

URBAN HOUSING SOLUTIONS, INC.

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

DECEMBER 31, 2016 AND 2015

URBAN HOUSING SOLUTIONS, INC.

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Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Urban Housing Solutions, Inc. which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Housing Solutions, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program services revenues and expenses for 2016 and 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017 on our consideration of Urban Housing Solutions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Housing Solutions, Inc.'s internal control over financial reporting and compliance.

June 15, 2017

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash	\$ 2,225,684	\$ 3,273,933
Restricted cash:		
Tenant security deposits	167,992	167,992
Replacement reserves	285,540	284,857
Accounts receivable:		
Grants	187,406	377,799
Tenants, net of doubtful accounts	61,121	81,638
Other	-	8,000
Due from Mercury Court Apartments, LP	150,298	109,255
Utility Deposits	8,200	8,200
Investment in Mercury Court Apartments, LP	70,000	70,000
Property and equipment - net of accumulated depreciation	30,131,903	28,504,370
Loan closing costs, net of accumulated amortization of \$ 203,335 and \$ 187,202 for 2015 and 2014.	3,996	28,666
	<u>3,996</u>	<u>28,666</u>
TOTAL ASSETS	<u>\$ 33,292,140</u>	<u>\$ 32,914,710</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 466,980	\$ 423,102
Tenant security deposits	204,609	179,714
Unearned revenue	-	2,169
Notes payable	6,724,418	7,749,976
	<u>6,724,418</u>	<u>7,749,976</u>
TOTAL LIABILITIES	<u>7,396,007</u>	<u>8,354,961</u>
NET ASSETS		
Unrestricted:		
Undesignated	2,487,592	3,795,497
Property and equipment	23,407,485	20,754,394
	<u>23,407,485</u>	<u>20,754,394</u>
Total unrestricted	25,895,077	24,549,891
Temporarily restricted	1,056	9,858
	<u>1,056</u>	<u>9,858</u>
TOTAL NET ASSETS	<u>25,896,133</u>	<u>24,559,749</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,292,140</u>	<u>\$ 32,914,710</u>

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	TEMPORARILY			TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts	\$ 115,568	\$ -	\$ 115,568	\$ 43,159	\$ -	\$ 43,159
Grants:						
Government	2,621,370	-	2,621,370	1,533,782	-	1,533,782
Foundation	35,410	-	35,410	178,263	-	178,263
Other	44,388	-	44,388	20,214	-	20,214
Total public support	2,816,736	-	2,816,736	1,775,418	-	1,775,418
Revenues:						
Rental income	5,495,109	-	5,495,109	5,262,270	-	5,262,270
Laundry and vending machine income	33,908	-	33,908	71,525	-	71,525
Investment income	6,852	-	6,852	3,668	-	3,668
Developer fees	-	-	-	-	-	-
Insurance proceeds	89,858	-	89,858	11,264	-	11,264
Management fees	11,833	-	11,833	11,120	-	11,120
Miscellaneous	25,048	-	25,048	58,357	-	58,357
Application fees	15,308	-	15,308	16,128	-	16,128
Sale of Shelby	-	-	-	475,005	-	475,005
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	8,802	(8,802)	-	677	(677)	-
TOTAL SUPPORT AND REVENUES	8,503,454	(8,802)	8,494,652	7,685,432	(677)	7,684,755
EXPENSES						
Program services:						
Rental projects	6,408,198	-	6,408,198	5,216,498	-	5,216,498
Resident support programs	635,488	-	635,488	640,782	-	640,782
Total program services	7,043,686	-	7,043,686	5,857,280	-	5,857,280
Supporting services:						
Management and general	114,582	-	114,582	104,670	-	104,670
TOTAL EXPENSES	7,158,268	-	7,158,268	5,961,950	-	5,961,950
CHANGE IN NET ASSETS	1,345,186	(8,802)	1,336,384	1,723,482	(677)	1,722,805
NET ASSETS - BEGINNING OF YEAR	24,549,891	9,858	24,559,749	22,826,409	10,535	22,836,944
NET ASSETS - END OF YEAR	<u>\$ 25,895,077</u>	<u>\$ 1,056</u>	<u>\$ 25,896,133</u>	<u>\$ 24,549,891</u>	<u>\$ 9,858</u>	<u>\$ 24,559,749</u>

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES	TOTAL
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	
Payroll and related expenses	\$ 1,227,914	\$ 543,295	\$ 1,771,209	\$ 52,597	\$ 1,823,806
Advertising	-	-	-	100	100
Contract services	553,044	6,957	560,001	160	560,161
Insurance	290,616	14,900	305,516	786	306,302
Interest	11,374	-	11,374	-	11,374
Legal and professional	25,132	9,622	34,754	16,501	51,255
Loss on sale of property	1,128,870	-	1,128,870	-	1,128,870
Miscellaneous	66,921	603	67,524	619	68,143
Printing and postage	6,234	2,389	8,623	1,023	9,646
Repairs and maintenance	269,285	2,514	271,799	3,878	275,677
Social program funds	69,195	34,143	103,338	367	103,705
Supplies	8,221	1,289	9,510	2,123	11,633
Taxes and licenses	281,087	225	281,312	1,684	282,996
Telephone	17,551	6,859	24,410	4,798	29,208
Travel	38,374	8,444	46,818	3,001	49,819
Utilities	719,919	4,248	724,167	-	724,167
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	4,713,737	635,488	5,349,225	87,637	5,436,862
Depreciation and amortization	1,694,461	-	1,694,461	26,945	1,721,406
TOTAL FUNCTIONAL EXPENSES	\$ 6,408,198	\$ 635,488	\$ 7,043,686	\$ 114,582	\$ 7,158,268

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

URBAN HOUSING SOLUTIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 1,336,384	\$ 1,722,804
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,721,406	1,718,412
(Increase) decrease in:		
Restricted deposits	(683)	28,277
Accounts receivable:		
Grants	190,393	(10,931)
Consortium agreement	-	-
Tenants	20,517	46,358
Other	8,000	6,820
Other assets	(41,043)	(40,342)
Increase (decrease) in:		
Accounts payable and accrued expenses	43,878	(52,233)
Tenant security deposits payable	24,895	(36,281)
Unearned revenue	(2,169)	-
Accrued payments in lieu of tax (PILOT) and property taxes payable	-	-
Net cash provided by operating activities	<u>3,301,578</u>	<u>3,382,884</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Book value of closing costs	-	-
Book value of property sold	1,629,267	124,995
Purchase of property and equipment	<u>(4,953,536)</u>	<u>(1,477,206)</u>
Net cash used by investing activities	<u>(3,324,269)</u>	<u>(1,352,211)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan closing costs incurred	-	-
Proceeds from notes payable	-	-
Principal payments on notes payable	<u>(1,025,558)</u>	<u>(636,932)</u>
Net cash (used) provided by financing activities	<u>(1,025,558)</u>	<u>(636,932)</u>
NET INCREASE (DECREASE) IN CASH	(1,048,249)	1,393,741
CASH - BEGINNING OF YEAR	<u>3,273,933</u>	<u>1,880,192</u>
CASH - END OF YEAR	<u>\$ 2,225,684</u>	<u>\$ 3,273,933</u>

Supplemental Information:

Interest expense of \$11,374 was paid in 2016 and \$13,769 in 2015.

Closing costs of \$8,536 and \$9,990 were capitalized during 2016 and 2015, respectively, and added to principal of notes payable.

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

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

Basis of Presentation:

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

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

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of UHS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. UHS had temporarily restricted net assets of \$1,056 and \$9,858, for the years ended December 31, 2016 and 2015, respectively.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by UHS. Generally donors of these assets permit UHS to use all or part of the income earned for general or specific purposes. UHS had no permanently restricted net assets for the years ended December 31, 2016 and 2015, respectively.

Contributions and support:

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Contributions and support - continued

UHS also receives grant revenue from various federal, state and local agencies, principally from the U.S. Department of Housing and Urban Development and the Metropolitan Development and Housing Agency. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to recognition are recorded initially as deferred revenue.

UHS reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Income taxes

UHS has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

UHS has evaluated its tax position in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. UHS believes that it has taken no uncertain tax positions. The Organization files U.S. Federal Form 990 - *Return of Organization Exempt from Income Tax*. The Organization's returns for those years prior to calendar year 2013 are no longer open for examination.

Property and equipment

Property and equipment with a cost above \$500 are recorded at acquisition costs, or estimated fair market value if donated, and are depreciated using the straight-line method over their estimated useful lives of three to ten years for furniture and equipment and fifteen to thirty years for buildings and improvements.

Program and supporting services

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Program and supporting services - continued

Rental projects:

Dickerson - land purchased for future development. Currently is being leased by United Parcel Service as a parking lot for trucks.

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

Mercury Courts - provides 144 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 homeless and in recovery from drug and alcohol addiction. 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.

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, homeless adults and families.

Greentree Terrace - provides 57 units of housing for low-income individuals and families.

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.

Lindsley - provides dorm-style housing for the Building Lives program.

Clarksville Highway - provides 23 units of housing for low-income adults and families.

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

Old Hickory - land purchased for future development.

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

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Resident support programs:

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

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

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

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

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

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

Vanderbilt - provides the Safety Net grant. The grant proceeds pass-through Urban Housing Solutions from the State of Tennessee to the Clinic at Mercury Court.

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

Allocation of functional expenses

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for uncollectible accounts/bad debts

At the end of each year, management reviews accounts receivable in detail and writes off any account that is deemed uncollectible. Based on assessment of specific accounts and historical collection experience of rental income, an allowance for uncollectible accounts was considered to be 20% of total balance as of December 31, 2016 and 2015, which was \$15,280 and \$20,409, respectively.

2. GRANTS RECEIVABLE

Grants receivable consists of receivables from programs funded by the U.S. Department of Housing and Urban Development ("HUD"), the Metropolitan Development and Housing Agency ("MDHA") and the Tennessee Department of Health. Financial activities of those programs are summarized in the schedule of expenditures of federal awards.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2016	2015
Land	\$ 5,365,525	\$ 4,400,649
Building and improvements	35,289,140	33,394,514
Furniture and equipment	2,827,589	2,852,536
	<u>43,482,254</u>	<u>40,647,699</u>
Less accumulated depreciation	<u>(13,350,351)</u>	<u>(12,143,329)</u>
	<u><u>\$ 30,131,903</u></u>	<u><u>\$ 28,504,370</u></u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash, cash equivalents, investments, accounts receivable, prepaid expenses, accounts payables, unearned revenue and accrued expenses: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

5. NOTES PAYABLE

Notes payable consist of the following at December 31:	<u>2016</u>	<u>2015</u>
Note payable - Renasant Bank (4.00%); payable in monthly installments of \$6,400 beginning January 2017 final balloon payment for balance due January 2022; secured by real estate.	\$ 620,731	\$ -
Note payable - Renasant Bank (prime rate less 4.00%); payable in monthly principal and interest payments of \$3,439 beginning November 2011, final balloon payment for balance due October 2016; secured by real estate.	-	655,122
Note payable - Pinnacle (index rate less 4.00%); payable in monthly principal and interest payments of \$1,958, beginning October 2011; final balloon payment for balance due October 2016; secured by real estate.	-	306,667
Note payable - Pinnacle Bank (index rate - 4%); payable in monthly principal and interest payment of \$5,363 beginning of October 2008, final balloon payment for the balance due August 2017; secured by real estate at Mercury Courts.	686,500	750,860
Note payable - Regions Bank (3.50%); payable in monthly principal and interest payment of \$5,751 beginning March 2010, final balloon payment for balance due August 2021; secured by real estate.	288,649	346,266
Note payable - Bank of TN (prime rate - 4%); payable in monthly principal payment of \$7,640 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	824,920	916,600
Note payable - Bank of TN (prime rate - 4%); payable in monthly principal payment of \$6,390 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.	689,920	766,600

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

5. NOTES PAYABLE - continued

	<u>2016</u>	<u>2015</u>
Note payable - Pinnacle (index rate - 4%); payable in monthly principal and interest payment of \$7,095 beginning February 2010, then \$8,625 beginning February 2011, final balloon payment for balance due August 2017; secured by real estate.	908,173	993,315
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$1,334 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	255,968	271,976
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$4,167 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	799,984	849,988
Note payable - Truxton Trust (prime rate - 4%); payable in interest only payments beginning February 2013 through July 2014. Monthly principle payment of \$3,241 plus interest, beginning August 2014; final balloon payment for balance due January 2018; secured by real estate.	287,084	492,590
Note payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$2,778 plus interest, beginning February 2013, final balloon payment for balance due January 2018; secured by real estate.	366,656	399,992
Note Payable - Truxton Trust (prime rate - 4%); payable in monthly principal payment of \$4,167 plus interest; beginning June 2016, final balloon payment for balance due December 2019; secured by real estate.	995,833	1,000,000
Total Notes Payable	<u>\$ 6,724,418</u>	<u>\$ 7,749,976</u>

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

2017	\$ 2,880,086
2018	903,663
2019	1,826,176
2020	230,375
2021	211,078
2022 and thereafter	<u>673,040</u>
	<u>\$ 6,724,418</u>

Interest expense of \$11,374 was paid in 2016 and \$13,769 was paid in 2015.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

6. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject UHS to concentrations of credit risk consist principally of grants and tenant accounts receivable. Tenant accounts receivable are widely dispersed to mitigate credit risk. Grants receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

UHS maintains deposit accounts with four financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. Excess uninsured balances of UHS approximated \$1,574,567 in 2016 and \$2,517,615 in 2015. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Foundation grants for tenant assistance and technology	<u>\$ 1,056</u>	<u>\$ 9,858</u>

8. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

9. ACCRUED PAYMENTS IN LIEU OF TAXES (PILOT)

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

The Metropolitan Council approved the formula for calculating PILOT payments to be 25% of the normal property taxes. PILOT expenses were \$55,538 and \$57,045 for the years ended December 31, 2016 and 2015, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

10. CONSORTIUM AGREEMENT

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

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

11. RELATED PARTY TRANSACTIONS

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

Mercury Courts Apartments, LP has entered into an agreement with UHS, in connection with the management of the rental operations of the project. In accordance with this agreement, UHS earns 10% of the gross operating revenues received from the preceding month. Management fees that UHS earned were \$11,833 in 2016 and \$11,120 in 2015. No operating income or loss passed through to UHS from the Partnership in 2016 or 2015.

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

12. COMPENSATED ABSENCES

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

13. PENSION

UHS maintains a 401(k) plan. Matching contributions are made on each employee's behalf up to 3.5% of compensation. Employees are eligible after ninety days of service. Total contributions were \$34,729 and \$28,638 for the years ended December 31, 2016 and 2015, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 15, 2017 which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/16	<u>1/1/16 - 12/31/16</u> Receipts	Expenditures	Grant Receivable 12/31/16
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	04/01/15 - 03/31/16	100,767	9,515	36,314	26,799	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	04/01/16 - 03/31/17	100,767	-	54,743	73,968	19,225
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	06/01/15 - 05/31/16	29,173	7,179	19,782	12,603	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	06/01/16 - 05/31/17	29,057	-	12,612	16,454	3,842
Total for CFDA 14.191					16,694	123,451	129,824	23,067
** Supportive Housing Program - Merged	14.235	TN0061L4J041508	04/01/15 - 03/31/16	525,088	196,016	340,963	144,947	-
** Supportive Housing Program - Merged	14.235	TN0061L4J041508	04/01/16 - 03/31/17	525,088	-	330,992	425,480	94,488
Supportive Housing Program - Mainstream	14.235	TN0191L4J041301	10/1/14 - 9/30/15	134,788	14,753	14,753	-	-
Total for CFDA 14.235					210,769	686,708	570,427	94,488
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	14.241	N/A	04/01/15 - 06/30/16	219,094	65,072	167,832	102,760	-
Housing Opportunities for Persons with AIDS	14.241	N/A	07/01/16 - 06/30/17	209,094	-	65,766	95,470	29,704
Total for CFDA 14.241					65,072	233,598	198,230	29,704
HOME Program - Clarksville	14.239	N/A	11/1/14 - 10/31/15	805,975	78,741	280,660	231,691	29,772
TOTAL EXPENDITURES OF FEDERAL AWARDS					371,276	1,324,417	1,130,172	177,031

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Grantor/ Pass-Through Grantor Agency & Program Name</u>	<u>Federal CFDA #</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Grant Receivable 1/1/16</u>	<u>1/1/16 - 12/31/16 Receipts</u>	<u>Expenditures</u>	<u>Grant Receivable 12/31/16</u>
STATE OF TENNESSEE REVENUE:								
Tennessee Department of Health	N/A	N/A	07/01/15 - 06/30/16	32,000	6,525	18,325	11,800	-
Tennessee Department of Health	N/A	N/A	07/01/16 - 06/30/17	40,000	-	-	10,375	10,375
Total for Tennessee Department of Health					6,525	18,325	22,175	10,375
Tennessee Housing Development Agency	N/A	N/A	01/01/16-12/31/18	500,000	-	434,247	434,247	-
TOTAL EXPENDITURES OF STATE AWARDS					6,525	452,572	456,422	10,375
TOTAL FEDERAL AND STATE AWARDS					<u>\$ 377,801</u>	<u>\$ 1,776,989</u>	<u>\$ 1,586,594</u>	<u>\$ 187,406</u>

Basis of presentation

This schedule of expenditures of federal and state awards includes the federal and state grant activity of Urban Housing Solutions, Inc. and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

** Tested as Major Program

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							
	DICKERSON	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISK	RUSSELL	MERCURY NORTH
REVENUES								
Rental Income	\$ -	\$ -	\$ 933,447	\$ 111,687	\$ 93,564	\$ 127,698	\$ 65,859	\$ 172,291
Grants	-	-	28,308	53,015	25,624	-	-	24,646
Other	-	-	26,118	4,113	2,308	2,231	232	3,767
Total Revenues	-	-	987,873	168,815	121,496	129,929	66,091	200,704
EXPENSES								
Payroll and related expenses	-	1,180	209,491	36,220	25,303	21,428	15,185	37,222
Advertising	-	-	-	-	-	-	-	-
Contract services	-	4,111	134,158	14,190	8,995	7,400	2,803	22,084
Insurance	-	2,168	35,394	5,443	3,994	2,063	2,207	6,138
Interest	-	-	-	-	-	-	-	-
Legal and professional	-	22	4,981	670	468	415	281	686
Loss on Sale of Property	-	-	-	-	-	-	-	-
Miscellaneous	-	11	6,466	1,178	838	767	483	1,301
Printing and postage	-	5	1,268	171	120	108	72	177
Repairs and maintenance	-	2,374	50,791	6,543	2,904	4,723	2,371	5,241
Social program funds	-	-	22,931	603	320	2,788	79	4,715
Supplies	-	1,679	2,071	153	107	129	61	202
Taxes and licenses	11,966	-	7,615	3,453	2,924	984	5	1,252
Telephone	-	16	2,952	446	311	263	187	471
Travel	-	49	5,784	1,300	920	527	555	1,113
Utilities	-	10,189	161,058	22,309	8,404	23,651	7,688	40,691
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	11,966	21,804	644,960	92,679	55,608	65,246	31,977	121,293
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(11,966)	(21,804)	342,913	76,136	65,888	64,683	34,114	79,411
Depreciation and amortization	460	20,394	94,298	28,197	17,845	13,588	18,996	55,446
REVENUE OVER EXPENSES	\$ (12,426)	\$ (42,198)	\$ 248,615	\$ 47,939	\$ 48,043	\$ 51,095	\$ 15,118	\$ 23,965

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							
	GREENTREE TERRACE	RIVER TERRACE	PORTER EAST	NEELY MEADOWS	EASTWOOD COURTS	VILLAGE PLACE	LINDSLEY	CLARKSVILLE HIGHWAY
REVENUES								
Rental Income	\$ 278,165	\$ 94,589	\$ 330,650	\$ 943,984	\$ 379,775	\$ 414,091	\$ 32,581	\$ -
Grants	37,676	8,651	37,643	19,894	12,958	11,809	-	1,422,696
Other	4,891	1,187	1,097	75,419	17,982	9,362	29	-
Total Revenues	320,732	104,427	369,390	1,039,297	410,715	435,262	32,610	1,422,696
EXPENSES								
Payroll and related expenses	71,251	25,303	45,538	155,096	82,273	113,210	4,746	33,888
Advertising	-	-	-	-	-	-	-	-
Contract services	27,533	9,583	19,623	75,876	34,740	67,878	3,498	-
Insurance	14,282	3,986	24,108	43,115	15,115	18,262	7,139	544
Interest	-	-	-	-	11,374	-	-	-
Legal and professional	1,319	468	843	2,925	1,525	2,376	1,256	411
Loss on Sale of property	-	-	-	-	-	-	1,128,870	-
Miscellaneous	2,463	812	1,460	6,011	2,821	2,733	7,958	-
Printing and postage	337	121	216	758	396	604	70	128
Repairs and maintenance	29,517	5,427	9,300	28,795	23,132	41,106	437	100
Social program funds	1,191	680	1,528	10,041	3,362	3,609	25	-
Supplies	291	119	221	777	342	606	26	28
Taxes and licenses	5,396	2,794	18,425	85,672	9,090	7,571	2	5,958
Telephone	875	311	3,079	1,774	1,012	1,446	70	308
Travel	2,593	920	1,650	4,495	3,047	2,601	185	580
Utilities	33,428	7,642	60,227	67,737	34,132	40,317	-	-
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	190,476	58,166	186,218	483,072	222,361	302,319	1,154,282	41,945
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	130,256	46,261	183,172	556,225	188,354	132,943	(1,121,672)	1,380,751
Depreciation and amortization	63,660	16,538	176,933	158,743	59,480	81,878	47,531	39,877
REVENUE OVER EXPENSES	\$ 66,596	\$ 29,723	\$ 6,239	\$ 397,482	\$ 128,874	\$ 51,065	\$ (1,169,203)	\$ 1,340,874

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES					TOTAL
	1227-1235 LEWIS	OLD HICKORY	REX'S COURTYARD	VULTEE GARDENS	NEIGHBORHOOD STABILIZATION	RENTAL PROJECTS
REVENUES						
Rental Income	\$ 37,460	\$ -	\$ 568,117	\$ 56,919	\$ 854,232	\$ 5,495,109
Grants	434,247	-	57,356	31,197	4,788	2,210,508
Other	53	-	14,849	3,339	10,995	177,972
Total Revenues	471,760	-	640,322	91,455	870,015	7,883,589
EXPENSES						
Payroll and related expenses	29,189	-	141,408	20,244	159,739	1,227,914
Advertising	-	-	-	-	-	-
Contract services	1,480	-	57,507	12,954	48,631	553,044
Insurance	3,577	19	27,463	3,236	72,363	290,616
Interest	-	-	-	-	-	11,374
Legal and professional	442	-	2,719	375	2,950	25,132
Loss on Sale of property	-	-	-	-	-	1,128,870
Miscellaneous	21,810	-	3,890	648	5,271	66,921
Printing and postage	142	-	696	96	749	6,234
Repairs and maintenance	8,045	-	22,147	6,025	20,307	269,285
Social program funds	4,985	-	6,952	739	4,647	69,195
Supplies	11	-	630	96	672	8,221
Taxes and licenses	7,150	7,192	10,020	2,841	90,777	281,087
Telephone	160	-	1,654	249	1,967	17,551
Travel	762	-	4,662	730	5,901	38,374
Utilities	2,392	-	134,264	8,609	57,181	719,919
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	80,145	7,211	414,012	56,842	471,155	4,713,737
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	391,615	(7,211)	226,310	34,613	398,860	3,169,852
Depreciation and amortization	10,342	-	72,149	25,450	692,656	1,694,461
REVENUE OVER EXPENSES	\$ 381,273	\$ (7,211)	\$ 154,161	\$ 9,163	\$ (293,796)	\$ 1,475,391

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							SUPPORTING SERVICES		
	SERVICE COORDINATOR PROGRAM	HEALTH MATTERS	CLIENT FUND PROGRAM	HOPWA	PERMANENT SUPPORTIVE HOUSING	VANDERBILT HEALTH	RESIDENT SUPPORT PROGRAMS	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
REVENUES										
Rental Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,495,109	\$ -	\$ 5,495,109
Grants	129,824	64,175	11,000	44,388	216,862	-	466,249	2,676,757	24,410	2,701,167
Other	-	-	8,763	-	-	18	8,781	186,753	111,622	298,375
Total Revenues	129,824	64,175	19,763	44,388	216,862	18	475,030	8,358,619	136,032	8,494,651
EXPENSES										
Payroll and related expenses	134,595	47,280	73,621	43,636	244,163	-	543,295	1,771,209	52,597	1,823,806
Advertising	-	-	-	-	-	-	-	-	100	100
Contract services	-	-	-	-	6,957	-	6,957	560,001	160	560,161
Insurance	4,285	1,643	917	1,093	6,962	-	14,900	305,516	786	306,302
Interest	-	-	-	-	-	-	-	11,374	-	11,374
Legal and professional	2,407	1,181	878	806	4,350	-	9,622	34,754	16,501	51,255
Miscellaneous	-	103	448	-	52	-	603	1,129,473	619	1,130,092
Printing and postage	625	280	223	195	1,066	-	2,389	69,310	1,023	70,333
Repairs and maintenance	720	317	200	223	1,054	-	2,514	8,748	3,878	12,626
Social program funds	396	19,622	9,785	-	4,340	-	34,143	303,428	367	303,795
Supplies	319	202	112	191	465	-	1,289	70,484	2,123	72,607
Taxes and licenses	-	-	-	-	225	-	225	8,446	1,684	10,130
Telephone	1,477	820	389	502	3,671	-	6,859	287,946	4,798	292,744
Travel	439	1,451	1,592	982	3,980	-	8,444	25,995	3,001	28,996
Utilities	-	-	-	-	4,248	-	4,248	42,622	-	42,622
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	145,263	72,899	88,165	47,628	281,533	-	635,488	5,349,225	87,637	4,716,943
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(15,439)	(8,724)	(68,402)	(3,240)	(64,671)	18	(160,458)	3,009,394	48,395	3,777,708
Depreciation and amortization	-	-	-	-	-	-	-	1,694,461	26,945	1,721,406
REVENUE OVER EXPENSES	\$ (15,439)	\$ (8,724)	\$ (68,402)	\$ (3,240)	\$ (64,671)	\$ 18	\$ (160,458)	\$ 1,314,933	\$ 21,450	\$ 2,056,302

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

	PROGRAM SERVICES									
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN	FISK	RUSSELL	MERCURY NORTH	REX'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental Income	\$ 34,864	\$ -	\$ 970,876	\$ 104,298	\$ 80,927	\$ 120,741	\$ 69,406	\$ 160,840	\$ 504,875	\$ 63,320
Grants	-	-	260,863	46,560	27,301	-	-	28,486	68,252	29,426
Other	475,168	-	22,233	8,033	3,549	3,821	840	4,388	21,865	2,585
Total Revenues	510,032	-	1,253,972	158,891	111,777	124,562	70,246	193,714	594,992	95,331
EXPENSES										
Payroll and related expenses	10,472	1,215	219,089	34,023	24,009	28,603	14,124	31,737	102,256	18,832
Advertising	-	-	9	2	1	-	-	2	-	-
Contract services	6,479	6,015	84,460	13,576	10,208	7,249	4,984	25,559	52,749	8,959
Insurance	1,324	2,084	40,110	5,259	3,831	2,745	2,123	5,781	25,110	3,095
Interest	-	-	411	-	-	-	-	-	-	-
Legal and professional	2,690	21	5,720	1,509	1,029	521	254	600	4,831	818
Miscellaneous	9,570	326	5,279	929	641	557	386	979	3,051	456
Printing and postage	56	6	1,574	179	127	160	74	182	578	99
Repairs and maintenance	1,032	4,532	58,520	9,864	5,878	3,736	2,144	10,092	20,395	4,085
Social program funds	32	-	8,482	824	982	1,346	44	2,405	4,740	586
Supplies	90	713	1,854	247	172	162	99	204	604	132
Taxes and licenses	-	-	3,555	3,464	2,946	996	-	1,252	9,151	2,852
Telephone	171	58	3,758	527	371	421	218	523	1,601	290
Travel	453	52	6,933	1,407	1,000	1,057	582	924	3,220	776
Utilities	196	9,967	207,708	22,314	7,434	21,511	8,042	40,202	144,306	8,258
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	32,565	24,989	647,462	94,124	58,629	69,064	33,074	120,442	372,592	49,238
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	477,467	(24,989)	606,510	64,767	53,148	55,498	37,172	73,272	222,400	46,093
Depreciation and amortization	7,403	21,981	98,112	27,628	17,682	12,948	19,123	63,964	71,068	25,392
REVENUE OVER EXPENSES	\$ 470,064	\$ (46,970)	\$ 508,398	\$ 37,139	\$ 35,466	\$ 42,550	\$ 18,049	\$ 9,308	\$ 151,332	\$ 20,701

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

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

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

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



BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Urban Housing Solutions, Inc. which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

June 15, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Urban Housing Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Urban Housing Solutions, Inc.'s major federal programs for the year ended December 31, 2016. Urban Housing Solutions, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Urban Housing Solutions, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Urban Housing Solutions, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Urban Housing Solutions, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 20156.

Report on Internal Control Over Compliance

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

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

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

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

June 15, 2017

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

PART I - SUMMARY OF AUDITOR'S RESULTS

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____yes X no

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

Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:

Material weaknesses identified? _____yes X no

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

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

Any Audit findings disclosed that are required to be
reported in accordance with Uniform Guidance _____yes X no

Identification of major programs:

14.235 Supportive Housing Program

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____no

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

There were no audit findings for the year ended December 31, 2015.