AFFORDABLE HOUSING RESOURCES, INC.

Financial Statements and Supplemental Schedules

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

AFFORDABLE HOUSING RESOURCES, INC.

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Affordable Housing Resources, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Affordable Housing Resources, Inc. (the "Agency"), which are comprised of the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 Affordable Housing Resources, Inc. as of December 31, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are 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.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
June 19, 2015

AFFORDABLE HOUSING RESOURCES, INC.

Statements of Financial Position

December 31, 2014 and 2013

Assets

	2014	2013
Cash	$ 2,919,372	$ 837,013
Accounts receivable:		
The Resource Foundation	61,816	144,950
Other	88,828	143,900
Prepaid expenses and other assets	15,921	13,402
Notes receivable, net of allowance for uncollectible loans of $202,648 and $189,635 as of December 31, 2014 and 2013, respectively	3,341,451	1,372,122
Property, buildings and equipment, net	1,008,832	1,031,950
Property held for sale	407,892	407,892
Total assets	$ 7,844,112	$ 3,951,229

Liabilities and Net Assets (Deficit)

	2014	2013
Accounts payable	$ 13,678	$ 26,646
Accrued liabilities	319,058	342,728
Notes payable	3,962,213	2,033,309
Liabilities before equity equivalent investments	4,294,949	2,402,683
Other liabilities - equity equivalent investments	5,060,835	3,035,521
Total liabilities	9,355,784	5,438,204
Net assets (deficit):		
Unrestricted	(4,394,855)	(4,370,158)
Temporarily restricted	2,168,948	2,168,948
Permanently restricted	714,235	714,235
Total net assets (deficit)	(1,511,672)	(1,486,975)
	$ 7,844,112	$ 3,951,229

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statement of Activities

Year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:				
Public Support:				
Grants - NeighborWorks America	$ 98,715	$ -	$ -	$ 98,715
Other	223,190	-	-	223,190
Total public support	321,905	-	-	321,905
Program Revenue:				
Rental income	93,705	-	-	93,705
Counseling and mortgage fees	18,446	-	-	18,446
Loan servicing fees and interest	102,895	-	-	102,895
Hardest hit program	419,600	-	-	419,600
Total revenues	634,646	-	-	634,646
Total public support and revenues	956,551	-	-	956,551
Expenses:				
Program services -				
Low-Income housing assistance	792,930	-	-	792,930
Supporting services -				
Management and general	203,317	-	-	203,317
Total expenses	996,247	-	-	996,247
Change in net assets from operations	(39,696)	-	-	(39,696)
Other changes in net assets -				
Other income	14,999	-	-	14,999
Decrease in net assets	(24,697)	-	-	(24,697)
Net assets (deficit) at beginning of year	(4,370,158)	2,168,948	714,235	(1,486,975)
Net assets (deficit) at end of year	$ (4,394,855)	$ 2,168,948	$ 714,235	$ (1,511,672)

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statement of Activities

Year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Public support:				
Grants - NeighborWorks America	$ 182,000	$ -	$ -	$ 182,000
Other	160,891	-	-	160,891
Total public support	342,891	-	-	342,891
Program revenue:				
Rental income	79,010	-	-	79,010
Counseling and mortgage fees	15,353	-	-	15,353
Loan servicing fees and interest	106,771	-	-	106,771
Hardest hit program	570,800	-	-	570,800
Miscellaneous	5,490	-	-	5,490
Total program revenue	777,424	-	-	777,424
Total public support and revenues	1,120,315	-	-	1,120,315
Expenses:				
Program services -				
Low-Income housing assistance	795,686	-	-	795,686
Supporting services -				
Management and general	204,087	-	-	204,087
Total expenses	999,773	-	-	999,773
Change in net assets from operations	120,542	-	-	120,542
Other changes in net assets:				
Loss on disposal of property	(617,251)	-	-	(617,251)
Gain on cancellation of debt and obligations under guarantee	8,304,424	-	-	8,304,424
Increase in net assets	7,807,715	-	-	7,807,715
Net assets (deficit) at beginning of year	(12,177,873)	2,168,948	714,235	(9,294,690)
Net assets (deficit) at end of year	$ (4,370,158)	$ 2,168,948	$ 714,235	$ (1,486,975)

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (24,697)	$ 7,807,715
Adjustments to reconcile increase (decrease) in net assets to cash flows provided by operating activities:		
Depreciation	37,162	55,423
Amortization of notes receivable	27,370	13,407
Loss on disposal of property	-	617,251
Provision for uncollectible notes receivable	13,013	-
Gain on cancellation of debt and obligations under guarantee	-	(8,304,424)
(Increase) decrease in operating assets:		
Accounts receivable	138,206	326,241
Prepaid expenses and other assets	(2,519)	(9,385)
Increase (decrease) in operating liabilities:		
Accounts payable	(12,968)	(16,102)
Accrued liabilities	(23,670)	(138,898)
Total adjustments	176,594	(7,456,487)
Net cash provided by operating activities	151,897	351,228
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	125,320
Purchases of property and equipment	(14,044)	(38,634)
Collection of notes receivable	342,149	200,591
Advances of notes receivable	(52,625)	-
Net cash provided by investing activities	275,480	287,277
Cash flows from financing activities :		
Proceeds from notes payable and equity equivalent obligations	2,000,000	200,000
Payments of notes payable	(345,018)	(183,184)
Net cash provided by financing activities	1,654,982	16,816
Increase in cash and cash equivalents	2,082,359	655,321
Cash at beginning of year	837,013	181,692
Cash at end of year	$ 2,919,372	$ 837,013

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statement of Functional Expenses

Year ended December 31, 2014

	Program Services	Supporting Services	Totals
	Low-Income Housing Assistance	General and Administrative	
Advertising and communication	$ 22,519	$ 3,974	$ 26,493
Amortization of notes receivable	27,370	-	27,370
Automobile	8,721	1,539	10,260
Contract labor	140,711	24,831	165,542
Depreciation	31,588	5,574	37,162
Repairs and maintenance	21,671	3,824	25,495
Direct expenses of developed properties	8,834	-	8,834
Insurance	24,004	4,236	28,240
Interest	39,381	6,950	46,331
Miscellaneous	-	-	-
Occupancy and rental	49,533	8,741	58,274
Office expenses	27,184	4,797	31,981
Payroll and related costs	296,633	123,848	420,481
Professional fees	54,052	9,539	63,591
Taxes, licenses and fees	15,846	2,796	18,642
Training	9,762	-	9,762
Travel and entertainment	11,577	2,043	13,620
Utilities	3,544	625	4,169
	$ 792,930	$ 203,317	$ 996,247

See accompanying notes to the financial statements.

AFFORDABLE HOUSING RESOURCES, INC.

Statement of Functional Expenses

Year ended December 31, 2013

	Program Services	Supporting Services	Totals
	Low-Income Housing Assistance	General and Administrative	
Advertising and communication	$ 22,216	$ 3,920	$ 26,136
Amortization of notes receivable	13,407	-	13,407
Automobile	8,809	1,554	10,363
Contract labor	124,562	21,982	146,544
Depreciation	47,110	8,313	55,423
Repairs and maintenance	25,027	4,416	29,443
Direct expenses of developed properties	25,682	-	25,682
Insurance	9,344	1,649	10,993
Interest	53,640	9,466	63,106
Miscellaneous	13,450	2,374	15,824
Occupancy and rental	6,384	1,126	7,510
Office expenses	25,248	4,456	29,704
Payroll and related costs	308,801	125,201	434,002
Professional fees	70,913	12,514	83,427
Taxes, licenses and fees	19,326	3,411	22,737
Training	771	-	771
Travel and entertainment	6,313	1,114	7,427
Utilities	14,683	2,591	17,274
	$ 795,686	$ 204,087	$ 999,773

See accompanying notes to the financial statements.

(1) Nature of activities

Affordable Housing Resources (the "Agency") was chartered in 1989 as a Tennessee not-for-profit corporation. The purpose of the Agency is to "create affordable housing and strong neighborhoods" by increasing home ownership opportunities for families and individuals who are unable to obtain assistance through traditional public and private funding sources in the greater Nashville area. The Agency is supported principally by service fees, sale of single-family homes, private and public contributions and grants from the US Department of Housing and Urban Development (through the Metropolitan Development and Housing Agency - "MDHA") and the Neighborhood Reinvestment Corporation, dba NeighborWorks® America.

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

Low-Income Housing Assistance - includes various lending and development programs. The loan products include down payment and closing cost assistance loans and construction financing for single-family properties. Home-ownership programs include promoting home-ownership opportunities in Nashville, Tennessee, development of quality new affordable housing, acquisition and rehabilitation of single family properties, land acquisition and development, consumer home buyer education to prepare new homeowners, and developing community leadership programs.

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 record keeping, budgeting and related purposes.

(2) Summary of significant accounting policies

The financial statements of the Agency are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions which may or will be met either by actions of the Agency and/or the passage of time. Such restrictions result primarily from the restricted use of assets for land acquisition and development, home construction, home purchase assistance loans or purchases of property for rental or resale to qualified low-income applicants.

Permanently restricted net assets - Net assets subject to permanent donor-imposed restrictions.

Contributions received from the Neighborhood Reinvestment Revolving Loan and Capital Projects Fund, which grants home ownership and improvement loans, are considered to be permanently restricted by the donor. The investment earnings on these funds are unrestricted.

All 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 the 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.

(b) Accounts receivable and provision for uncollectible items

The Agency reports accounts receivable, net of an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Agency reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends, as well as review of specific accounts, and makes adjustments in the allowance as necessary. As of December 31, 2014 and 2013, no allowance for doubtful accounts was considered necessary.

(c) Notes receivable and provision for uncollectible items

The Agency holds various notes receivable under previous programs in conjunction with its defined mission. These notes are secured by the properties for which the loans were originally provided to purchase or assist with the down payment. Additionally, certain of these notes are, in substance, grants that are forgiven over defined periods of time as long as the program participant continues to own the property. These notes receivable are amortized over the term of the note in accordance with these agreements. Notes receivable are considered impaired when, based on current information, it is probable that all amounts or a portion of principal and interest due will not be collected according to the terms of the note agreement. Generally, a note receivable is considered impaired when the individual debtor cannot be located or has declared bankruptcy. The allowance for uncollectible notes is established by charges to program services expense and is maintained at an amount, which management believes will be adequate to absorb losses on existing loans. Uncollectible loans are charged to the allowance account in the period in which such a determination is made.

(d) Property, buildings and equipment

Property, building and equipment additions, major renewals and betterments are recorded at cost at the date of purchase, at fair value at the date of gift if the value is readily determinable, or other reasonable basis, as determined by the Board of Directors, if cost is unknown. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in unrestricted net assets.

(e) Property available for sale

Property available for sale is recorded at the lower of cost or fair market value. The Agency's management has approved a plan to sell its existing housing and commercial development properties. As a result, the assets have been classified as property held for sale at December 31, 2014 and 2013.

(f) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(g) Revenue recognition

Contributions and other public support are generally recognized at the time of receipt. Fees for services are earned and reported as revenue when those services are performed by the Agency.

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.

Fees for loan origination, processing and servicing are earned and reported as revenues when those services are performed by the Agency.

(h) Income taxes

The Agency is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

As of December 31, 2014, the Agency has accrued no interest and no penalties related to uncertain tax positions. It is the Agency's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Agency files a U.S. Federal information tax return. The Agency is currently open to audit under the statute of limitations by the Internal Revenue Service for the years subsequent to December 31, 2011.

(i) Functional allocation of expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based upon various allocation methods. General and administrative expenses include those expenses that are not directly identifiable with any other specific functions but provide for the overall support and direction of the Agency.

(j) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(k) Events occurring after reporting date

The Agency has evaluated events and transactions that occurred between December 31, 2014 and June 19, 2015 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such events or transactions were noted requiring recognition or disclosure in the financial statements.

(3) Credit risk and other concentrations

The Agency periodically maintains cash on deposit at banks in excess of federally insured amounts. The Agency has not experienced any losses in such accounts and management believes the Agency is not exposed to any significant credit risk related to cash.

(4) Notes receivable

Loans to homebuyers are made for terms of 4 to 15 years, at annual interest rates ranging from 3% to 7.5%. Notes receivable totaled $3,341,451 and $1,372,122 at December 31, 2014 and 2013, respectively. The total of the notes receivable which are greater than 90 days old were approximately $148,000 and $95,000 at December 31, 2014 and 2013, respectively. The notes receivable are collateralized by real estate.

There are also non-interest bearing notes receivable, in the amounts of $752,258 and $779,628 at December 31, 2014 and 2013, respectively, that are, in substance, grants that are forgiven over a period up to 15 years, as long as the homeowner continues to own the property or pays the note when the property sells. The notes are secured by liens on the homeowner's property. During 2014 and 2013, amortization of these notes amounted to $27,370 and $13,407 respectively.

(5) Property, buildings and equipment

Property, buildings and equipment at December 31, 2014 and 2013, consisted of the following:

	2014	2013
Land	$ 105,000	$ 105,000
Building and improvements	996,867	989,677
Furniture, equipment and autos	27,426	20,572
Total cost	1,129,293	1,115,249
Accumulated depreciation	(120,461)	(83,299)
Property, building and equipment, net	$ 1,008,832	$ 1,031,950

(6) Notes payable

A summary of notes payable as of December 31, 2014 and 2013 is as follows:

	2014	2013
Note payable to a bank, maturing in August 2017, monthly payments of $3,500, plus interest at an annual rate at the Prime Rate minus 4.00% (0.0% at December 31, 2014).	$ 776,896	$ 818,987
Note payable to a foundation, principal in arrears, with an annual interest rate of 4.5%.	400,000	400,000
Two notes payable to the Community Development Financial Institutions Fund, maturing in April 2023, non-interest bearing.	250,000	250,000
Note payable to Metropolitan Department of Housing Association, maturing in November 2022, non-interest bearing.	250,000	250,000
Note payable to Tennessee Housing Developmental Agency, maturing in June 2034, non-interest bearing.	37,562	40,246
Note payable to a bank, automatically renewed annually, with an annual interest rate of 6%.	17,512	17,512

Note payable to a bank, maturing in May 2018, with an annual interest rate of 1.25%	100,000	100,000
Notes payable to banks, paid-in-full during 2014	-	156,564
Total notes payable with defined maturities	1,831,970	2,033,309
Notes payable to banks with interest at an annual rate at the Prime Rate minus 4.00% (0.0% at December 31, 2014). These notes payable have no defined maturities (see below).	2,130,243	-
Total notes payable	$ 3,962,213	$ 2,033,309

Notes payable without defined maturities are collateralized by certain notes receivable held by the Agency (the "Collateral Notes"). The notes payable are due only when principal payment on the Collateral Notes has been received or the homes acting as security interest for the Collateral Notes have been sold.

With the exception of the notes payable without defined maturities discussed above, most of the above notes are secured by deeds of trust on the related real estate.

Following is a schedule of future principal payments on notes payable with defined maturities as of December 31, 2014:

Year	Amount
2015	$ 461,512
2016	44,000
2017	694,896
2018	102,000
2019	2,000
2020 and later years	527,562
	$ 1,831,970

Current portions of principal of notes payable include approximately $400,000 of principal due in arrears at December 31, 2014 and 2013.

(7) Equity equivalent investments

The Agency carries certain obligations to banks that are classified as Equity Equivalent ("EQ2") funds. These obligations are shown under Other Liabilities on the statements of financial position in order to represent more clearly the nature of the payable and to adhere to industry practice. The EQ2 is defined by having six attributes as follows (1) the EQ2 investment is carried as an investment on the investor's balance sheet in accordance with accounting principles generally accepted in the United States of America; (2) the EQ2 investment is a general obligation of the Agency that is not secured by any of the Agency's assets; (3) the EQ2 investment is fully subordinated to the right of repayment of all the Agency's other creditors; (4) the EQ2 investment does not give the investor the right to accelerate payment unless the Agency ceases its normal operations; (5) the EQ2 investment carries an interest rate that is not tied to any income received by the Agency; and (6) the EQ2 investment has a rolling term, and therefore, an indeterminate maturity (also known as an evergreen provision). The Agency's total obligation under the equity equivalent investments was $5,060,835 and $3,035,521, respectfully, as of December 31, 2014 and 2013. Substantially all of these obligations carry an interest rate of Prime minus 4%, effectively 0%, at December 31, 2014 and 2013.

During 2014, the Agency received an additional $2,000,000 EQ2 investment from a bank. This obligation is a ten year note; however, beginning on the seventh anniversary of the maturity date and on each anniversary thereafter, unless the Organization ceases to be financially sound (as defined in the loan agreements) or ceases to carry out a community development mission, the maturity date is automatically extended by one year. This investment is to be used for single-family housing in Nashville, Tennessee allowing the bank to qualify for a Community Investment Tax Credit. This note had an outstanding balance of $2,000,000 as of December 31, 2014 which is included in the total balance of $5,060,835 at December 31, 2014 noted above.

(8) Accrued liabilities

A summary of accrued liabilities as of December 31, 2014 and 2013 is as follows:

	2014	2013
Accrued payroll	$ 156,130	$ 194,326
Accrued interest	98,393	78,414
Other accruals	64,535	69,988
	$ 319,058	$ 342,728

(9) Restrictions on net assets

Temporarily restricted net assets are available for the following purposes:

		2014		2013
HOME investment grants	$	484,487	$	484,487
HOME subrecipient grants for revolving construction fund		1,336,773		1,336,773
Revolving loans and available cash for low-income housing and down payment assistance		347,688		347,688
Total	$	2,168,948	$	2,168,948

Permanently restricted net assets consisted entirely of Neighborhood Reinvestment Capital Fund grants at December 31, 2014 and 2013.

Temporarily and permanently restricted net assets include funds utilized for the purchase or construction of low-income housing as restricted by donors. Certain grants do not address if or when restrictions expire or are released upon forgiveness of loan balances or losses incurred from the disposition of such properties. The Agency has maintained the restrictions that existed on the original grants unless otherwise indicated by the donors.

(10) Employee benefit plan

The Agency has a defined contribution employee benefit plan for eligible employees under provisions of section 403(b) of the Internal Revenue Code. Eligible employees may elect to contribute a percentage of their compensation, subject to certain limitations, to the plan on a pre-tax basis. The Agency will match one-half of each employee's contributions, up to a maximum matching contribution of 3% of the employee's eligible compensation. The Agency expensed employer contributions of $6,298 and $6,011 in 2014 and 2013, respectively.

(11) Operating leases

The Agency has entered into an operating lease for office space. Rent expense under this lease totaled $51,314 and $8,510 during 2014 and 2013, respectively. A summary of future minimum payments under this lease at December 31, 2014 is as follows:

Year		Amount
2015	$	52,848
2016		54,168
	$	107,016

(12) Loan servicing

Down payment assistance loans were sold to Neighborhood Housing Services of America ("NHSA") and are serviced by the Agency for NHSA. The Agency has entered into a Master Participation Agreement with several financial institutions to provide loan origination services and loan servicing for qualified first mortgage loans. The Agency receives a servicing fee equal to 1/2% of the amounts collected in connection with these services. None of the above loans are included in the financial statements.

(13) Commitments and contingencies

The Metropolitan Government of Nashville and Davidson County ("Metro") has threatened to file suit against the Agency for breach of contract related to uncompleted stormwater, street and sewer improvements on certain subdivisions. The Agency and Metro have entered into a tolling agreement to allow the Agency time to make the improvements and/or execute a managed compliance agreement with Metro. During 2013, Metro agreed to make the outstanding improvements; however, Metro required the Agency to pay $90,000 and make certain additional improvements to two subdivisions. The Agency sold the related undeveloped land in those subdivisions for approximately $230,000, repaid the related debt totaling approximately $127,000 and paid $90,000 to Metro. The Agency is only responsible for making any improvements that the new owner fails to make. Management believes any remaining costs for future improvements will not be material to the financial statements.

The disbursement of funds received under federal and state governmental grant programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Agency. In management's opinion, any such disallowed claims will not have a material effect on the Agency.

(14) Affiliations

The Agency is affiliated with The Resource Foundation, Inc. ("TRF"), a Tennessee not-for-profit corporation, which merged its affordable rental housing development projects to low- and very low-income families into the Agency in 1997. The Agency and TRF previously shared certain personnel. Operating expenses, applicable salaries and related personnel expenses were allocated on a pro-rata basis. The Agency was owed other receivables from this affiliate amounting to $61,816 and $144,950 at December 31, 2014 and 2013, respectively.

Effective July 19, 1999, the Agency was chartered by the Washington D.C.-based Neighborhood Reinvestment Corporation dba NeighborWorks® America ("NWA") as a certified NeighborWorks Homeownership Center. NWA is a congressionally chartered, public nonprofit corporation with more than 200 chartered NeighborWorks organizations serving more than 1,000 communities throughout the United States. NWA provides technical assistance, training and grants to assist the Agency in achieving its neighborhood revitalization programs.

(15) Supplemental disclosures of cash flow statement information

	2014	2013
Interest paid	$ 26,352	$ 165,359

Noncash financing and investing activities for the year ended December 31, 2013 include a gain of $8,304,424 on the cancellation of certain notes payable and obligations under a guarantee. Additionally, approximately $800,000 of debt was either forgiven or repaid with the sale or disposal of certain property with a cost basis of approximately $2,100,000.

During 2014, the Company acquired approximately $2,299,000 of notes receivable in exchange for notes payable in the same amount.

See Note 16 for a description of the noncash investing and financing activities related to the receivership action.

(16) Receivership action

In February 2009, a receivership action was filed against two prior subsidiaries, 5th & Main Commercial Owner, Inc. ("COI") and 5th & Main Residential Owner, Inc. ("ROI"), related to the 5th and Main Project, a mixed-use development in the East Bank Redevelopment District of Nashville, Tennessee. As a result of this receivership action, effective control of the assets of ROI and COI was granted to an independent receiver by the court. The lenders exercised their rights under the related deeds of trust to take control of those assets to satisfy the obligations of ROI and COI to the lenders. The Agency had no access to these assets as a result of the receivership action. The Agency had previously executed an unconditional guaranty agreement in favor of the plaintiffs in this action, Wachovia Bank and Wachovia Community Development Enterprises, LLC. Management reached an agreement with the plaintiffs on March 11, 2010, in which the unconditional guarantees were released by the plaintiffs, subject to certain conditions. There has been no indication that the conditions have not been met through June 19, 2015. Therefore, management believes that any contingent liability related to this guaranty does not meet the criteria for recognition in the consolidated financial statements.

As part of the 5th and Main Project, the Agency executed an unconditional guaranty agreement related to a tax increment financing loan ("TIF loan") obtained by Metropolitan Development and Housing Agency ("MDHA") in 2006. The original principal amount of the TIF loan was $6,000,000 and it matured May 15, 2011. The lender notified the Agency the loan had matured and was a liability of the Agency totaling $6,945,596 at December 31, 2012.

On May 29, 2013, the Agency reached an agreement with the lender to terminate the unconditional guarantee of the TIF loan. Under the terms of the agreement, the Agency paid the lender $120,000 for the release which was paid by the Agency with $20,000 cash and proceeds from a new $100,000 note payable from a bank. The $100,000 obligation accrues interest at a rate of 1.25% and paid on a quarterly basis. The principal on the obligation initially matures in May 2018; however, during each year beginning in 2015, unless the bank notifies the Agency, the obligation automatically renews for an additional year so that, upon each automatic extension, the three year remaining maturity is automatically extended to four years.

(17) Management's plans for future operations

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. At December 31, 2014, the Agency has a net asset deficiency of $1,511,672. The Agency also has a $400,000 note payable to a foundation that is due in arrears (Note 6).

Management continues to work with lenders and grantors to provide new sources of financing for its operations and negotiate additional forgiveness of debt under its current obligations. While there were some significant uncontrollable market conditions that have negatively impacted the Agency, management is optimistic that it can address these challenges and improve its operations and that cash from current operations will be adequate to sustain its operations through a period of at least January 1, 2016. However, there is no guarantee that such additional sources of financing, reductions in current obligations with lenders or additional sources of revenue will be successful and these financial statements do not reflect any such adjustments as a result of the Agency being unable to achieve such results.

Schedules of Financial Position and Changes in Net Assets - Neighborhood Reinvestment Capital Fund (Permanently Restricted Net Assets)

Schedules of Financial Position as of December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	$ 332,021	$ 295,468
Notes receivable	275,114	311,667
Development in progress / Property held for sale	107,100	107,100
Property, building and equipment	-	-
Total Assets	$ 714,235	$ 714,235
Liabilities and Net Assets		
Net assets - original capital funds	$ 1,915,266	$ 1,915,266
Cumulative losses on capital funds:		
Predevelopment funds not recaptured	(250,000)	(250,000)
Bad debt losses	(274,538)	(274,538)
5th and Main receivership	(676,493)	(676,493)
Net assets - permanently restricted	$ 714,235	$ 714,235

Schedules of Changes in Net Assets for the Years Ended December 31, 2014 and 2013

	2014	2013
Change in net assets	$ -	$ -
Net assets, beginning	714,235	714,235
Net assets, ending	$ 714,235	$ 714,235

Notes:

Investment income and interest on outstanding loans was earned on the net assets of the Neighborhood Reinvestment Capital Fund ("NRC") and was available for unrestricted use by the Agency. All of these amounts were transferred to the unrestricted funds during those years. There were no proceeds from capital projects in excess of the amount of funds necessary to maintain the net assets at a level disclosed in the Capital Funds Agreement with NRC. Accordingly, no funds were transferred from the Capital Fund for that purpose.

Reductions in net assets from the original capital funds for cumulative losses represent management's estimate of amounts that are no longer restricted per the terms of the Capital Funds Agreement due to the nature of the losses incurred. The Agency has requested formal release from these permanent restrictions which was approved subsequent to year end.