THE HOUSING FUND, INC. AND SUBSIDIARY

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

SEPTEMBER 30, 2014 AND 2013

THE HOUSING FUND, INC. AND SUBSIDIARY

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS, ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

SEPTEMBER 30, 2014 AND 2013

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KraftCPAs PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Housing Fund, Inc.
Nashville, Tennessee

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of The Housing Fund, Inc., a Tennessee not-for-profit corporation, and subsidiary (collectively, the "Agency") which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY 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.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

KraftCPAs PLLC - Certified Public Accountants and Consultants
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OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Agency taken as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the consolidating statements of financial position and activities are presented for purposes of additional analysis and is 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 our report dated January 20, 2015, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
January 20, 2015

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 4,774,140	$ 4,533,129
Cash and cash equivalents, designated for federal programs	1,683,713	1,893,233
Accounts receivable	21,092	61,186
Government grants receivable	286,410	124,622
Accrued interest on loans receivable	137,257	132,161
Loans receivable:		
Down payment assistance loans, net	6,680,782	6,800,963
Flood assistance loans, net	1,194,964	1,281,509
Development loans, net	4,522,461	5,017,183
Shared equity loans, net	1,344,811	723,160
Real estate owned	202,244	202,244
Prepaid expenses	48,699	7,680
Property, furniture and equipment, net	205,810	232,014
Investment in limited partnership	200,000	200,000
TOTAL ASSETS	$ 21,302,383	$ 21,209,084
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 81,975	$ 168,923
Accrued expenses	132,379	140,191
Deferred revenue	942,498	200,000
Notes payable	9,808,841	10,393,763
TOTAL LIABILITIES	10,965,693	10,902,877
NET ASSETS		
Unrestricted	10,336,690	10,306,207
TOTAL NET ASSETS	10,336,690	10,306,207
TOTAL LIABILITIES AND NET ASSETS	$ 21,302,383	$ 21,209,084

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
SUPPORT AND REVENUES		
Public support:		
Federal, state and local government grants	$ 2,251,057	$ 2,426,747
Grants from private institutions	61,111	109,000
Contributions	5,521	15,000
Revenues:		
Service and administrative fees	79,977	89,709
Interest income:		
Loans	398,671	340,650
Other	6,440	5,665
Other	22,402	37,736
TOTAL SUPPORT AND REVENUES	2,825,179	3,024,507
EXPENSES		
Program services:		
Low-income housing assistance programs	1,332,186	1,562,521
Flood assistance programs	1,329,326	975,423
Supporting services:		
Management and general	133,184	247,488
TOTAL EXPENSES	2,794,696	2,785,432
CHANGE IN NET ASSETS	30,483	239,075
NET ASSETS - BEGINNING OF YEAR	10,306,207	10,067,132
NET ASSETS - END OF YEAR	10,336,690	$ 10,306,207

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014			
	Program Services		Supporting Services	
	Low-Income Housing Assistance	Flood Assistance	Management and General	Totals
Payroll and related costs	$ 742,214	$ 182,325	$ 60,567	$ 985,106
Flood assistance grants	-	1,266,844	-	1,266,844
Provision for uncollectible loans	168,175	(145,900)	-	22,275
Advertising	1,674	-	10,593	12,267
Depreciation	22,764	3,686	2,961	29,411
Interest	224,364	-	-	224,364
Occupancy	58,459	8,772	7,046	74,277
Printing	643	-	-	643
Professional fees	4,291	-	28,275	32,566
Servicing fees	45,963	185	-	46,148
Office expense and miscellaneous	63,639	13,414	23,742	100,795
	$ 1,332,186	$ 1,329,326	$ 133,184	$ 2,794,696

See accompanying notes to consolidated financial statements.

2013			
Program Services		Supporting Services	
Low-Income Housing Assistance	Flood Assistance	Management and General	Totals
$ 694,073	$ 262,814	$ 159,887	$ 1,116,774
-	635,090	-	635,090
322,327	18,000	-	340,327
1,674	-	13,403	15,077
18,666	6,804	6,315	31,785
249,300	-	-	249,300
45,524	16,315	17,946	79,785
168	-	1,163	1,331
27,152	12,925	31,695	71,772
56,351	122	18	56,491
147,286	23,353	17,061	187,700
$ 1,562,521	$ 975,423	$ 247,488	$ 2,785,432

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ 30,483	$ 239,075
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,411	31,784
Accrued interest added to notes payable	67,055	37,862
Provision for uncollectible loans	22,275	340,327
(Increase) decrease in:		
Accounts receivable	40,094	(35,381)
Government grants receivable	(161,788)	555,776
Accrued interest receivable	(5,096)	258
Prepaid expenses	(41,019)	2,449
(Decrease) increase in:		
Accounts payable	(86,948)	30,384
Accrued expenses	(7,812)	(34,568)
Deferred revenue	742,498	(285,833)
Net adjustments	598,670	643,058
NET CASH PROVIDED BY OPERATING ACTIVITIES	629,153	882,133
INVESTING ACTIVITIES		
Acquisition of property, furniture and equipment	(3,207)	(9,849)
Housing down payment assistance loans made	(661,852)	(387,672)
Principal repayments on down payment assistance loans	730,543	594,271
Flood assistance loans made	(19,275)	(93,973)
Principal repayments on flood assistance loans	274,522	180,256
Flood assistance loans repaid to grantor	(22,802)	(82,774)
Development loans made	(3,680,754)	(2,863,767)
Principal repayments on development loans	4,091,471	2,688,028
Shared equity loans made	(654,331)	(480,705)
Principal repayments on shared equity loans	-	49,132
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	54,315	(407,053)
FINANCING ACTIVITIES		
Borrowings on notes payable	150,000	-
Principal payments on notes payable	(801,977)	(671,290)
NET CASH USED IN FINANCING ACTIVITIES	(651,977)	(671,290)
INCREASE (DECREASE) IN CASH	31,491	(196,210)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,426,362	6,622,572
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,457,853	$ 6,426,362
ADDITIONAL CASH FLOW INFORMATION:		
Interest expense paid	$ 221,685	$ 225,363

See accompanying notes to consolidated financial statements.

NOTE 1 - GENERAL

The Housing Fund, Inc. ("THF") was organized in 1996 as a Tennessee not-for-profit corporation. Its stated mission is to "provide resources and creative leadership to help individuals and communities create and maintain affordable and healthy places to live." THF is designated as a Community Development Financial Institution ("CDFI") by the U.S. Department of Treasury. In addition, THF is one of the nonprofit agencies involved in a joint effort of private and public sectors established to provide the "We Are Home" program, which is designed to fill gaps that exist for homeowners by providing financing for the repairs of homes damaged by the May 2010 flood in Nashville and surrounding counties.

During 2002, Laurel House Apartments GP, Inc. ("Laurel House") was organized as a for-profit corporation and is a wholly-owned subsidiary of THF. Laurel House owns 1/10 of 1% as general partner of Laurel House 2001, L.P., a limited partnership that was also organized in 2002. Laurel House 2001, L.P. acquired certain real estate for the construction and operation of Laurel House Apartments (the "Laurel House project"), a 48-apartment unit development, with parking availability, 10,000 square feet of retail space, and offices for THF (see Note 8). The Laurel House project was funded in part through a Tax Increment Financing loan ("TIF"), provided by THF, in the amount of $700,000. Additional funding for the Laurel House project came from proceeds of the sale of federal low-income housing tax credits. The general partnership interest of Laurel House in the limited partnership is reported at its $200,000 historical cost. In accordance with the Amended and Restated Limited Partnership Agreement of Laurel House 2001, L.P., the general partner has the right of first refusal to acquire the property at the end of the statutory compliance period pursuant to applicable provisions of Internal Revenue Code §42(i)(7).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of THF and its subsidiary (collectively the "Agency"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation

The accompanying consolidated financial statements present the financial position and change in net assets of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

The Agency had no temporarily or permanently restricted net assets as of September 30, 2014 and 2013.

Contributions and support

Contributions received 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 designated for future periods or restricted by the donor 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 consolidated statement of activities as net assets released from restrictions.

The Agency also receives grant revenue from federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

The Agency 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred revenue

Grant funds received prior to expenditure are recorded initially as deferred revenue and recognized in the period a liability is incurred for eligible expenditures under the term of the grant.

Federal loan awards

Federal awards received by the Agency that include an obligation to repay loaned amounts back to the awarding agency are included in notes payable until such amounts are repaid by the Agency. Federal loan awards are considered expended when the loan disbursements are made to eligible recipients.

Cash and cash equivalents and designated cash

Cash and cash equivalents include demand deposits and money market funds with banks. Cash equivalents also include bank certificates of deposit that can be liquidated without significant penalty or restriction (including accrued interest).

Cash and cash equivalents, designated for lending consists of discretely managed accounts maintained to comply with contractual requirements imposed by grantors, and may be used only for the purpose of funding loans.

Accounts receivable

Accounts receivable are deemed to be fully collectible by management, and no allowance for bad debts is considered necessary.

Real estate owned

Foreclosed development and down payment assistance loans are transferred to real estate owned at the carrying value of the foreclosed loan. All additional development costs related to the development of such projects are capitalized. Carrying values of development projects are reviewed annually for impairment. A project is considered impaired when the estimated present value of the expected future cash flows relating to the project is less than the carrying value. Any impairment loss is recognized in the period such determination is made.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, furniture and equipment

Property, furniture and equipment are reported at cost at the date of purchase, or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of $200 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: twenty years or the life of the lease, if shorter, for leasehold improvements, three years for computer equipment, and seven years for furniture and fixtures.

In-kind contributions

Donated facilities and materials are recorded as gifts in the period received at estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have been otherwise purchased by the Agency. Such services are recognized at estimated fair value as support and expense in the period the services are performed.

Allowance for uncollectible loans

The allowance for uncollectible loans is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using historical loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, and current economic conditions. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component is based on historical loss experience adjusted for current factors. The entire allowance is available for any loan that, in management's judgment, should be charged off.

A loan receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the loan agreement. The allowance for uncollectible loans is established by charges to program services expense and is maintained at an amount which management believes adequate to absorb losses on existing loans. Uncollectible loans are charged to the allowance account in the period such determination is made.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

THF qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

THF files a U.S. federal Form 990 for organizations exempt from income tax. Tax returns for years prior to fiscal year 2011 are no longer open to examination.

Laurel House is a for-profit corporation and files a federal Form 1120 and a Tennessee Franchise and Excise tax return. Tax returns for years prior to 2011 are no longer open to examination.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing THF's and Laurel House's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Program and supporting services

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

Low-income housing assistance - includes a down payment assistance-lending program, a community development loan program and a shared equity homeownership program designed to assist income eligible households in acquiring or maintaining their primary residence and to assist not-for-profit and for-profit developers in increasing the supply of decent and affordable housing for low and moderate income families in middle Tennessee.

Flood assistance - includes a flood assistance-lending program designed to assist homeowners in the repair of homes damaged by the May 2010 flood, and to finance the acquisition, repair, and sale of flood-impacted properties by Habitat for Humanity. Nashville's "We Are Home" program is a joint effort of Nashville's private and public sectors, including the Community Foundation of Middle Tennessee, local financial institutions, nonprofit organizations, and the Metropolitan Government of Nashville and Davidson County. The "We Are Home" program is designed to fill gaps that exist for homeowners after taking into account individual assistance provided by the Federal Emergency Management Agency ("FEMA") and the Small Business Administration ("SBA") by providing financial assistance in the form of low-interest loans, grants and due-on-sale loans.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, including costs associated with providing coordination and articulation of the Agency's program strategy, business management, general recordkeeping, budgeting and related purposes.

Allocation of functional expenses

Costs of providing the Agency's programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited. Costs that are not allocated to program services are classified as management and general.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with GAAP 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. Accordingly, actual results could differ from those estimates.

Events occurring after reporting date

The Agency has evaluated events and transactions that occurred between September 30, 2014 and January 20, 2015, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS

Down payment assistance loans

Down payment assistance loans, secured by a second deed of trust on the applicable properties, are made to homebuyers from unrestricted funds. These loans range from $1,000 to $35,000 and consist of the following as of September 30:

	2014	2013
Interest-bearing loans with interest at rates from 2% to 8%, for terms of 5 to 30 years	$ 2,886,851	$ 2,834,454
Non-interest bearing loans that are payable upon the sale of the property	4,146,499	4,325,547
	7,033,350	7,160,001
Less: allowance for uncollectible loans	(352,568)	(359,038)
Total	$ 6,680,782	$ 6,800,963

Annual principal maturities of down payment assistance loans (excluding the loans that are due upon the sale of the property) are as follows:

Year ending September 30:	
2015	$ 252,253
2016	255,063
2017	257,199
2018	227,419
2019	215,212
Thereafter	1,679,705
	$ 2,886,851

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Flood assistance loans

Flood assistance loans, secured by the repaired property through a second or third deed of trust are made to homeowners through federal grants or temporarily restricted funds. These loans range from approximately $1,000 to $55,000 and consist of the following as of September 30:

	2014	2013
Interest-bearing loans with interest rate at 4%, requiring monthly payments for terms of 5 to 25 years	$ 379,383	$ 550,501
Non-interest bearing loans that are payable upon the sale of the property	2,892,609	3,037,295
	3,271,992	3,587,796
Less: allowance for uncollectible loans	(2,077,028)	(2,306,287)
Total	$ 1,194,964	$ 1,281,509

Annual principal maturities of flood assistance loans (excluding the loans that are due upon the sale of the property) are as follows:

Year ending September 30:	
2015	$ 19,771
2016	22,569
2017	23,115
2018	24,023
2019	25,001
Thereafter	264,903
	$ 379,383

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans

Development loans consist of the following as of September 30:

		2014	2013
Loans to not-for-profit, government and for-profit developers for the development of affordable housing, ranging from approximately $34,000 to $1,600,000, for terms of 24 to 324 months, with interest at rates from 1% to 7%; used to finance construction of single-family homes for sale and rental units in low to moderate income neighborhoods. Principal and interest are payable at the earlier of maturity or the date the constructed home is sold.		$ 4,996,234	$ 5,093,785
Development loan to Conexion Americas, a not-for-profit agency, to fund *Puertas Abiertas*, a down payment assistance program for Hispanic families, with interest at 5%; repayment term corresponds with Conexion Americas collection of principal payments from down payment assistance loans of the program, which have terms up to 10 years from the date of the loan.		167,362	210,667
Related party loans:			
Loan agreement with MDHA for Laurel House project	(1)	257,942	313,011
		5,421,538	5,617,463
Development loans for the "Our House" program - Non interest bearing loans payable upon the sale of the underlying properties	(2)	-	309,547
		5,421,538	5,927,010
Less: allowance for uncollectible loans		(899,077)	(909,827)
Total		$ 4,522,461	$ 5,017,183

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans (continued)

(1) On December 19, 2001 and October 20, 2004, THF loaned MDHA \$500,000 and \$200,000, respectively, for Tax Increment Financing ("TIF") for the Laurel House project that was developed by Laurel House 2001, L.P. (See Note 1.) Annual payments in an amount equal to the amount of Tax Increment Proceeds are due and payable on May 1 each year through 2028. All payments are applied first to interest at the rate of 6% per annum, with any remaining balance applied to principal. Accrued interest on these loans was \$6,546 as of September 30, 2014 (\$7,889 as of September 30, 2013).

(2) The Agency was one of several nonprofit agencies involved in a joint effort of private and public sectors established to provide the "Our House" program, which was designed to establish financing mechanisms, including shared equity loans for the purchase and redevelopment of foreclosed residential properties, the purchase and rehabilitation of residential properties that have been abandoned or foreclosed upon and the redevelopment of demolished or vacant properties as housing. Federal grant funds under the Neighborhood Stabilization Program - 2 program disbursed to the developers of such projects were recorded at cost. The Agency had three grant-funded development loans to real estate developers for the construction of single family homes for qualified buyers under the program. The development loans were repayable upon the sale of the homes by the developer and do not bear interest. Qualified homebuyers agreed to certain restrictions on their use and resale of the property. Remaining development loans to the property developers were repaid during 2014.

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans (continued)

Annual principal maturities of development loans receivable that contain set repayment terms are as follows:

Year ending September 30:

2015	$ 3,342,785
2016	145,766
2017	723,918
2018	295,460
2019	137,183
Thereafter	776,426
	$ 5,421,538

Shared equity loans

Shared equity loans are offered through a homeownership program, “Our House”, to provide qualified homebuyers with funds up to 25% of the home’s purchase price. Shared equity loan principal plus a portion of the home’s appreciation are repayable upon the sale of home by borrower; however, these loans are assumable by future buyers eligible under the shared equity program. Funds disbursed to borrowers are recorded at cost. Borrowers agree to certain restrictions on their use and resale of the property. Shared equity loans consist of the following as of September 30:

	2014	2013
Non-interest bearing loans that are payable upon the sale of the property	$ 1,415,591	$ 761,260
Less: allowance for uncollectible loans	(70,780)	(38,100)
Total	$ 1,344,811	$ 723,160

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2014:

	Down payment assistance	Flood	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$ 359,038	$ 2,306,287	$ 909,827	$ 38,100
Charge-offs	(86,663)	(60,557)	(104,455)	9,700
Recoveries	28,703	(22,802)	-	-
Provisions	51,490	(145,900)	93,705	22,980
Ending balance	$ 352,568	$ 2,077,028	$ 899,077	$ 70,780
Ending balance: individually evaluated for impairment	$ -	$ -	$ 899,077	$ -
Ending balance: collectively evaluated for impairment	$ 352,568	$ 2,077,028	$ -	$ 70,780
Loans:				
Ending balance	$ 7,033,350	$ 3,271,992	$ 5,421,538	$ 1,415,591
Ending balance: individually evaluated for impairment	$ -	$ -	$ 5,421,538	$ -
Ending balance: collectively evaluated for impairment	$ 7,033,350	$ 3,271,992	$ -	$ 1,415,591

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2013:

	Down payment assistance	Flood	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$ 383,000	$ 2,396,000	$ 937,000	$ 17,000
Charge-offs	(294,664)	(107,713)	(73,100)	-
Recoveries	15,402	-	-	-
Provisions	255,300	18,000	45,927	21,100
Ending balance	$ 359,038	$ 2,306,287	$ 909,827	$ 38,100
Ending balance: individually evaluated for impairment	$ -	$ -	$ 909,827	$ -
Ending balance: collectively evaluated for impairment	$ 359,038	$ 2,306,287	$ -	$ 38,100
Loans:				
Ending balance	$ 7,160,001	$ 3,587,796	$ 5,927,010	$ 761,260
Ending balance: individually evaluated for impairment	$ -	$ -	$ 5,927,010	$ -
Ending balance: collectively evaluated for impairment	$ 7,160,001	$ 3,587,796	$ -	$ 761,260

The Agency's policies relevant to each loan portfolio's allowance for uncollectible loans are as follows:

Down payment assistance loans - The Agency reserves approximately 5% of the total loan portfolio. The allowance for uncollectible loans is calculated at the end of each month based on outstanding loan balances.

Flood loans - For loans to owner occupied single family homes originated prior to September 30, 2011, reserve amounts were calculated based on 70% of the face amount for loans due on sale of the underlying property. For loans where principal and interest are amortized, the reserve amounts were calculated based on 50% of the face amount for the loans. For all loans originated during the year ending September 30, 2014 and 2013, the reserve is based on 40% of the face amount for the new loans. Collection experience on outstanding flood loans was better than first anticipated. As a result, the Agency re-evaluated the loan loss income and recorded a negative current year provision on flood loans of $145,900 during 2014.

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Development loans - The Agency utilizes a risk rating system to monitor the credit quality of the Agency's development loan portfolio. Loans are assigned a risk rating on a scale of 1 to 8. A description of the risk ratings are as follows:

Rating	**Percent Reserved**	**Description**
1	1%	Metropolitan Development Housing Agency ("MDHA") or MDHA Development Agreement in place; experienced developer with several THF loans in past; very strong nonprofit; TIF on completed project now paying taxes
2	2%	Experienced developer or strong nonprofit, as above, but may be subordinate; may be TIF project nearly complete but not yet paying taxes
3	3%	Newer developer or little experience with THF; may be experienced developer with THF loan in subordinate position; early TIF project
4	4%	New developer with little experience with THF; may be newer developer with THF in subordinate position; may be unsecured with experienced developer or nonprofit
5	5%	Unsecured or predevelopment loan fund in early stage
6,7,8	As needed	THF concerned about status of project, set reserve based on anticipated loss

Shared equity loans - The Agency reserves approximately 5% of the total loan portfolio. The allowance for uncollectible loans is calculated at the end of each month based on outstanding loan balances.

NOTE 4 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following as of September 30:

	2014	2013
Leasehold improvements	$ 354,276	$ 354,276
Computer equipment	80,419	77,211
Furniture and fixtures	43,673	43,673
	478,368	475,160
Less: accumulated depreciation	(272,558)	(243,146)
Total	$ 205,810	$ 232,014

NOTE 5 - NOTES PAYABLE

A summary of notes payable to financial institutions and other lenders as of September 30, 2014 and 2013, follows:

Institutional Lenders		Original Issues	2014 Principal Balance Drawn	2014 Accrued Interest	2014 Total Balance	Amount Available To Be Drawn	2013 Principal Balance Drawn	2013 Accrued Interest	2013 Total Balance
Bank of America	2	$2,000,000	$ 1,000,000	$ -	$ 1,000,000	$ -	$ 1,500,000	$ -	$ 1,500,000
U. S. Bank	3	2,000,000	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000
Regions Bank of Tennessee		1,700,000	1,700,000	-	1,700,000	-	1,700,000	-	1,700,000
SunTrust Bank		1,500,000	1,500,000	35,205	1,535,205	-	1,500,000	-	1,500,000
Pinnacle National Bank		600,000	600,000	-	600,000	-	600,000	-	600,000
Community Development Financial Institutions Fund (CDFI)		572,044	572,044	-	572,044	-	572,044	-	572,044
The Bank of Nashville		350,000	350,000	-	350,000	-	350,000	-	350,000
Fifth Third Bank		300,000	300,000	-	300,000	-	300,000	-	300,000
GMAC Mortgage Company		300,000	100,000	33,669	133,669	200,000	100,000	30,409	130,409
F & M Bank	1	300,000	300,000	38,719	338,719	-	300,000	32,077	332,077
Monticello Banking Company	4	-	-	-	-	-	250,000	31,992	281,992
First Tennessee Bank, N.A.		250,000	250,000	-	250,000	-	250,000	-	250,000
InsBank of Tennessee		150,000	150,000	27,216	177,216	-	150,000	22,893	172,893
Truxton Trust		250,000	250,000	7,408	257,408	-	100,000	4,789	104,789
Vanderbilt University		100,000	100,000	33,614	133,614	-	100,000	30,355	130,355
Renasant Bank		100,000	100,000	19,718	119,718	-	100,000	17,371	117,371
Cumberland Bank and Trust	1	100,000	100,000	-	100,000	-	100,000	-	100,000
Planter’s Bank		100,000	-	-	-	100,000	-	-	-
Legends Bank	1	100,000	100,000	-	100,000	-	100,000	13,420	113,420
Heritage Bank	1	100,000	100,000	16,247	116,247	-	100,000	13,413	113,413
Fort Campbell Federal Credit Union	1	25,000	25,000	-	25,000	-	25,000	-	25,000
Total Notes Payable			$ 9,597,044	$ 211,797	$ 9,808,841	$ 300,000	$ 10,197,044	$ 196,719	$ 10,393,763

1 - Funding available for Clarksville/Montgomery County, Tennessee operations.

2 - Includes $200,000 funding available for Clarksville/Montgomery County, Tennessee operations.

3 - Includes $250,000 funding available for Clarksville/Montgomery County, Tennessee operations. Includes $250,000 funding available for Bowling Green, Kentucky operations.

4 - Funding available for Bowling Green, Kentucky operations.

NOTE 5 - NOTES PAYABLE (CONTINUED)

Loans from various financial institutions generally mature in one to ten years, accrue interest at rates from 2.0% to 2.5% annually, and are unsecured and subordinated. Certain loans contain automatic extension provisions that can renew indefinitely. Some loans permit the accrued interest to be added to the principal balance quarterly; the other loans require the interest to be paid quarterly. Accrued interest added to principal balances amounted to $67,055 in 2014, and $37,862 in 2013.

Annual principal maturities of notes payable are as follows:

Year ending September 30:	
2015	$ 1,933,669
2016	1,500,000
2017	258,122
2018	3,448,944
2019	-
Thereafter	2,668,106
	$ 9,808,841

NOTE 6 - CONTRACT AGREEMENT

During the year ended September 30, 2014, The Organization entered into a contract with the Metropolitan Government of Nashville and Davidson County to provide technical and management assistance services to the Metro Housing Trust Fund Commission. The contract term extends for 60 months and may be extended by contract amendment. The total amount of the contract has an estimated value of $618,000 and shall be paid monthly as work is completed and approved by the Metro Housing Trust Fund Commission. Revenue pertaining to the contact amounted to $125,000 for the year ended September 30, 2014.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents and loans receivable. Loans receivable are widely dispersed throughout Middle Tennessee and South Central Kentucky to mitigate credit risk.

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. The Agency’s cash balance, from time to time, may exceed statutory limits. The Agency has not experienced any losses in such accounts and considers this to be a normal business risk.

NOTE 7 - CONCENTRATION OF CREDIT RISK (CONTINUED)

The Agency also maintains cash and cash equivalents in an investment account at a brokerage company. This investment consists of a money market fund. Generally, the balance is not insured by the FDIC or any other governmental agency and is subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000. The SIPC does not insure against market risk.

Outstanding development loans to two developers comprised 48% of the total of such loans at September 30, 2014 (two developers comprised 42% in 2013).

NOTE 8 - CONTRACTED SERVICES AND EMPLOYEE BENEFIT PLANS

Contracted services

The Agency's staff is employed under a Professional Employer Organization ("PEO") agreement with LBMC Employment Partners and reports solely to the Agency's Board of Directors. The Agency reimburses LBMC Employment Partners for the salaries and related fringe benefits, which include Social Security and Medicare taxes, insurance and employee benefit plan costs.

During 2013, the staff was leased from MDHA under similar terms.

Employee benefit plans

All Agency staff members participate in The Housing Fund 401(k) Retirement Plan administered by The Retirement Plan Company, LLC.

The 401(k) plan is principally as a defined contribution plan. Employees are eligible to participate beginning the first day of the month following the date of hire. There are no required contributions by the participants; however, participants may make voluntary contributions from in accordance with the limit set by law, and the Agency contributes 13% of participants' basic compensation. Contributions are invested in any of the funds offered by the Retirement Plan Company, LLC, as selected by the participant. Investment options and voluntary contributions may be changed daily, within limitation.

Participants are immediately vested in their voluntary contributions plus actual earnings. Participants are also immediately vested in 5.5% Safe Harbor of the Agency's contributions. For each year of participation in the plan, participants vest at the rate of 20% of the remaining balance and become fully vested after five years.

NOTE 8 - CONTRACTED SERVICES AND EMPLOYEE BENEFIT PLANS (CONTINUED)

Employee benefit plans (continued)

Benefits are paid in the form of a cash distribution or various other annuity options at normal retirement date (age 65), death or disability. Participants may also elect to roll the vested portion of their retirement savings into another qualified plan or an individual retirement account or leave their account in the plan.

During 2013, the Agency's staff participated in the 401A plan administered by MDHA.

The Agency's contributions to all employee benefit plans for the year ended September 30, 2014, amounted to $68,511 ($90,357 for 2013), which equaled the amount of required employer contributions.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Agency has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance 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.

In February 2004, the Agency relocated to new offices leased under a twenty-year operating lease with Laurel House 2001, L.P. (See Note 1). The lease provides for scheduled rent increases every five years and includes two 5-year renewal options. Rent expense on this lease is recognized on the straight-line basis and also includes the Agency's pro-rata share of property taxes and insurance. The excess of the rent expense recognized over the amount paid is included in accrued expenses.

The Agency leases space for one satellite office under a non-cancellable lease. The lease term is for the period of one year, which expired in December 2014. The Agency is leasing the space on a month-to-month basis but anticipates a lease renewal through December 2015. Total rent expense amounted to $50,841 in 2014 and $54,735 in 2013.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum rent payments required under these lease agreements are as follows:

Year ending September 30:

2015	$	47,252
2016		43,052
2017		43,052
2018		43,052
2019		46,093
Thereafter		206,319
Total	$	428,820

NOTE 10 - RELATED PARTY TRANSACTIONS

Three of the Agency's 21 board members are senior officers with financial institutions or other lenders with which the Agency has outstanding loans totaling $2,950,000 at September 30, 2014. One board member is employed by an organization which the agency has loans receivable totaling $1,847,593. Another board member is a member of the accounting firm with which the Agency has a PEO agreement.

ADDITIONAL INFORMATION

THE HOUSING FUND, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Grant Description	Notes	Federal CFDA#	Grant Number	(Accrued) Deferred 10/1/2013	10/1/13 - 9/30/14 Receipts	Expenditures	Program Income Utilization	(Accrued) Deferred 9/30/2014
DEPARTMENT OF THE TREASURY								
Community Development Financial Institutions Fund (CDFI) - Financial assistance		21.020	131FA011424	$ -	$ 989,283	$ 46,785	$ -	$ 942,498
Total CFDA 21.020				-	989,283	46,785	-	942,498
PASSED THROUGH TENNESSEE HOUSING DEVELOPMENT AGENCY								
National Foreclosure Mitigation Counseling		21.000	N/A	-	5,103	5,103	-	-
Hardest Hit Fund		21.000	N/A	-	54,000	54,000	-	-
Total CFDA 21.000				-	59,103	59,103	-	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
HOME Investment Partnerships Program - We Are Home Program								
We Are Home Flood - program		14.239	M-10-MC-47-0203	(29,685)	-	-	-	(29,685)
We Are Home Flood - administration		14.239	M-10-MC-47-0203	(4,901)	-	-	-	(4,901)
Total CFDA 14.239				(34,586)	-	-	-	(34,586)
PASSED THROUGH METROPOLITAN DEVELOPMENT & HOUSING AGENCY								
Community Development Block Grant - We Are Home Program								
We Are Home CDBG - program	*	14.218	B-10-MC-47-0007	3,960	-	-	-	3,960
We Are Home CDBG - administration	*	14.218	B-10-MC-47-0007	5,846	-	-	-	5,846
				9,806	-	-	-	9,806
Community Development Block Grant - Disaster Services								
Community Development Block Grant - Disaster Services - program	*	14.218	B-10-MF-47-0002	9,341	74,349	50,548	-	33,142
Community Development Block Grant - Disaster Services - expenditures (Habitat)	*	14.218	B-10-MF-47-0002	(107,752)	1,654,041	1,766,189	-	(219,900)
Community Development Block Grant - Disaster Services - administration	*	14.218	B-10-MF-47-0002	67,887	147,658	149,707	-	65,838
Community Development Block Grant - Disaster Services - program income utilization	*	14.218	B-10-MF-47-0002	-	(206,337)	-	(206,337)	-
Community Development Block Grant - Disaster Services - program delivery	*	14.218	B-10-MF-47-0002	(51,352)	113,423	114,623	-	(52,552)
				(81,876)	1,783,134	2,081,067	(206,337)	(173,472)
PASSED THROUGH THE CITY OF FRANKLIN:								
Community Development Block Grant	*	14.218	N/A	(5,000)	20,000	21,250	-	(6,250)
PASSED THROUGH THE CITY OF CLEVELAND:								
Community Development Block Grant	*	14.218	N/A	-	18,750	25,000	-	(6,250)
PASSED THROUGH THE CITY OF HENDERSONVILLE:								
Community Development Block Grant	*	14.218	N/A	(3,155)	28,155	25,000	-	-
Total CFDA 14.218				(80,225)	1,850,039	2,152,317	(206,337)	(176,166)
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
ARRA - Neighborhood Stabilization Program - 2 - Our House		14.256	B-09-CN-TN-0024	-	435,741	435,741	-	-
ARRA - Neighborhood Stabilization Program - 2 - administration		14.256	B-09-CN-TN-0024	-	65,841	65,841	-	-
ARRA - Neighborhood Stabilization Program - 2 - program income utilization		14.256	B-09-CN-TN-0024	-	(1,452,541)	-	(1,452,541)	-
ARRA - Neighborhood Stabilization Program - 2 - program		14.256	B-09-CN-TN-0024	-	950,959	950,959	-	-
Total CFDA 14.256				-	-	1,452,541	(1,452,541)	-

*Denotes a major program under OMB Circular A-133.

THE HOUSING FUND, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Grant Description	Notes	Federal CFDA#	Grant Number	(Accrued) Deferred 10/1/2013	10/1/13 - 9/30/14 Receipts	Expenditures	Program Income Utilization	(Accrued) Deferred 9/30/2014
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE - SOCIAL INNOVATION FUND								
PASSED THROUGH NCM CAPITAL IMPACT								
CHIP Program		94.019	N/A	$ (9,811)	$ 70,843	$ 74,187	$ -	$ (13,156)
DEPARTMENT OF ENERGY								
PASSED THROUGH SOUTHEAST ENERGY EFFICIENCY ALLIANCE								
Energy Lending - Loan loss reserve		81.128	N/A	200,000	35,000	-	-	235,000
Loan loss reserve Refunded		81.128	N/A	-	(235,000)	-	-	(235,000)
Total CFDA 81.128				200,000	(200,000)	-	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 75,378	$ 2,769,268	$ 3,784,933	$ (1,658,878)	$ 718,590

Basis of Presentation

This Schedule of Expenditures of Federal Awards includes the federal grant activity of The Housing Fund, Inc. and Subsidiary 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 consolidated financial statements. This schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2014

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
ASSETS				
Cash and cash equivalents	$ 4,774,140	$ -	$ -	$ 4,774,140
Cash and cash equivalents, designated for federal programs	1,683,713	-	-	1,683,713
Accounts receivable	21,092	-	-	21,092
Government grants receivable	286,410	-	-	286,410
Accrued interest on loans receivable	137,257	-	-	137,257
Down payment assistance loans receivable, net	6,680,782	-	-	6,680,782
Flood assistance loans receivable, net	1,194,964	-	-	1,194,964
Development loans receivable, net	4,522,461	-	-	4,522,461
Shared equity loans receivable, net	1,344,811	-	-	1,344,811
Real estate owned	202,244	-	-	202,244
Prepaid expenses	48,699	-	-	48,699
Property, furniture and equipment, net	205,810	-	-	205,810
Investment in subsidiary	200,000	-	(200,000)	-
Investment in limited partnership	-	200,000	-	200,000
TOTAL ASSETS	$ 21,302,383	$ 200,000	$ (200,000)	$ 21,302,383
LIABILITIES				
Accounts payable	$ 81,975	$ -	$ -	$ 81,975
Accrued expenses	132,379	-	-	132,379
Deferred revenue	942,498	-	-	942,498
Notes payable	9,808,841	-	-	9,808,841
TOTAL LIABILITIES	10,965,693	-	-	10,965,693
NET ASSETS	10,336,690	200,000	(200,000)	10,336,690
TOTAL LIABILITIES AND NET ASSETS	$ 21,302,383	$ 200,000	$ (200,000)	$ 21,302,383

THE HOUSING FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES				
Public support:				
Federal, state and local government grants	$ 2,251,057	$ -	$ -	$ 2,251,057
Grants from private institutions	61,111	-	-	61,111
Contributions	5,521	-	-	5,521
Revenues:				
Service and administrative fees	79,977	-	-	79,977
Interest income:				
Loans	398,671	-	-	398,671
Other	6,440	-	-	6,440
Other	22,402	-	-	22,402
TOTAL SUPPORT AND REVENUES	$ 2,825,179	-	-	2,825,179
EXPENSES				
Program services:				
Low-income housing assistance programs	1,332,186	-	-	1,332,186
Flood assistance programs	1,329,326	-	-	1,329,326
Supporting services:				
Management and general	133,184	-	-	133,184
TOTAL EXPENSES	2,794,696	-	-	2,794,696
CHANGE IN NET ASSETS	30,483	-	-	30,483
NET ASSETS - BEGINNING OF YEAR	10,306,207	200,000	(200,000)	10,306,207
NET ASSETS - END OF YEAR	10,336,690	$ 200,000	$ (200,000)	$ 10,336,690

OTHER REPORTS

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*

Board of Directors
The Housing Fund, Inc.
Nashville, Tennessee

We have audited, 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, the consolidated financial statements of The Housing Fund, Inc., a Tennessee not-for-profit corporation and subsidiary (collectively, the "Agency"), which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 20, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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.

KraftCPAs PLLC - Certified Public Accountants and Consultants
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COMPLIANCE AND OTHER MATTERS

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

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

KraftCPAs PLLC

Nashville, Tennessee
January 20, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
The Housing Fund, Inc.
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of The Housing Fund, Inc. and subsidiaries (collectively, the "Agency") 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 the Agency's major federal programs for the year ended September 30, 2014. The Agency'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 the Agency'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 the Agency'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 the Agency's compliance.

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the Agency 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 September 30, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Agency 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 the Agency'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 the Agency'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.

KraftCPAs PLLC

Nashville, Tennessee
January 20, 2015

THE HOUSING FUND, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	________ Yes	X No
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	________ Yes	X None reported
Noncompliance material to financial statements noted?	________ Yes	X No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	________ Yes	X No
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	________ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	________ Yes	X No

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as low-risk auditee?	X Yes	________ No