	<b>\$ 5,729,111</b>

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

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

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

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



**URBAN HOUSING SOLUTIONS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets:	\$ 647,399	\$ (20,518)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,687,580	1,582,185
(Increase) decrease in:		
Restricted deposits	(144,693)	2,920
Accounts receivable:		
Grants	(198,886)	(12,013)
Consortium agreement	-	951,678
Tenants	5,954	57,901
Other	5,086	20,078
Other assets	19,165	(78,983)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,587)	(439,025)
Tenant security deposits payable	34,174	(453)
Unearned revenue	(19,426)	(17,062)
Accrued payments in lieu of tax (PILOT) and property taxes payable	(11,744)	(1,514)
Net cash provided by operating activities	<u>2,012,022</u>	<u>2,045,194</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Book value of closing costs	(9,990)	3,868
Purchase of property and equipment	(1,250,619)	(2,205,773)
Net cash used by investing activities	<u>(1,260,609)</u>	<u>(2,201,905)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan closing costs incurred	-	-
Proceeds from notes payable	1,000,000	-
Principal payments on notes payable	(560,644)	(539,352)
Net cash (used) provided by financing activities	<u>439,356</u>	<u>(539,352)</u>
NET INCREASE (DECREASE) IN CASH	1,190,769	(696,063)
CASH - BEGINNING OF YEAR	<u>689,423</u>	<u>1,385,486</u>
CASH - END OF YEAR	<u>\$ 1,880,192</u>	<u>\$ 689,423</u>

**Supplemental Information:**

Interest expense of \$16,410 was paid in 2014 and \$19,085 in 2013.

Closing costs of \$9,991 were capitalized during 2014 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, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**Organization and Purpose:**

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

**Basis of Presentation:**

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

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

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

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of UHS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. UHS had temporarily restricted net assets of \$10,535 and \$10,678, for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, 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, 2014 AND 2013**

**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 2011 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, 2014 AND 2013**

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

**Program and supporting services - continued**

**Rental projects:**

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

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

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

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

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

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

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

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

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

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

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

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

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

**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, 2014, all properties were complete.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2014 AND 2013**

**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, 2014 AND 2013**

**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, 2014 and 2013, which was \$31,999 and \$33,487, 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:

	2014	2013
Land	\$ 4,410,649	\$ 4,232,649
Building and improvements	32,226,576	31,153,958
Furniture and equipment	2,893,985	2,893,985
	39,531,210	38,280,592
Less accumulated depreciation	(10,686,825)	(9,028,980)
	<u>\$ 28,844,385</u>	<u>\$ 29,251,612</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, 2014 AND 2013**

**5. NOTES PAYABLE**

Notes payable consist of the following at December 31:	<u>2014</u>	<u>2013</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	\$ 28,380
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.	696,392	737,661
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.	393,625	417,125
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.	815,219	879,579
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.	401,920	455,637
Note payable - Bank of TN (prime rate - 4%); payable in monthly principal payment of \$7,640 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	1,008,280	1,099,960
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.	843,280	919,960

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2014 AND 2013**

**5. NOTES PAYABLE - continued**

	<u>2014</u>	<u>2013</u>
Note payable - Pinnacle (index rate - 4%); payable in monthly principal and interest payment of \$7,095 beginning February 2010, then \$8,625 beginning February 2011, final balloon payment for balance due August 2017; secured by real estate.	1,078,457	1,163,598
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.	287,984	303,992
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.	899,992	949,996
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.	505,554	525,000
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$2,778 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	433,328	466,664
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	-
Total Notes Payable	<u>\$ 8,386,908</u>	<u>\$ 7,947,552</u>

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

2015	\$ 526,895
2016	1,555,708
2017	2,091,682
2018	1,997,352
2019	1,101,198
2020 and thereafter	1,114,073
	<u>\$ 8,386,908</u>

Interest expense of \$16,410 was paid in 2014 and \$19,085 was paid in 2013.



**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2014 AND 2013**

**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 \$1,204,878 in 2014 and \$47,646 in 2013. 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>2014</u>	<u>2013</u>
Foundation grants for tenant assistance and technology	<u>\$ 10,535</u>	<u>\$ 10,678</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 \$0 and \$11,744 for the years ended December 31, 2014 and 2013, respectively. PILOT expenses were \$34,521 and \$37,007 for the years ended December 31, 2014 and 2013, respectively.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2014 AND 2013**

**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 \$10,712 in 2014 and \$9,356 in 2013. No operating income or loss passed through to UHS from the Partnership in 2014 or 2013.

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 \$28,697 and \$24,172 for the years ended December 31, 2014 and 2013, respectively.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2014 AND 2013**

**14. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 30, 2015 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, 2014**

Federal /State/ Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/14	1/1/14 - 12/31/14 Receipts	Expenditures	Grant Receivable 12/31/14
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	05/01/13 - 04/30/14	97,715	14,978	46,401	31,423	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	05/01/14 - 04/30/15	99,083	-	58,121	75,620	17,499
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	04/01/13 - 03/31/14	28,289	4,054	10,417	6,363	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	04/01/14 - 03/31/15	28,685	-	43,211	47,503	4,292
Total for CFDA 14.191					19,032	158,150	160,909	21,791
** Supportive Housing Program	14.235	TN0163L4J041201	09/01/13 - 08/31/14	130,996	10,924	94,043	83,119	-
** Supportive Housing Program	14.235	TN0163L4J041302	09/01/14 - 08/31/15	123,220	-	36,204	48,043	11,839
** Supportive Housing Program	14.235	TN0061L4J041205	04/01/13 - 03/31/14	234,551	8,619	39,466	30,847	-
** Supportive Housing Program	14.235	TN0061L4J041306	04/01/14 - 03/31/15	240,017	-	187,383	206,976	19,593
** Supportive Housing Program	14.235	TN0054B4J041102	08/01/12 - 07/31/13	119,000	8,955	8,955	-	-
Supportive Housing Program	14.235	TN0191B4J041100	10/01/12 - 09/30/14	262,784	11,225	126,112	114,887	-
** Supportive Housing Program	14.235	TN0191L4J041301	10/01/14 - 9/30/15	134,788	-	23,346	33,070	9,724
Total for CFDA 14.235					39,723	515,509	516,942	41,156
<b>PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:</b>								
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/13 - 03/31/14	168,854	25,048	66,916	41,868	-
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/14 - 03/31/15	219,094	-	104,434	133,129	28,695
Total for CFDA 14.241					25,048	171,350	174,997	28,695
HOME Program	14.239	N/A	03/01/13 - 04/01/14	472,930	40,072	258,691	231,197	12,578
HOME Program	14.239	N/A	11/01/14 - 10/31/15	805,975	-	-	200,000	200,000
Total HOME Program					40,072	258,691	431,197	212,578
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 123,875	\$ 1,103,700	\$ 1,284,045	\$ 304,220

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal /State/ Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/14	1/1/14 - 12/31/14 Receipts	Expenditures	Grant Receivable 12/31/14
<b>STATE OF TENNESSEE REVENUE:</b>								
Tennessee Department of Health	N/A	N/A	07/01/13 - 06/30/14	25,000	10,250	16,750	6,500	-
Tennessee Department of Health	N/A	N/A	07/01/14 - 06/30/15	32,000	-	-	11,000	11,000
HOME Program	N/A	N/A	03/01/13 - 04/01/14	285,180	33,857	123,270	141,061	51,648
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>					<u>44,107</u>	<u>140,020</u>	<u>158,561</u>	<u>62,648</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>					<u>\$ 167,982</u>	<u>\$ 1,243,720</u>	<u>\$ 1,442,606</u>	<u>\$ 366,868</u>

***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, 2014**

PROGRAM SERVICES										
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
<b>REVENUES</b>										
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
<b>Total Revenues</b>	<b>58,087</b>	<b>-</b>	<b>1,243,180</b>	<b>161,714</b>	<b>98,983</b>	<b>115,347</b>	<b>62,668</b>	<b>185,489</b>	<b>553,551</b>	<b>95,576</b>
<b>EXPENSES</b>										
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
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>27,018</b>	<b>19,958</b>	<b>661,026</b>	<b>92,784</b>	<b>55,709</b>	<b>67,522</b>	<b>33,884</b>	<b>99,723</b>	<b>396,722</b>	<b>50,776</b>
<b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>31,069</b>	<b>(19,958)</b>	<b>582,154</b>	<b>68,930</b>	<b>43,274</b>	<b>47,825</b>	<b>28,784</b>	<b>85,766</b>	<b>156,829</b>	<b>44,800</b>
Depreciation and amortization	10,046	22,361	129,111	26,751	17,645	12,336	19,255	65,054	69,654	25,291
<b>REVENUE OVER EXPENSES</b>	<b>\$ 21,023</b>	<b>\$ (42,319)</b>	<b>\$ 453,043</b>	<b>\$ 42,179</b>	<b>\$ 25,629</b>	<b>\$ 35,489</b>	<b>\$ 9,529</b>	<b>\$ 20,712</b>	<b>\$ 87,175</b>	<b>\$ 19,509</b>

**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	
REVENUES									
Rental Income	\$ 229,150	\$ 74,126	\$ 321,638	\$ 731,966	\$ 283,434	\$ 353,198	\$ 39,000	\$ -	\$ 3,850,976
Grants	40,395	10,410	14,922	27,754	15,039	8,225	-	200,000	899,749
Other	18,696	11,388	10,006	30,901	26,171	10,421	53	-	280,763
Total Revenues	288,241	95,924	346,566	790,621	324,644	371,844	39,053	200,000	5,031,488
EXPENSES									
Payroll and related expenses	61,418	23,186	36,177	158,806	71,597	75,903	5,680	23,242	976,244
Advertising	9	3	6	40	15	29	1	-	178
Contract services	30,638	10,447	19,208	107,309	53,055	39,515	5,636	-	489,408
Insurance	19,016	5,250	22,602	56,230	19,548	22,374	8,556	295	273,284
Interest	-	-	-	-	15,294	-	-	-	16,410
Legal and professional	731	276	436	1,961	851	935	72	780	12,538
Miscellaneous	3,157	1,657	575	9,963	5,520	4,923	91	22	40,883
Printing and postage	376	145	228	949	446	485	38	84	6,157
Repairs and maintenance	12,505	4,296	5,949	36,642	24,728	16,682	476	-	180,152
Social program funds	11	4	1,153	32	13	14	-	-	22,649
Supplies	503	174	294	1,784	567	882	53	192	9,271
Taxes and licenses	5,373	2,772	3,396	86,798	9,087	7,568	-	4,697	139,997
Telephone	999	430	4,450	2,503	1,187	1,171	113	207	18,675
Travel	1,853	994	1,394	4,607	3,067	1,770	160	620	30,182
Utilities	37,551	8,750	67,790	92,490	38,372	39,160	-	-	751,063
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	174,140	58,384	163,658	560,114	243,347	211,311	20,876	30,139	2,967,091
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	114,101	37,540	182,908	230,507	81,297	160,533	18,177	169,861	2,064,397
Depreciation and amortization	59,175	16,802	172,389	176,219	62,188	73,993	52,207	8,225	1,018,702
REVENUE OVER EXPENSES	\$ 54,926	\$ 20,738	\$ 10,519	\$ 54,288	\$ 19,109	\$ 86,540	\$ (34,030)	\$ 161,636	\$ 1,045,695



**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	VANDERBILT HEALTH	SUPPORTIVE HOUSING	HOPWA	CLIENT FUND PROGRAM	HEALTH MATTERS	NEIGHBORHOOD STABILIZATION	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
		REVENUES	EXPENSES	REVENUES	EXPENSES	REVENUES	EXPENSES									
	\$	-	\$	634,671	\$	-	\$	-	\$	-	\$	-	\$	634,671	\$	4,485,647
Rental income		134,809		435		73,113		26,098		190,911		30,840		449,203	15,000	1,363,952
Grants		-		177,585		-		-		-		-		208,425	37,723	526,911
Other		-		-		-		-		-		-		-	-	-
<b>Total Revenues</b>		<b>134,809</b>		<b>812,691</b>		<b>73,113</b>		<b>26,098</b>		<b>190,911</b>		<b>30,840</b>		<b>1,292,299</b>	<b>52,723</b>	<b>6,376,510</b>
	\$	-	\$	134,189	\$	37,116		21,011		213,835		996		558,942	40,266	1,575,452
Payroll and related expenses		-		16		-		-		-		-		16	880	1,074
Advertising		-		42,372		-		-		5,675		-		48,047	-	537,455
Contract services		7,706		76,599		2,020		1,298		13,692		133		102,852	-	376,136
Insurance		-		-		-		-		-		-		-	-	-
Interest		-		-		-		-		-		-		-	-	-
Legal and professional		1,352		1,634		466		322		2,900		398		7,283	25,597	45,418
Miscellaneous		35		2,212		31		25		267		51		2,643	4,259	47,785
Printing and postage		733		873		238		165		1,530		12		3,660	2,277	12,094
Repairs and maintenance		180		19,227		74		50		362		37		19,882	11,100	211,134
Social program funds		60		7,233		31,243		818		7,837		818		47,197	-	69,846
Supplies		617		1,160		206		168		1,555		27		3,829	1,748	14,848
Taxes and licenses		-		92,140		-		-		-		-		92,140	1,131	233,268
Telephone		1,043		2,429		695		311		3,236		63		8,056	891	27,622
Travel		238		4,174		2,866		922		4,372		67		12,639	3,161	45,982
Utilities		-		66,263		-		-		9,681		-		75,944	-	827,007
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>		<b>139,673</b>		<b>450,521</b>		<b>74,955</b>		<b>23,080</b>		<b>264,842</b>		<b>2,602</b>		<b>983,130</b>	<b>91,310</b>	<b>4,041,531</b>
	\$	-	\$	362,170	\$	(1,842)		3,018		(73,931)		28,238		309,169	(38,587)	2,334,979
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION		<b>(4,864)</b>		<b>362,170</b>		<b>(1,842)</b>		<b>3,018</b>		<b>(73,931)</b>		<b>28,238</b>		<b>309,169</b>	<b>(38,587)</b>	<b>2,334,979</b>
Depreciation and amortization		-		636,439		-		-		-		1,321		637,760	31,118	1,687,580
<b>REVENUE OVER EXPENSES</b>		<b>\$ (4,864)</b>		<b>\$ (274,269)</b>		<b>\$ (1,842)</b>		<b>\$ 3,018</b>		<b>\$ (73,931)</b>		<b>\$ 26,917</b>		<b>\$ (328,591)</b>	<b>\$ (69,705)</b>	<b>\$ 647,399</b>

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

	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
<b>REVENUES</b>										
Rental Income	\$ 51,000	\$ -	\$ 782,426	\$ 99,883	\$ 66,596	\$ 97,983	\$ 70,661	\$ 105,055	\$ 406,849	\$ 57,328
Grants	-	-	110,615	44,500	42,928	-	-	41,563	81,621	27,672
Other	138	-	24,590	31,110	15,667	1,755	938	3,595	19,275	2,749
<b>Total Revenues</b>	<b>51,138</b>	<b>-</b>	<b>917,631</b>	<b>175,493</b>	<b>125,191</b>	<b>99,738</b>	<b>71,599</b>	<b>150,213</b>	<b>501,745</b>	<b>87,749</b>
<b>EXPENSES</b>										
Payroll and related expenses	12,170	1,490	233,095	27,953	20,297	19,845	12,346	31,827	92,842	17,058
Advertising	6	-	68	14	9	8	5	14	42	7
Contract services	10,123	3,676	106,005	25,932	18,884	11,034	11,387	20,299	66,212	22,433
Insurance	2,242	3,921	33,468	5,569	4,144	3,005	2,438	9,179	24,552	3,310
Interest	-	-	1,346	-	-	-	-	-	267	-
Legal and professional	68	8	1,398	167	113	114	68	186	516	105
Miscellaneous	456	2	9,765	2,624	2,030	1,464	454	2,464	6,726	1,665
Printing and postage	103	26	2,025	245	167	174	102	279	805	132
Repairs and maintenance	2,163	2,799	41,200	10,314	6,941	4,854	2,487	5,576	21,316	3,721
Social program funds	5	-	65	12	8	8	5	38	140	7
Supplies	115	40	1,722	280	192	184	115	351	1,209	195
Taxes and licenses	-	-	-	3,431	2,756	962	-	1,252	988	2,818
Telephone	277	22	4,919	698	460	479	274	805	3,733	387
Travel	514	818	8,292	1,082	820	733	504	1,403	3,571	675
Utilities	195	9,546	178,460	21,738	10,427	17,620	8,836	32,236	147,910	11,179
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	<b>28,437</b>	<b>22,348</b>	<b>621,828</b>	<b>100,059</b>	<b>67,248</b>	<b>60,484</b>	<b>39,021</b>	<b>105,909</b>	<b>370,829</b>	<b>63,692</b>
<b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>22,701</b>	<b>(22,348)</b>	<b>295,803</b>	<b>75,434</b>	<b>57,943</b>	<b>39,254</b>	<b>32,578</b>	<b>44,304</b>	<b>130,916</b>	<b>24,057</b>
Depreciation and amortization	10,083	22,779	108,915	25,300	16,468	12,686	19,254	68,033	73,391	25,291
<b>REVENUE OVER EXPENSES</b>	<b>\$ 12,618</b>	<b>\$ (45,127)</b>	<b>\$ 186,888</b>	<b>\$ 50,134</b>	<b>\$ 41,475</b>	<b>\$ 26,568</b>	<b>\$ 13,324</b>	<b>\$ (23,729)</b>	<b>\$ 57,525</b>	<b>\$ (1,234)</b>

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

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

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

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

**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, 2014, 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, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

June 30, 2015

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

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

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

We have audited Urban Housing Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Urban Housing Solutions, Inc.'s major federal programs for the year ended December 31, 2014. Urban Housing Solutions, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Urban Housing Solutions, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Urban Housing Solutions, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Urban Housing Solutions, Inc.'s compliance.

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

In our opinion, Urban Housing Solutions, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

## Report on Internal Control Over Compliance

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

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

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

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

June 30, 2015



URBAN HOUSING SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2014

PART I - SUMMARY OF AUDITORS' RESULTS

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_yes \_\_\_\_\_X no

Significant deficiencies identified not  
considered to be material weaknesses? \_\_\_\_\_yes \_\_\_\_\_X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes \_\_\_\_\_X no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? \_\_\_\_\_yes \_\_\_\_\_X no

Significant deficiencies identified not  
Considered to be material weaknesses? \_\_\_\_\_yes \_\_\_\_\_X none reported

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

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

Identification of major programs:

14.235 Supportive Housing Program

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

Auditee qualified as low-risk auditee? \_\_\_\_\_X yes \_\_\_\_\_no

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

There were no audit findings for the year ended December 31, 2013.