

Urban Housing Solutions, Inc. and Subsidiaries

**Consolidated Financial Statements and Supplementary Information with Report of
Independent Auditors
December 31, 2021**



Report of Independent Auditors

To the Board of Directors of
Urban Housing Solutions, Inc. and subsidiaries:

Opinion

We have audited the accompanying consolidated financial statements of Urban Housing Solutions, Inc. and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Urban Housing Solutions, Inc. and subsidiaries as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Urban Housing Solutions, Inc. and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As further discussed in Note 16, the balance of total net assets as of December 31, 2020 has been restated to correct misstatements in the elimination of the related party developer fee. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Urban Housing Solutions, Inc. and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Urban Housing Solutions, Inc. and subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Urban Housing Solutions, Inc. and subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the consolidating statements, and the schedule of program services revenues and expenditures are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2022, on our consideration of Urban Housing Solutions, Inc. and subsidiaries' 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. and subsidiaries' internal control over financial reporting and compliance.

Novogradac & Company LLP

Dover, OH
September 28, 2022

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 21,608,564
Restricted cash	
Tenant security deposits	2,019
Replacement reserves	615,140
Investment securities	15,168,162
Accounts receivable	
Grants	261,862
Tenants, net of doubtful accounts	255,448
Other	966,988
Prepaid expenses	153,273
Deferred charges - net of accumulated amortization of \$37,236	230,325
Fixed Assets - net of accumulated depreciation of \$26,228,290	88,617,125
Construction in progress	14,780,693
Total assets	<u><u>\$ 142,659,599</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,359,269
Cash and cash equivalents - bank overdraft	727,901
Line of credit	6,500,000
Tenant security deposits	321,114
SWAP Liability	90,394
Bonds payable	15,000,000
Prepaid rent	33,077
Notes payable	56,692,735
Total liabilities	<u>80,724,490</u>

NET ASSETS

Net assets without donor restrictions, controlling	44,104,802
Net assets without donor restrictions, non-controlling interest in subsidiaries	17,830,307
Total net assets	<u>61,935,109</u>
 Total liabilities and net assets	 <u><u>\$ 142,659,599</u></u>

See the accompanying notes to the consolidated financial statements

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Public Support:			
Individual and corporate gifts	\$ 843,838	\$ -	\$ 843,838
Government Grants:	1,107,038	-	1,107,038
Total Public Support	1,950,876	-	1,950,876
Revenues:			
Rental Income	11,665,318	-	11,665,318
Laundry and vending machine income	32,256	-	32,256
Interest income	21,885	-	21,885
Insurance proceeds	696,991	-	696,991
Miscellaneous	27,608	-	27,608
Application fees	31,257	-	31,257
TOTAL SUPPORT AND REVENUES	14,426,191	-	14,426,191
EXPENSES			
Program services:			
Rental projects	11,691,332	-	11,691,332
Resident support programs	789,377	-	789,377
Total program services	12,480,709	-	12,480,709
Supporting services:			
Management and general	387,804	-	387,804
TOTAL EXPENSES	12,868,513	-	12,868,513
CHANGE IN NET ASSETS	1,557,678	-	1,557,678
NET ASSETS - BEGINNING OF YEAR (AS PREVIOUSLY STATED)	60,161,999	-	60,161,999
PRIOR PERIOD ADJUSTMENT	(5,366,570)	-	(5,366,570)
NET ASSETS - BEGINNING OF YEAR (RESTATEd)	54,795,429	-	54,795,429
CAPITAL CONTRIBUTIONS	5,582,002	-	5,582,002
CHANGE IN NET ASSETS	1,557,678	-	1,557,678
NET ASSETS - END OF YEAR	<u>\$ 61,935,109</u>	<u>\$ -</u>	<u>\$ 61,935,109</u>

See the accompanying notes to the consolidated financial statements

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	TOTAL PROGRAM SERVICES	TOTAL MANAGEMENT & GENERAL	TOTAL EXPENSES
Payroll and related expenses	\$ 2,807,613	\$ 118,729	\$ 2,926,342
Advertising	18,126	10,089	28,215
Bad debt expense	66,935	-	66,935
Contract services	904,033	13,160	917,193
Dues and subscriptions	-	5,734	5,734
Insurance	529,593	1,087	530,680
Interest	562,257	-	562,257
Legal and professional	224,166	144,304	368,470
Miscellaneous	31,421	(22,728)	8,693
Printing and postage	15,766	10,044	25,810
Repairs and maintenance	830,430	174	830,604
Security services	29,445	-	29,445
Social program funds	97,037	26,056	123,093
Supplies	126,209	62,032	188,241
Taxes and licenses	1,111,073	2,636	1,113,709
Telephone	29,972	8,348	38,320
Travel	36,846	1,509	38,355
Utilities	1,390,170	-	1,390,170
Total Functional Expenses before Depreciation and Amortization	8,811,092	381,174	9,192,266
Depreciation and Amortization	3,669,617	6,630	3,676,247
Total Functional Expenses	<u>\$ 12,480,709</u>	<u>\$ 387,804</u>	<u>\$ 12,868,513</u>

See the accompanying notes to the consolidated financial statements

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities:	
Change in net assets	\$ 1,557,678
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	3,676,247
Interest expense - debt issuance costs	41,606
Interest expense - unrealized loss on interest rate swap	90,394
Changes in:	
Accounts receivable	
Grants	(51,730)
Tenants	(112,033)
Other	(885,258)
Prepaid expenses	(147,199)
Accounts payable and accrued expenses	342,122
Tenant security deposits payable	3,988
Prepaid rent	16,970
Net cash provided by operating activities	<u>4,532,785</u>
Cash Flows from Investing Activities:	
Purchase of property and equipment	(12,229,643)
Payments for construction in progress	(10,911,394)
Payments for deferred charges	(33,000)
Purchase of investment securities	(18,457)
Net cash used in investing activities	<u>(23,192,494)</u>
Cash Flows from Financing Activities:	
Bank overdraft	727,901
Proceeds from notes payable	10,000,000
Principal payments on notes payable	(4,637,019)
Payments for debt issuance costs	(57,185)
Capital contributions	5,582,002
Net cash provided by financing activities	<u>11,615,699</u>
Change in cash, cash equivalents, and restricted cash	(7,044,010)
Cash, cash equivalents, and restricted cash - beginning of year	<u>29,269,733</u>
Cash, cash equivalents, and restricted cash - end of year	<u><u>\$ 22,225,723</u></u>
Cash and cash equivalents	21,608,564
Tenant security deposits	2,019
Replacement reserves	615,140
Cash, cash equivalents, and restricted cash - end of year	<u><u>\$ 22,225,723</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest, net of amounts capitalized	<u><u>\$ 364,717</u></u>

See the accompanying notes to the consolidated financial statements

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

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.

As of December 31, 2021, three separate entities within the State of Tennessee operate as subsidiaries under UHS which are 300 E Webster Street Holdings, LP., 2125 26th Avenue N Holdings, LP., and Skyliner, LP (collectively, the "Corporation").

Basis of Accounting

UHS prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Principles of Consolidation:

The consolidated financial statements of UHS include the accounts of UHS and controlled subsidiaries: 300 East Webster Street Holdings, LP, 2125 26th Avenue North Holdings, LP, and Skyliner, LP. All material intra-entity transactions have been eliminated.

Basis of Presentation:

Revenues are recognized when earned, and expenses are recognized when incurred.

Net assets classification and financial statement presentation follow 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. UHS had \$61,935,109 of net assets without donor restrictions as of December 31, 2021.

Net assets with donor restrictions - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of UHS and/or the passage of time. This classification also includes 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 net assets with donor restrictions as of December 31, 2021.

Rental and Other Revenue Recognition:

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue includes late payments, cleaning, damages, laundry facilities, forfeiture of security deposits, and other charges and is recorded when earned. Advance receipts of rental revenue are deferred and classified as liabilities until earned.

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS
(Continued)

Grants, Contributions and Support:

Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as net assets with donor restrictions support that increases that net asset class. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions 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.

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. For the year ended December 31, 2021, UHS did not receive any donated equipment or materials.

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 consolidated financial statements do not reflect a provision for income taxes.

Income taxes on 300 E Webster Street Holdings LP, 2125 26th Ave N Holdings, LP, and Skyliner, LP income are levied on the partners at the partner level. Accordingly, all profits and losses of the partnerships are recognized by each partner on their respective tax return.

The preparation of consolidated financial statements, in accordance with accounting principles generally accepted in the United State of America, requires UHS to report information regarding its exposure to various tax positions taken by UHS. UHS has determined whether any tax positions have met the recognition threshold and has measured UHS's exposure to those tax positions. Management believes that UHS has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to UHS are recorded in operating expenses. For the year ended December 31, 2021, no interest or penalties from federal or state tax authorities were recorded.

Fixed Assets:

Fixed assets with a cost above \$500 are recorded at acquisition cost, 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 forty years for buildings and improvements. For the year ended December 31, 2021, depreciation expense was \$3,655,429.

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS
(Continued)

Deferred Charges and Amortization:

Tax credit fees are amortized on a straight-line basis over the 15-year tax credit compliance period. For the year ended December 31, 2021, the amortization expense was \$20,818.

New Pronouncements:

In February 2016, FASB issued Accounting Standard Update (ASU) 2016-02, Leases. The standard requires all leases with lease terms over twelve months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2022. UHS is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Impairment of long-lived assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during 2021.

Cash and Cash Equivalents:

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition. Restricted cash is not considered cash and cash equivalents and includes cash held with financial institutions for funding of operating deficits, repairs or improvements to the buildings that extend their useful lives, annual payments of tax and insurance, debt service payments, payments of tenant service fees, payments of asset management fees, and refunds of tenant security deposits. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

Program and Supporting Services

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

Rental Projects:

Dickerson - land purchased for future development and is currently not being leased.

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

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS
(Continued)

Program and Supporting Services (Continued)

Rental Projects (Continued):

Mercury Courts and The Park - provides 155 units of housing for formerly homeless and low-income adults, as well as access to the agency's shuttle service, on-site classes, service coordination, and health advocacy.

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

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

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

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

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

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

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

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

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

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

Clarksville Highway - provides 86 units of housing for low-income adults and families.

Millennium - provides 25 units of housing for low-to-moderate income individuals and family.

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

Old Hickory - land purchase

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS
(Continued)

Program and Supporting Services (Continued)

Rental Projects (Continued):

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

Parliament - provides 80 units of housing for low-income adults and families.

Southwood - provides 85 units of housing for low-income adults and families.

Resident Support Programs:

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

Service Coordinator Program - provides the supportive service staff that is essential to assess and assist the formerly homeless residents of Mercury Courts and those in need at other properties. Service coordinators provide referrals to community services and assist residents in obtaining employment.

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

Client Fund Program - provides direct financial assistance to residents in order to meet their transportation, healthcare, or other emergency needs. The fund covers the cost of the resident shuttle, bus passes, medical and dental co-pays, food, rent concessions 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.

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

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

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS
(Continued)

Low Income Housing Tax Credit Programs:

Gibson Creek:

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

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

300 E Webster Street Holdings, LP qualifies 100% of the units for low-income housing credits in accordance with Section 42 of the Internal Revenue Code as enacted by the Tax Reform Act of 1986. The applicable low-income housing tax credits will be available to the limited partner over a ten-year period. The units must meet the provisions of Section 42 of the Internal Revenue Code during fifteen years in order to remain qualified to receive the credits. After meeting the fifteen-year requirement, all tax credits will have been earned. The project was completed by December 31, 2019.

26th Avenue North (Clarksville Phase 3):

In December 2018, UHS conveyed Unit 3 and an appurtenant interest in the common elements of 26th and Clarksville Commons to 2125 26th Ave N Holding, LP. Project was completed in the fall of 2020.

Skyliner:

In December 2019, UHS paid pre-development costs, fees, and expenses amounting to \$716,619 for the closing of Skyliner. This property was transferred to Skyliner, LP, a limited partnership, for a .01% ownership interest through its wholly-owned subsidiary, Skyliner Development, LLC. These expenses were reimbursed when the first substantial funding of equity occurred in 2020.

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.

Economic concentrations

The subsidiaries operate properties located in Tennessee. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

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 number of apartment units within each program.

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS
(Continued)

Use of estimates

The preparation of the consolidated 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 consolidated 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 11% of the total balance as of December 31, 2021, which was \$32,873.

Derivatives and hedging activities

2125 26th Avenue N Holdings, LP uses derivatives to manage risks related to interest rate movements. In accordance with the accounting guidance for derivative instruments and hedging activities, interest rate swap contracts are reported at fair value.

During 2021, 2125 26th Avenue N Holdings, LP entered into a swap agreement with Pinnacle Bank that was used to mitigate the economic impact of changes in interest rates. The swap is being used to offset the risk of changes in cash flows associated with benchmark interest payments on its variable rate loan. The term of the swap is in line with the maturity of the underlying note payable and the swap has a fixed rate of 1.62%.

As of December 31, 2021, the fair value of the 2125 26th Avenue N Holdings, LP's interest rate swap liability was \$90,394. The derivative does not qualify as a hedge and as such, the change in the fair value during the year ended December 31, 2021 of \$90,394 was included in interest expense in the accompanying consolidated statement of functional expenses.

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. As of December 31, 2021, grants receivable were \$261,862.

3. FIXED ASSETS

Fixed assets consist of the following as of December 31, 2021:

Land	\$ 10,825,299
Buildings and improvements	100,089,629
Furniture and equipment	3,930,487
	<hr/> 114,845,415
Less accumulated depreciation	(26,228,290)
Total Fixed Assets	<hr/> \$ 88,617,125 <hr/>

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. FAIR VALUE MEASUREMENTS

The Corporation applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Corporation's own assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are determined to be appropriate and consistent within the industry, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different estimate of fair value at the reporting date.

The fair value of the interest rate swap contract is valued using a third-party and is classified as a Level 2 measurement.

The table below presents amounts at December 31, 2021 for significant items measured at fair value based on discounted cash flows on a recurring basis:

	<u>Level 1</u>
Investment securities	<u>\$ 15,168,162</u>
	<u>Level 2</u>
SWAP liability	<u>\$ 90,394</u>

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. NOTES PAYABLE

Notes payables consist of the following at December 31, 2021:

Note payable - Renasant Bank (prime rate - 4.00%); payable in monthly installments of \$6,400 beginning January 2017 final balloon payment for balance due January 2022; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 0.36%.	\$ 251,546
Note payable - Pinnacle Bank (index rate - 4.00%); payable in monthly principal and interest payment of \$5,479 beginning October 2008, final balloon payment for the balance due August 2027; secured by real estate at Mercury Courts. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 0.09%.	378,117
Note payable - Bank of TN (prime rate - 4.00%); payable in monthly principal payment of \$7,640 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	374,160
Note payable - Bank of TN (prime rate - 4.00%); payable in monthly principal payment of \$6,390 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	312,910
Note payable - Truxton Trust (prime rate - 4.00%); payable in monthly principal payments of \$11,031 plus interest, beginning February 2018, final balloon payment January 2028; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 0.10%.	816,273
Note payable - Renasant (prime rate - 4.00%); interest only until January 2020, then payable in monthly principal payment of \$4,167 plus interest, beginning February 2020, final balloon payment for balance due January 2023; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 0.23%.	2,573,102
Note Payable - Truxton Trust (prime rate - 4.00%); payable in monthly principal and interest payments of \$4,149; beginning June 2016, final balloon payment for balance due December 2024; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 0.01%.	763,397

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. NOTES PAYABLE (Continued)

Note Payable - Truxton Trust (prime rate - 4.00%); payable in monthly principal and interest payments of \$4,518; beginning January 2020, final balloon payment for balance due June 2024; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 1.07%.	596,775
Note Payable - Pinnacle (prime rate - 4.00%); payable in monthly principal and interest payments of \$5,416; beginning January 2020, final balloon payment for balance due May 2024; secured by real estate.	961,924
Note Payable - 300 E Webster St Holdings, LP; First Horizon (prime rate - 4.00%, 0% for the year ended December 31, 2021); Interest only will be payable monthly for the first 24 months, final balloon payment for balance due April 2035; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, effective interest rate was 0.12%.	11,858,461
Note Payable - 2125 26th Ave. N. Holdings, LP; Pinnacle Bank (prime rate – 4% for the year ended December 31, 2021); payable in monthly principal and interest payments of \$4,000; beginning December 2020, and payments of \$5,000 beginning December 2024; final balloon payment for balance due May 2029; secured by real estate. Subject to a SWAP agreement stating a fixed rate of 1.62%	1,631,651
Note payable - Regions Bank (prime rate - 4.00%); payable in monthly interest payments beginning January 2022, and final balloon payment for balance due December 2022; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 0.02%.	9,200,000
Note payable - Fifth Third Bank (prime rate - 4.00%); payable in annual principal payments beginning January 2023, and final balloon payment for balance due January 2038; secured by real estate.	17,200,000

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. NOTES PAYABLE (Continued)

Note payable - Regions Bank (prime rate - 4.00%); payable in annual principal payments beginning January 2024, and final balloon payment for balance due January 2039; secured by real estate. Debt issuance costs are amortized to interest expense over the term of the loan. For the year ended December 31, 2021, the effective interest rate was 0.11%.

	<u>10,000,000</u>
Total Notes Payable	56,918,316
Less: Unamortized Fees	<u>(225,581)</u>
Notes Payable, Net of Unamortized Fees	<u><u>\$ 56,692,735</u></u>

As of December 31, 2021, aggregate annual maturities of the notes payable over the next five years and thereafter are as follows:

2022	\$ 10,666,261
2023	8,385,304
2024	3,373,005
2025	1,332,320
2026	1,181,219
2027 and thereafter	<u>31,980,207</u>
	<u><u>\$ 56,918,316</u></u>

For the year ended December 31, 2021, interest expense on notes payable totaled \$704,738. Amortization expense for debt issuance costs totaled \$41,606 for the year ended December 31, 2021.

UHS has a revolving line of credit with Truxton Bank. The line of credit is due on demand and may be terminated without notice by the bank. The interest only payments are due monthly at the Wall Street Journal prime rate minus 4.00% with a floor of zero. The line of credit is secured by the Corporation's assets. The balance outstanding and available credit at December 31, 2021, is \$6,500,000.

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents UHS financial assets at December 31, 2021:

Cash and cash equivalents	\$	14,414,791
Tenant security deposits		769
Replacement reserves		105,493
Investment securities		18,175
Accounts receivable – grants		261,862
Accounts receivable – tenants		229,502
Accounts receivable – other		966,988
Accounts receivable – development fee		6,794,209
Due from related party		2,750,000
Total financial assets	\$	25,541,789
Less amounts not available to be used within one year:		
Tenant security deposits	\$	769
Replacement reserves		105,493
Investment securities		18,175
Accounts receivable – other		960,560
Accounts receivable – development fee		6,794,209
Financial assets available to meet general expenditures over the next twelve months	\$	17,662,583

UHS's goal is generally to maintain financial assets to meet 90 days of operating expenses (\$2,400,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

7. BONDS PAYABLE

In January 2020, Skyliner, LP obtained financing from Health and Educational Facilities Board bonds issued by the Metro Government of Nashville and Davidson County. The bonds bear interest at 2.01% per annum and are secured by the mortgage. All of the outstanding principal and interest is due and payable at maturity on January 5, 2023. As of December 31, 2021, the outstanding principal balance was \$15,000,000.

8. 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 that they are receivable from concentrated sources.

UHS maintains deposit accounts with seven financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. UHS had uninsured balances in 2021. In management's opinion, the risk is mitigated by the use of high-quality financial institutions.

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

9. COMMITMENTS AND CONTINGENCIES

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.

10. 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 Davidson County Metropolitan Council approved the formula for calculating PILOT payments to be 25% of the normal property taxes. PILOT expenses were \$256,121 for the year ended December 31, 2021 and are included in taxes and licenses on the consolidated statement of functional expenses.

11. CONSORTIUM AGREEMENT

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

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

12. COMPENSATED ABSENCES

Employees of UHS are entitled to paid vacation and sick days. Employees are allowed to carryover 5 unused vacation days at December 31; sick days are not paid if the employee leaves. Accordingly, the accrued leave has been calculated as the total of vacation days available. As of December 31, 2021, the amount of accrued leave was \$23,847 which is included in accounts payable and accrued expenses on the accompanying consolidated statement of financial position.

13. EMPLOYEE BENEFIT PLAN

UHS maintains a 401(k) plan. Matching contributions are made on each employee's behalf up to 5.0% of compensation. Employees are eligible to participate in the plan after ninety days of service. Total contributions were \$52,469 for the year ended December 31, 2021, which is included in payroll and related expenses on the accompanying consolidated statement of functional expenses.

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

14. CONSOLIDATED NET ASSETS

The following schedule summarizes the changes in consolidated net assets attributable to the controlling and non-controlling interests for the year ended December 31, 2021:

Net assets without donor restrictions

	Controlling interest	Non-controlling interests	Total
Balance, January 1, 2021	\$ 41,800,456	\$ 12,994,973	\$ 54,795,429
Change in net assets	2,253,672	(695,994)	1,557,678
Capital contributions	50,674	5,531,328	5,582,002
Balance, December 31, 2021	<u>\$ 44,104,802</u>	<u>\$ 17,830,307</u>	<u>\$ 61,935,109</u>

The following schedule summarizes non-controlling interests' amounts of outside ownership interest in the subsidiaries. As of and for the year ended December 31, 2021, non-controlling interests and related share of current year net losses, respectively, consisted of the following:

Subsidiary	Non-controlling interests	Share of current year net losses
300 E Webster Street Holdings, L.P.	\$ 8,009,510	\$ (303,844)
2125 26 th Avenue N Holdings, L.P.	8,298,136	(366,634)
Skyliner, L.P.	1,522,661	(25,516)
Total	<u>\$ 17,830,307</u>	<u>\$ (695,994)</u>

15. VULNERABILITY – IMPACT OF COVID-19

The severity of the impact of COVID-19 on UHS and subsidiaries' operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the UHS and subsidiaries' tenants, borrowers, investees, donors, and grantors, all of which are uncertain and cannot be predicted. The UHS and subsidiaries' future results could be adversely impacted by delays in rent, loan payment, contributions, and grant collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

16. PRIOR PERIOD ADJUSTMENT

The Corporation's fixed assets and net assets were not properly reported as of December 31, 2020 due to the related party developer fee not being properly eliminated. As a result, as of December 31, 2020, total net assets were decreased by \$5,366,570.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 28, 2022, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure, except as follows:

The operating reserve for 2125 26th Avenue N Holdings, LP was established and fully funded in the amount of \$218,463 on February 8, 2022.

2125 26th Avenue N Holdings, LP received equity payments totaling \$805,729 from its limited partner on February 4, 2022.

SUPPLEMENTARY INFORMATION

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

	Urban Housing Solutions	300 E . Webster St. Holdings, LP	2125 26th Ave. N. Holdings, LP	Skyliner, LP	Eliminations	Consolidated
Cash and cash equivalents	\$ 14,414,791	\$ 861,081	\$ 75,469	\$ 6,257,223	\$ -	\$ 21,608,564
Restricted cash:					-	
Tenant security deposits	769	-	1,250	-	-	2,019
Replacement reserves	105,493	495,905	13,742	-	-	615,140
Investments securities	18,175	-	-	15,149,987	-	15,168,162
Accounts receivable:						
Grants	261,862	-	-	-	-	261,862
Tenants, net of doubtful accounts	229,502	25,025	921	-	-	255,448
Development fee	6,794,209	-	-	-	(6,794,209)	-
Due from related parties	2,750,000	-	-	-	(2,750,000)	-
Other	966,988	-	45,405	-	(45,405)	966,988
Investment - Skyliner	1,868,339	-	-	-	(1,868,339)	-
Prepaid expenses	77,296	64,935	11,042	-	-	153,273
Deferred charges, net of accumulated amortization of \$37,236	-	140,442	89,883	-	-	230,325
Property and equipment - net of accumulated depreciation of \$26,228,290	57,623,363	24,771,892	10,951,002	1,500,000	(6,229,132)	88,617,125
Construction in progress	-	-	-	16,419,996	(1,639,303)	14,780,693
Total assets	\$ 85,110,787	\$ 26,359,280	\$ 11,188,714	\$ 39,327,206	\$ (19,326,388)	\$ 142,659,599

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,123,839	\$ 190,737	\$ 81,548	\$ 1,868,339	\$ (1,905,194)	\$ 1,359,269
Cash and cash equivalents - bank overdraft	727,901	-	-	-	-	727,901
Due to related parties	-	2,000,000	-	750,000	(2,750,000)	-
Line of credit	6,500,000	-	-	-	-	6,500,000
Tenant security deposits	228,960	90,904	1,250	-	-	321,114
SWAP liability	-	-	90,394	-	-	90,394
Development fee payable	-	4,280,523	1,027,500	1,486,186	(6,794,209)	-
Bonds payable	-	-	-	15,000,000	-	15,000,000
Prepaid rent	10,517	22,560	-	-	-	33,077
Notes payable - net of unamortized debt issuance costs	26,147,419	11,713,665	1,631,651	17,200,000	-	56,692,735
Total liabilities	\$ 34,738,636	\$ 18,298,389	\$ 2,832,343	\$ 36,304,525	\$ (11,449,403)	\$ 80,724,490

NET ASSETS

Net assets without donor restrictions, controlling	50,372,151	51,381	58,235	1,500,020	(7,876,985)	44,104,802
Net assets without donor restrictions, non-controlling interest in subsidiaries	-	8,009,510	8,298,136	1,522,661	-	17,830,307
Total net assets	\$ 50,372,151	\$ 8,060,891	\$ 8,356,371	\$ 3,022,681	\$ (7,876,985)	\$ 61,935,109
Total liabilities and net assets	\$ 85,110,787	\$ 26,359,280	\$ 11,188,714	\$ 39,327,206	\$ (19,326,388)	\$ 142,659,599

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URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Urban Housing Solutions</u>	<u>300 E . Webster St. Holdings, LP</u>	<u>2125 26th Ave. N. Holdings, LP</u>	<u>Skyliner, LP</u>	<u>Eliminations</u>	<u>Consolidated</u>
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts & Barnes Fund	\$ 843,838	\$ -	\$ -	\$ -	\$ -	\$ 843,838
Grants:						
Government	1,101,450	-	5,588	-	-	1,107,038
Total public support	1,945,288	-	5,588	-	-	1,950,876
Revenues:						
Rental income	8,689,894	2,347,563	627,861	-	-	11,665,318
Laundry and vending machine income	28,191	3,958	107	-	-	32,256
Interest income	21,677	208	-	-	-	21,885
Developer fees	1,486,186	-	-	-	(1,486,186)	-
Insurance proceeds	696,991	-	-	-	-	696,991
Miscellaneous	51,992	-	-	-	(24,384)	27,608
Application fees	31,257	-	-	-	-	31,257
TOTAL SUPPORT AND REVENUES	<u>12,951,476</u>	<u>2,351,729</u>	<u>633,556</u>	<u>-</u>	<u>(1,510,570)</u>	<u>14,426,191</u>
EXPENSES						
Program services:						
Rental projects	\$ 8,303,620	\$ 2,542,738	\$ 975,843	\$ 25,519	\$ (156,388)	\$ 11,691,332
Resident support programs	789,377	-	-	-	-	789,377
Total program services	9,092,997	2,542,738	975,843	25,519	(156,388)	12,480,709
Supporting services:						
Management and general	274,939	112,865	24,384	-	(24,384)	387,804
TOTAL EXPENSES	<u>9,367,936</u>	<u>2,655,603</u>	<u>1,000,227</u>	<u>25,519</u>	<u>(180,772)</u>	<u>12,868,513</u>
CHANGE IN NET ASSETS	<u>3,583,540</u>	<u>(303,874)</u>	<u>(366,671)</u>	<u>(25,519)</u>	<u>(1,329,798)</u>	<u>1,557,678</u>
NET ASSETS - BEGINNING OF YEAR (AS PREVIOUSLY STATED)	46,788,611	3,917,518	8,709,927	1,926,560	(1,180,617)	60,161,999
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(5,366,570)	(5,366,570)
NET ASSETS - BEGINNING OF YEAR (RESTATEd)	46,788,611	3,917,518	8,709,927	1,926,560	(6,547,187)	54,795,429
CAPITAL CONTRIBUTIONS	-	4,447,247	13,115	1,121,640	-	5,582,002
CHANGE IN NET ASSETS	3,583,540	(303,874)	(366,671)	(25,519)	(1,329,798)	1,557,678
NET ASSETS - END OF YEAR	<u>\$ 50,372,151</u>	<u>\$ 8,060,891</u>	<u>\$ 8,356,371</u>	<u>\$ 3,022,681</u>	<u>\$ (7,876,985)</u>	<u>\$ 61,935,109</u>

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URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

PROGRAM SERVICES

	URBAN HOUSING SOLUTIONS			300 E. WEBSTER ST. HOLDINGS, LP	2125 26TH AVE. N. HOLDINGS, LP	Skyliner, LP	Eliminations	TOTAL PROGRAM SERVICES
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	Total					
Payroll and related expenses	\$ 1,955,359	\$ 406,904	\$ 2,362,263	\$ 263,285	\$ 182,065	\$ -	\$ -	\$ 2,807,613
Advertising	8,259	-	8,259	9,867	-	-	-	18,126
Bad debt expense	-	-	-	66,935	-	-	-	66,935
Contract services	891,916	5,071	896,987	7,046	-	-	-	904,033
Dues and subscriptions	-	-	-	-	-	-	-	-
Insurance	461,392	3,258	464,650	45,269	19,674	-	-	529,593
Interest	29,347	-	29,347	389,771	117,620	25,519	-	562,257
Legal and professional	127,082	23,725	150,807	40,686	32,673	-	-	224,166
Miscellaneous	-	-	-	16,979	5,892	-	8,550	31,421
Printing and postage	15,569	121	15,690	-	76	-	-	15,766
Repairs and maintenance	282,580	326	282,906	430,182	117,342	-	-	830,430
Security services	-	-	-	29,445	-	-	-	29,445
Social program funds	56,189	36,444	92,633	-	4,404	-	-	97,037
Supplies	109,778	10,117	119,895	-	6,314	-	-	126,209
Taxes and licenses	759,435	20	759,455	273,963	77,655	-	-	1,111,073
Telephone	24,982	3,605	28,587	-	1,385	-	-	29,972
Travel	31,835	3,320	35,155	-	1,691	-	-	36,846
Utilities	1,160,617	-	1,160,617	127,861	101,692	-	-	1,390,170
Total Functional Expenses before Depreciation and Amortization	5,914,340	492,911	6,407,251	1,701,289	668,483	25,519	8,550	8,811,092
Depreciation and amortization	2,389,280	296,466	2,685,746	841,449	307,360	-	(164,938)	3,669,617
Total Functional Expenses	\$ 8,303,620	\$ 789,377	\$ 9,092,997	\$ 2,542,738	\$ 975,843	\$ 25,519	\$ (156,388)	\$ 12,480,709

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URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Supporting Services

Management and General

	<u>URBAN HOUSING SOLUTIONS</u>	<u>300 E. WEBSTER ST. HOLDINGS, LP</u>	<u>2125 26TH AVE. N. HOLDINGS, LP</u>	<u>Skyliner, LP</u>	<u>TOTAL MANAGEMENT & GENERAL</u>	<u>Eliminations</u>	<u>TOTAL EXPENSES</u>
Payroll and related expenses	\$ 118,729	\$ -	\$ -	\$ -	\$ 118,729	\$ -	\$ 2,926,342
Advertising	10,089	-	-	-	10,089	-	28,215
Bad debt expense	-	-	-	-	-	-	66,935
Contract services	950	12,210	24,384	-	37,544	(24,384)	917,193
Dues and subscriptions	-	5,734	-	-	5,734	-	5,734
Insurance	1,087	-	-	-	1,087	-	530,680
Interest	-	-	-	-	-	-	562,257
Legal and professional	65,286	79,018	-	-	144,304	-	368,470
Miscellaneous	(22,728)	-	-	-	(22,728)	-	8,693
Printing and postage	5,346	4,698	-	-	10,044	-	25,810
Repairs and maintenance	174	-	-	-	174	-	830,604
Security services	-	-	-	-	-	-	29,445
Social program funds	26,056	-	-	-	26,056	-	123,093
Supplies	56,521	5,511	-	-	62,032	-	188,241
Taxes and licenses	2,636	-	-	-	2,636	-	1,113,709
Telephone	3,637	4,711	-	-	8,348	-	38,320
Travel	526	983	-	-	1,509	-	38,355
Utilities	-	-	-	-	-	-	1,390,170
Total Functional Expenses before Depreciation and Amortization	268,309	112,865	24,384	-	405,558	(24,384)	9,192,266
Depreciation and amortization	6,630	-	-	-	6,630	-	3,676,247
Total Functional Expenses	\$ 274,939	\$ 112,865	\$ 24,384	\$ -	\$ 412,188	\$ (24,384)	\$ 12,868,513

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URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Pass-through to Subrecipients	Expenditures
Federal Awards					
Direct Funding:					
US Department of Housing and Urban Development	Continuum of Care	14.267	TN0061L4J041912		\$ 79,470
US Department of Housing and Urban Development	Continuum of Care	14.267	TN0061L4J042013		486,828
Total Program 14.267					566,298
Pass-through Funding:					
US Department of Housing and Urban Development through Metropolitan Development and Housing Agency	Housing Opportunities for Persons with AIDS	14.241	TNH20F002		388,814
Total Program 14.241					388,814
US Department of Housing and Urban Development through Enterprise Community Partners	Capacity Building for Community Development and Affordable Housing	14.252	20SG1931		44,999
Total Program 14.252					44,999
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ 1,000,111
State Financial Assistance					
Tennessee Department of Health	Health Care Safety Net Primary Care Services for Uninsured Adult Tennesseans 19-64 Years of Age	N/A	N/A		22,381
TOTAL STATE FINANCIAL ASSISTANCE					\$ 22,381
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE					\$ 1,022,492

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the expenditures of Urban Housing Solutions, Inc. and Subsidiaries under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

For purposes of the Schedule, federal awards include all sub awards to the organization by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Catalogue of Federal Domestic Assistance numbers (“CFDA No.”) are provided where available.

3. INDIRECT COST RATE

Urban Housing Solutions, Inc. elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES - URBAN HOUSING SOLUTIONS							
	SKYLINER	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISK	RUSSELL	MERCURY NORTH
REVENUES								
Rental income	\$ -	\$ -	\$ 896,559	\$ 138,892	\$ 131,461	\$ 140,423	\$ 96,542	\$ 182,389
Individual and corporate gifts & Barnes Fund	500,000	-	-	-	-	-	-	-
Grants	-	-	53,722	64,709	15,742	-	-	53,686
Developer Fees	1,486,186	-	-	-	-	-	-	-
Other	-	-	8,271	4,408	5,021	838	1,190	1,843
Total Revenues	1,986,186	-	958,552	208,009	152,224	141,261	97,732	237,918
EXPENSES								
Payroll and related expenses	64,750	1,506	214,807	39,959	30,293	28,691	18,070	46,843
OPEB Expense	-	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-
Contract services	-	5,118	76,241	25,241	10,197	8,596	13,049	17,489
Dues and subscriptions	-	-	-	-	-	-	-	-
Insurance	723	3,765	33,409	7,106	7,346	3,135	5,402	6,833
Interest	-	-	351	-	158	-	-	-
Legal and professional	915	1,952	7,252	1,392	1,034	953	2,519	1,602
Miscellaneous	-	-	-	-	-	-	-	-
Printing and postage	26	6,335	2,294	-	-	-	-	-
Rebate expense	-	-	-	-	-	-	-	-
Repairs and maintenance	-	4,664	28,562	7,316	4,567	3,417	5,567	5,375
Security services	-	-	-	-	-	-	-	-
Social program funds	-	3	9,128	758	67	5,500	168	360
Supplies	896	3,058	10,644	2,231	1,584	1,474	947	2,506
Taxes and licenses	-	40	-	5,143	5,221	1,676	-	1,710
Telephone	258	14	2,217	387	277	266	166	472
Travel	61	29	3,976	830	569	548	344	940
Utilities	-	10,760	179,550	19,023	13,792	13,881	7,778	57,811
Total Functional Expenses before Depreciation and Amortization	67,629	37,244	568,431	109,386	75,105	68,137	54,010	141,941
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	1,918,557	(37,244)	390,121	98,623	77,119	73,124	43,722	95,977
Depreciation and amortization	994	17,375	127,151	31,799	24,840	17,983	22,900	50,821
REVENUE OVER EXPENSES	<u>\$ 1,917,563</u>	<u>\$ (54,619)</u>	<u>\$ 262,970</u>	<u>\$ 66,824</u>	<u>\$ 52,279</u>	<u>\$ 55,141</u>	<u>\$ 20,822</u>	<u>\$ 45,156</u>

See the accompanying notes to the financial statements

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES - URBAN HOUSING SOLUTIONS						
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY MEADOWS	HAPPY GARDEN	EASTWOOD COURTS	VILLAGE PLACE
REVENUES							
Rental income	\$ 353,431	\$ 104,777	\$ 276,327	\$ 1,079,098	\$ 67,421	\$ 438,724	\$ 459,745
Individual and corporate gifts & Barnes Fund	-	-	-	-	-	-	-
Grants	47,356	1,617	60,073	109,017	-	72,389	60,928
Developer Fees	-	-	-	-	-	-	-
Other	3,125	1,015	413,279	12,669	-	4,548	4,629
Total Revenues	403,912	107,409	749,679	1,200,784	67,421	515,661	525,302
EXPENSES							
Payroll and related expenses	85,567	26,325	31,907	250,104	11,694	91,858	90,632
OPEB Expense	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-
Contract services	32,054	20,343	27,101	98,821	7,348	57,785	69,389
Dues and subscriptions	-	-	-	-	-	-	-
Insurance	16,509	29,226	19,082	34,061	3,799	21,671	38,228
Interest	1,047	-	494	10,476	-	395	-
Legal and professional	2,835	2,965	1,556	8,032	396	3,153	3,920
Miscellaneous	-	-	-	-	-	-	-
Printing and postage	-	-	2	495	40	406	586
Rebate expense	-	-	-	-	-	-	-
Repairs and maintenance	21,479	8,930	5,190	42,219	1,110	24,875	29,577
Security services	-	-	-	-	-	-	-
Social program funds	2,486	67	11,500	700	27	1,500	571
Supplies	4,406	1,664	1,760	12,101	620	4,816	5,790
Taxes and licenses	11,701	4,504	40,760	105,850	7,671	23,386	15,649
Telephone	795	328	295	2,213	109	845	1,134
Travel	1,632	764	573	5,139	229	1,747	2,655
Utilities	36,380	8,248	66,062	77,143	6,805	46,796	46,507
Total Functional Expenses before Depreciation and Amortization	216,891	103,364	206,282	647,354	39,848	279,233	304,638
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	187,021	4,045	543,397	553,430	27,573	236,428	220,664
Depreciation and amortization	69,227	19,297	171,198	185,107	45,619	76,772	91,740
REVENUE OVER EXPENSES	\$ 117,794	\$ (15,252)	\$ 372,199	\$ 368,323	\$ (18,046)	\$ 159,656	\$ 128,924

See the accompanying notes to the financial statements

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES - URBAN HOUSING SOLUTIONS							
	MCA WALL	REX JR.	URBAN FLATS	PARLIAMENT	CLARKSVILLE HIGHWAY	1227-1235 LEWIS	SOUTHWOOD	OLD HICKORY
REVENUES								
Rental income	\$ -	\$ -	\$ -	\$ 871,344	\$ 747,990	\$ 131,919	\$ 667,327	\$ -
Individual and corporate gifts & Barnes Fund	-	-	-	-	112,222	-	-	54,000
Grants	-	-	-	-	57,170	-	-	-
Developer Fees	-	-	-	-	-	-	-	-
Other	-	-	-	7,368	4,971	566	3,560	-
Total Revenues	-	-	-	878,712	922,353	132,485	670,887	54,000
EXPENSES								
Payroll and related expenses	(1,585)	40,276	56,536	109,107	175,325	29,210	77,324	3,935
OPEB Expense	-	-	-	-	-	-	-	-
Advertising	-	-	-	8,146	-	-	113	-
Bad debt expense	-	-	-	-	-	-	-	-
Contract services	-	-	-	126,506	57,312	8,469	62,799	2,575
Dues and subscriptions	-	-	-	-	-	-	-	-
Insurance	-	182	269	30,925	29,128	6,034	21,919	313
Interest	-	-	-	2,215	2,448	219	11,437	-
Legal and professional	-	596	807	5,813	62,521	991	-	48
Miscellaneous	-	-	-	-	-	-	-	-
Printing and postage	-	-	-	1,860	587	100	520	-
Rebate expense	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	15,260	11,616	2,468	12,043	-
Security services	-	-	-	-	-	-	-	-
Social program funds	-	-	-	2,275	10,005	67	470	-
Supplies	-	683	832	10,789	10,799	1,635	8,057	35
Taxes and licenses	-	-	-	68,293	142,864	17,594	107,034	10,983
Telephone	-	174	238	5,880	1,569	273	2,941	15
Travel	-	48	45	354	2,502	573	27	1
Utilities	-	-	-	71,728	155,296	10,516	45,309	840
Total Functional Expenses before Depreciation and Amortization	(1,585)	41,959	58,727	459,151	661,972	78,149	349,993	18,745
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	1,585	(41,959)	(58,727)	419,561	260,381	54,336	320,894	35,255
Depreciation and amortization	-	-	-	268,757	433,513	217,351	292,047	4,705
REVENUE OVER EXPENSES	<u>\$ 1,585</u>	<u>\$ (41,959)</u>	<u>\$ (58,727)</u>	<u>\$ 150,804</u>	<u>\$ (173,132)</u>	<u>\$ (163,015)</u>	<u>\$ 28,847</u>	<u>\$ 30,550</u>

See the accompanying notes to the financial statements

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES - URBAN HOUSING SOLUTIONS						
	REX'S COURTYARD	VULTEE GARDENS	NEIGHBORHOOD STABILIZATION	THE PARK AT MERCURY COURT	MILLENNIUM	SOUTH PARLIAMENT	TOTAL RENTAL PROJECTS
REVENUES							
Rental income	\$ 694,091	\$ 84,095	\$ 817,264	\$ 94,915	\$ 215,160	\$ -	\$ 8,689,894
Individual and corporate gifts & Barnes Fund	10,000	-	-	-	-	-	676,222
Grants	84,318	16,109	32,293	37,064	5,468	-	771,661
Developer Fees	-	-	-	-	-	-	1,486,186
Other	8,333	2,563	293,253	816	1,780	-	784,046
Total Revenues	796,742	102,767	1,142,810	132,795	222,408	-	12,408,009
EXPENSES							
Payroll and related expenses	141,020	23,509	185,712	34,019	47,153	812	1,955,359
OPEB Expense	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	-	8,259
Bad debt expense	-	-	-	-	-	-	-
Contract services	49,833	11,220	80,982	7,845	15,603	-	891,916
Dues and subscriptions	-	-	-	-	-	-	-
Insurance	33,007	5,311	89,616	5,809	8,584	-	461,392
Interest	-	-	-	-	-	-	29,240
Legal and professional	5,376	796	7,187	1,069	1,402	-	127,082
Miscellaneous	-	-	-	-	-	-	-
Printing and postage	404	-	1,914	-	-	-	15,569
Rebate expense	-	-	-	-	-	-	-
Repairs and maintenance	16,152	6,082	17,131	1,235	7,745	-	282,580
Security services	-	-	-	-	-	-	-
Social program funds	558	437	9,102	229	211	-	56,189
Supplies	7,189	1,241	10,187	1,660	2,174	-	109,778
Taxes and licenses	21,134	4,269	139,185	9,349	15,419	-	759,435
Telephone	1,417	223	1,750	328	398	-	24,982
Travel	2,822	458	3,665	588	716	-	31,835
Utilities	155,463	13,864	80,909	16,905	19,251	-	1,160,617
Total Functional Expenses before Depreciation and Amortization	434,375	67,410	627,340	79,036	118,656	812	5,914,233
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	362,367	35,357	515,470	53,759	103,752	(812)	6,493,776
Depreciation and amortization	113,203	26,063	-	36,607	44,318	-	2,389,387
REVENUE OVER EXPENSES	\$ 249,164	\$ 9,294	\$ 515,470	\$ 17,152	\$ 59,434	\$ (812)	\$ 4,104,389

See the accompanying notes to the financial statements

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES - URBAN HOUSING SOLUTIONS				
	SERVICE COORDINATOR PROGRAM	HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	PERMANENT SUPPORTIVE HOUSING
REVENUES					
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -
Individual and corporate gifts & Barnes Fund	-	-	120,916	-	-
Grants	-	17,370	100,238	55,271	156,910
Developer Fees	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	-	17,370	221,154	55,271	156,910
EXPENSES					
Payroll and related expenses	10,204	52,105	17,757	61,726	204,056
OPEB Expense	-	-	-	-	-
Advertising	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Contract services	-	-	-	-	5,071
Dues and subscriptions	-	-	-	-	-
Insurance	-	485	174	534	1,528
Interest	-	-	-	-	107
Legal and professional	212	1,031	377	1,163	3,880
Miscellaneous	-	-	-	-	-
Printing and postage	-	-	-	-	-
Rebate expense	-	-	-	-	-
Repairs and maintenance	-	-	-	-	326
Security services	-	-	-	-	-
Social program funds	-	25,201	7,490	-	3,753
Supplies	229	656	233	845	4,003
Taxes and licenses	-	-	-	-	-
Telephone	139	796	133	641	1,632
Travel	-	7	141	725	2,335
Utilities	-	-	-	-	-
Total Functional Expenses before Depreciation and Amortization	10,784	80,281	26,305	65,634	226,691
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(10,784)	(62,911)	194,849	(10,363)	(69,781)
Depreciation and amortization	-	-	-	-	296,047
REVENUE OVER EXPENSES	<u>\$ (10,784)</u>	<u>\$ (62,911)</u>	<u>\$ 194,849</u>	<u>\$ (10,363)</u>	<u>\$ (365,828)</u>

See the accompanying notes to the financial statements

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUE AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES - URBAN HOUSING SOLUTIONS		SUPPORTING SERVICES - URBAN HOUSING SOLUTIONS			
	GENERAL DEVELOPMENT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL
REVENUES						
Rental income	\$ -	\$ 8,689,894	\$ -	\$ -	\$ -	\$ 8,689,894
Individual and corporate gifts & Barnes Fund	45,000	842,138	1,700	-	1,700	843,838
Grants	-	1,101,450	-	-	-	1,101,450
Developer Fees	-	1,486,186	-	-	-	1,486,186
Other	-	784,046	46,062	-	46,062	830,108
Total Revenues	45,000	12,903,714	47,762	-	47,762	12,951,476
EXPENSES						
Payroll and related expenses	61,056	2,362,263	118,729	-	118,729	2,480,992
OPEB Expense	-	-	-	-	-	-
Advertising	-	8,259	10,089	-	10,089	18,348
Bad debt expense	-	-	-	-	-	-
Contract services	-	896,987	950	-	950	897,937
Dues and subscriptions	-	-	-	-	-	-
Insurance	537	464,650	1,087	-	1,087	465,737
Interest	-	29,347	-	-	-	29,347
Legal and professional	17,062	150,807	65,286	-	65,286	216,093
Miscellaneous	-	-	(22,728)	-	(22,728)	(22,728)
Printing and postage	121	15,690	5,346	-	5,346	21,036
Rebate expense	-	-	-	-	-	-
Repairs and maintenance	-	282,906	174	-	174	283,080
Security services	-	-	-	-	-	-
Social program funds	-	92,633	26,056	-	26,056	118,689
Supplies	4,151	119,895	56,521	-	56,521	176,416
Taxes and licenses	20	759,455	2,636	-	2,636	762,091
Telephone	264	28,587	3,637	-	3,637	32,224
Travel	112	35,155	526	-	526	35,681
Utilities	-	1,160,617	-	-	-	1,160,617
Total Functional Expenses before Depreciation and Amortization	83,323	6,407,251	268,309	-	268,309	6,675,560
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(38,323)	6,496,463	(220,547)	-	(220,547)	6,275,916
Depreciation and amortization	312	2,685,746	6,630	-	6,630	2,692,376
REVENUE OVER EXPENSES	<u>\$ (38,635)</u>	<u>\$ 3,810,717</u>	<u>\$ (227,177)</u>	<u>\$ -</u>	<u>\$ (227,177)</u>	<u>\$ 3,583,540</u>

See the accompanying notes to the financial statements



NOVOGRADAC
& COMPANY LLP®

REPORT OF INDEPENDENT AUDITORS 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 of
Urban Housing Solutions, Inc. and Subsidiaries

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 consolidated financial statements of Urban Housing Solutions, Inc. and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Urban Housing Solutions, Inc. and subsidiaries' 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. and subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 consolidated 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 21-1 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban Housing Solutions, Inc. and subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of their 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs and Recommendations as item 21-2.

Urban Housing Solutions, Inc. and subsidiaries' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Urban Housing Solutions, Inc. and subsidiaries' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Urban Housing Solutions, Inc. and subsidiaries' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

Dover, OH
September 28, 2022



REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
FOR ITS MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Urban Housing Solutions, Inc. and Subsidiaries

Report on Compliance for its Major Federal Program

Opinion on its Major Federal Program

We have audited Urban Housing Solutions, Inc. and subsidiaries' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Urban Housing Solutions, Inc. and subsidiaries' major federal program for the year ended December 31, 2021. Urban Housing Solutions, Inc. and subsidiaries' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Opinion on its Major Federal Program paragraph, Urban Housing Solutions, Inc. and subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on their major federal program for the year ended December 31, 2021.

Basis for Opinion on its Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Urban Housing Solutions, Inc. and subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of Urban Housing Solutions, Inc. and subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Urban Housing Solutions, Inc. and subsidiaries' federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Urban Housing Solutions, Inc. and subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Urban Housing Solutions, Inc. and subsidiaries' compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Urban Housing Solutions, Inc. and subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Urban Housing Solutions, Inc. and subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Urban Housing Solutions, Inc. and subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 21-2. Our opinion on the major federal program is not modified with respect to these matters. Government Auditing Standards requires the auditor to perform limited procedures on Urban Housing Solutions, Inc. and subsidiaries' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Urban Housing Solutions, Inc. and subsidiaries' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given the limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Novogradec & Company LLP

Dover, OH
September 28, 2022

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> X </u>	Yes	<u> </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> X </u>	Yes	<u> </u> No

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	<u> </u>	Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?	<u> X </u>	Yes	<u> </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section II - Financial Statement Findings

Finding 21-1

Criteria

The Corporation must ensure that proper internal controls are in place to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles ("GAAP").

Statement of Condition

The fixed assets and net assets were not properly reported as of December 31, 2020, which required a prior period adjustment of \$5,366,570 to the December 31, 2020 net assets balance.

Questioned Costs:

None

Effect or potential effect

There is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected by the Corporation's internal control.

Cause

Controls are not in place to ensure that the entity initiates, authorizes, records, processes, and reports financial data reliably in accordance with GAAP.

Recommendation

The Corporation must establish proper internal controls to initiate, authorize, record, process, and report financial data reliably in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions

The prior period adjustment was recorded in current year to adjust the balances. Management will ensure controls are in place to properly initiate, authorize, record, process and report financial data reliably in accordance with GAAP.

URBAN HOUSING SOLUTIONS, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section III - Federal Award Findings and Questioned Costs

Finding 21-2

Criteria

The Corporation has not submitted its Single Audit reporting package to the Federal Audit Clearinghouse since 2016.

Statement of Condition

The Corporation is required to submit its Single Audit reporting package to the Federal Audit Clearinghouse upon the earlier of 30 days after report issuance or 9 months after year end.

Questioned Costs:

None

Effect or potential effect

There is a reasonable possibility that the late submission could affect the federal programs due to the Federal awarding agencies not being timely notified of submission and potential findings..

Cause

The Corporation failed to submit its Single Audit reporting packages to the Federal Audit Clearinghouse timely.

Recommendation

The Corporation should ensure that its Single Audit reporting packages are submitted to the Federal Audit Clearinghouse in a timely manner.

Views of Responsible Officials and Planned Corrective Actions

The 2021 Single Audit reporting package will be submitted in a timely manner to the Federal Audit Clearinghouse and the filings will be monitored in the future.