

URBAN HOUSING SOLUTIONS, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2008 AND 2007

URBAN HOUSING SOLUTIONS, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses - 2008	6
Statements of Functional Expenses - 2007	7
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplemental Information	
Schedule of Expenditures of Federal Awards	19
Schedule of Program Services Revenues and Expenses - 2008	20
Schedule of Program Services Revenues and Expenses - 2007	23
Auditors' 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	25
Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	26
Schedule of Findings and Questioned Costs	28
Schedule of Prior Audit Findings	29



BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Urban Housing Solutions, Inc. ("UHS"), as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of UHS's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Urban Housing Solutions, Inc. taken as a whole. The schedules of program services revenues and expenses are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bellenfant & Miles, PLLC

June 25, 2009

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
Cash	\$ 248,355	\$ 209,221
Restricted cash:		
Tenant security deposits	120,134	102,859
Cash	281,505	499,442
Replacement reserves	287,000	280,000
Accounts receivable:		
Grants	723,820	651,204
Tenants	82,461	30,032
Receivable from insurance company for damages related to fire	-	25,000
Due from Mercury Court Apartments, LP	18,994	13,680
Prepaid expenses, deposits and other	38,715	39,425
Investment in Mercury Court Apartments, LP	70,000	70,000
Accrued developer fees	6,200	6,200
Property and equipment - net of accumulated depreciation	16,039,820	12,436,095
Loan closing costs, net of accumulated amortization of \$ 44,981 and \$ 43,468 for 2008 and 2007	44,139	46,814
TOTAL ASSETS	<u>\$ 17,961,143</u>	<u>\$ 14,409,972</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 57,870	\$ 65,976
Accrued payments in lieu of tax (PILOT)	36,380	34,263
Tenant security deposits payable	120,109	102,691
Unearned revenue	124,074	155,999
Notes payable	6,945,760	7,283,738
TOTAL LIABILITIES	<u>7,284,193</u>	<u>7,642,667</u>
 NET ASSETS		
Unrestricted:		
Undesignated	1,517,518	1,473,454
Property and equipment	9,094,060	5,152,357
Total unrestricted	10,611,578	6,625,811
Temporarily restricted	65,372	141,494
TOTAL NET ASSETS	<u>10,676,950</u>	<u>6,767,305</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,961,143</u>	<u>\$ 14,409,972</u>

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

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2008 AND 2007

	2008			2007		
	TEMPORARIL Y			TEMPORARIL Y		
	UNRESTRICTED	RESTRICTED	TOTAL	UNRESTRICTED	RESTRICTED	TOTAL
SUPPORT AND REVENUES						
Public Support:						
Individual and corporate gifts	\$ 39,374	\$ -	\$ 39,374	\$ 19,408	\$ -	\$ 19,408
In-kind donation - Cornelia House	2,200,000	-	2,200,000	-	-	-
Grants:						
Government	2,200,047	-	2,200,047	1,722,081	-	1,722,081
Foundation	-	142,960	142,960	-	137,635	137,635
Total public support	4,439,421	142,960	4,582,381	1,741,489	137,635	1,879,124
Revenues:						
Rental income	2,543,450	-	2,543,450	2,449,559	-	2,449,559
Laundry income	63,855	-	63,855	22,538	-	22,538
Investment income	25,637	-	25,637	28,101	-	28,101
Resident vending machine	13,894	-	13,894	33,787	-	33,787
Security deposits forfeited	-	-	-	24,000	-	24,000
Management fees	11,834	-	11,834	11,650	-	11,650
Miscellaneous	19,158	-	19,158	8,303	-	8,303
Business income - The Academy	27,458	-	27,458	-	-	-
Special events	11,585	-	11,585	-	-	-
Gain on sale of building and property	130,494	-	130,494	-	-	-
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	219,082	(219,082)	-	94,951	(94,951)	-
TOTAL SUPPORT AND REVENUES	7,505,868	(76,122)	7,429,746	4,414,378	42,684	4,457,062
EXPENSES						
Program services:						
Rental projects	3,006,322	-	3,006,322	2,701,604	-	2,701,604
Resident support programs	429,936	-	429,936	356,598	-	356,598
Total program services	3,436,258	-	3,436,258	3,058,202	-	3,058,202
Supporting services:						
Management and general	83,843	-	83,843	104,524	-	104,524
TOTAL EXPENSES	3,520,101	-	3,520,101	3,162,726	-	3,162,726
CHANGE IN NET ASSETS	3,985,767	(76,122)	3,909,645	1,251,652	42,684	1,294,336
NET ASSETS - BEGINNING OF YEAR	6,625,811	141,494	6,767,305	5,374,159	98,810	5,472,969
NET ASSETS - END OF YEAR	<u>\$ 10,611,578</u>	<u>\$ 65,372</u>	<u>\$ 10,676,950</u>	<u>\$ 6,625,811</u>	<u>\$ 141,494</u>	<u>\$ 6,767,305</u>

The accompanying notes are an integral part of these financial statements

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 795,450	\$ 321,597	\$ 1,117,047	\$ 29,440	\$ 1,146,487
Advertising	16,812	27	16,839	2	16,841
Contract services	7,188	2,187	9,375	1,000	10,375
Equipment	1,907	250	2,157	52	2,209
Insurance	84,945	14,785	99,730	1,058	100,788
Interest	303,190	-	303,190	-	303,190
Lawn care	11,658	-	11,658	-	11,658
Legal and professional	57,511	6,047	63,558	5,365	68,923
Management fees	26,518	-	26,518	-	26,518
Miscellaneous	131,793	1,145	132,938	4,880	137,818
Pest control	11,906	-	11,906	-	11,906
Printing and postage	3,416	657	4,073	396	4,469
Rent	5,845	642	6,487	-	6,487
Repairs and maintenance	411,927	6,083	418,010	567	418,577
Scholarships	-	13,850	13,850	-	13,850
Social program funds	4,992	12,315	17,307	-	17,307
Special events	-	4,790	4,790	-	4,790
Supplies	13,815	5,293	19,108	13,159	32,267
Taxes and licenses	47,263	300	47,563	40	47,603
Telephone	16,730	6,907	23,637	347	23,984
Trash removal	4,891	-	4,891	-	4,891
Travel	37,724	14,935	52,659	6,336	58,995
Utilities	433,887	-	433,887	814	434,701
Vending machine expenses	-	17,598	17,598	-	17,598
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,429,368	429,408	2,858,776	63,456	2,922,232
Depreciation and amortization	576,954	528	577,482	20,387	597,869
TOTAL FUNCTIONAL EXPENSES	\$ 3,006,322	\$ 429,936	\$ 3,436,258	\$ 83,843	\$ 3,520,101

The accompanying notes are an integral part of these financial statements

URBAN HOUSING SOLUTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	PROGRAM SERVICES			SUPPORTING SERVICES	
	RENTAL PROJECTS	RESIDENT SUPPORT PROGRAMS	TOTAL	MANAGEMENT AND GENERAL	TOTAL
Payroll and related expenses	\$ 604,398	\$ 265,828	\$ 870,226	\$ 30,893	\$ 901,119
Advertising	2,683	-	2,683	-	2,683
Contract services	20,089	15,642	35,731	479	36,210
Equipment	23	-	23	75	98
Insurance	105,690	5,759	111,449	665	112,114
Interest	334,411	-	334,411	-	334,411
Lawn care	15,176	-	15,176	-	15,176
Legal and professional	39,617	3,200	42,817	35,080	77,897
Management fees	30,110	-	30,110	-	30,110
Miscellaneous	37,856	911	38,767	1,764	40,531
Pest control	22,755	-	22,755	-	22,755
Printing and postage	1,275	663	1,938	750	2,688
Rent	3,254	849	4,103	341	4,444
Repairs and maintenance	396,816	3,304	400,120	1,613	401,733
Social program funds	6,267	8,304	14,571	8	14,579
Supplies	12,072	2,982	15,054	5,061	20,115
Taxes and licenses	70,971	-	70,971	10	70,981
Telephone	12,137	5,067	17,204	707	17,911
Trash removal	16,370	-	16,370	-	16,370
Travel	18,878	12,215	31,093	7,976	39,069
Utilities	456,521	254	456,775	435	457,210
Vending machine expenses	-	30,757	30,757	-	30,757
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	2,207,369	355,735	2,563,104	85,857	2,648,961
Depreciation and amortization	494,235	863	495,098	18,667	513,765
TOTAL FUNCTIONAL EXPENSES	\$ 2,701,604	\$ 356,598	\$ 3,058,202	\$ 104,524	\$ 3,162,726

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

URBAN HOUSING SOLUTIONS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 3,909,645	\$ 1,294,336
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	597,869	513,765
(Increase) decrease in:		
Accounts receivable:		
Grants	(72,616)	(307,198)
Tenants	(52,429)	(22,851)
Insurance receivable	25,000	-
Accrued interest	-	737
Other assets	(4,604)	(413)
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,106)	10,571
Unearned revenue	(31,925)	27,999
Accrued payments in lieu of tax (PILOT)	2,117	33,341
Net cash (used) provided by operating activities	<u>4,364,951</u>	<u>1,550,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,257,071)	(1,614,393)
Book Value of property sold	69,506	-
(Increase) decrease in restricted deposits	193,662	(255,466)
Increase (decrease) in tenant security deposits payable	17,418	(4,139)
Net cash (used) provided by investing activities	<u>(3,976,485)</u>	<u>(1,873,998)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan closing costs	(11,354)	10,131
Proceeds from notes payable	52,613	1,778,807
Principal payments on notes payable	(390,591)	(1,583,689)
Net cash (used) provided by financing activities	<u>(349,332)</u>	<u>205,249</u>
NET INCREASE (DECREASE) IN CASH	39,134	(118,462)
CASH - BEGINNING OF YEAR	<u>209,221</u>	<u>327,683</u>
CASH - END OF YEAR	<u>\$ 248,355</u>	<u>\$ 209,221</u>
NONCASH INVESTING ACTIVITIES		
Receivable for insurance proceeds relating to property damaged by fire	<u>\$ -</u>	<u>\$ 25,000</u>

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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:

Urban Housing Solutions, Inc. prepares its financial statements and maintains its financial accounting records on the accrual basis of accounting.

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.

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.

Jointly-owned properties

Interests in jointly owned properties are accounted for on the equity method of accounting.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Property and equipment

Property and equipment are stated at acquisition costs, or estimated fair market value if donated, less accumulated depreciation. Depreciation is computed on the straight-line method over estimated useful life of three to ten years for furniture and equipment and thirty years for buildings and improvements.

Donated property and materials

Donated items are recorded at their fair market value at the date of the gift.

Donated services

UHS's policy is to record support and expenses for contributed services that require specialized skills and would be purchased if not provided by the donor at the fair value of services received.

Program and supporting services

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

Rental projects:

Mercury Courts - provides 154 units of housing for formerly homeless and low-income adults, as well as access to the agency's shuttle service, on-site classes, service coordination, and health advocacy

Rex Courts - provides 96 units of housing for low-income individuals and families, of which 20 units are designed for persons who are homeless and mentally ill

Greentree Terrace - provides 56 units of housing for low-income individuals and families, of which 20 units are designated for persons who are homeless and mentally ill.

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

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

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

Woodland Street - provides dorm-style housing for men in The Academy program.

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

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Program and supporting services

Rental projects continued:

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

Village Place - provides 68 units of housing for low-income adults and families

The Park at Mercury Court - provide 20 units of housing for adults through the Low- Income Housing Tax Credit program. The equity partner is SunTrust Bank.

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

Mercury North - will provide 32 units of housing for low-income, homeless adults and families. Expected completion of construction rehab is late 2009.

Lindsley - will provide dorm-style housing for The Academy program. Expected completion of construction is fall 2009.

701 Porter - will provide apartments for low-income, deaf adults and families, as well as space for a variety of small commercial enterprises and community space for East Nashville. Expected completion of construction is 2010.

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, schedule transportation, 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 counselor.

SEED Program - provides socio-economic development activities. The SEED program assists with the residents association, social activities, and on-site classes.

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.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

Resident support programs continued:

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.

Vending Program - a resident run enterprise that operates all vending machines on UHS properties.

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

Rex and Greentree Mental Health Program - provides subsidized rent and case management services for people who are homeless and mentally ill.

The Academy - Based on San Francisco's highly successful Delancey Street, The Academy provides housing and a structured, two-year, life-altering program of accountability and skills training for chronically homeless and formerly incarcerated men

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.

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.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued

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, no allowance for uncollectible accounts was considered necessary as of December 31, 2008 or 2007.

Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year's presentation.

2. GRANTS RECEIVABLE

Grants receivable consists of receivables from programs funded by the U.S. Department of Housing and Urban Development ("HUD") and the Metropolitan Development and Housing Agency ("MDHA"). 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:

	2008	2007
Land	\$ 2,785,808	\$ 2,587,850
Building and improvements	16,001,017	12,268,863
Furniture and equipment	906,670	666,083
	<u>19,693,495</u>	<u>15,522,796</u>
Less accumulated depreciation	(3,653,675)	(3,086,701)
	<u>\$ 16,039,820</u>	<u>\$ 12,436,095</u>

4. IN-KIND DONATION - CORNELIA HOUSE

During 2008, UHS received, as a donation, a facility known as Cornelia House. It is currently being divided into apartments with some commercial and community use areas to serve low-income, deaf adults and families. It will be known as 701 Porter. The fair value of the donation was determined to be \$2,200,000.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

5. NOTES PAYABLE

Notes payable consist of the following as of December 31 2008:

Note payable - Nashville Housing Fund (4.00%); payable in monthly principal and interest payments of \$2,510 beginning October 2004; final balloon payment for balance due October 2009; secured by real estate at River Terrace.	\$ 497,684
---	------------

Note Payable - Green Bank (4.25%); payable in monthly principal and interest payments of \$10,128 beginning January 2008; final balloon payment for the balance due February 2012; secured by real estate at Rex Courtyards.	1,219,883
--	-----------

Note payable - Renasant Bank (4.75%); interest due monthly beginning May 2007; final balloon payment for balance due November 2009; secured by real estate at Lindsley Avenue	448,938
---	---------

Mortgage payable - Renasant Bank (4.25%); payable in monthly principal and interest payments of \$10,280 beginning November 2007, with final balloon payment for the balance due November 2012 ; secured by real estate at Village Place	1,464,808
--	-----------

Note payable - Tenn Loan, Inc. (3.00%); payable in monthly installments of \$724 beginning October 1999, through May 2010; secured by real estate at Eastwood Courts.	21,545
---	--------

Mortgage payable - Pinnacle Bank (4.25%); payable in monthly installments of \$552 beginning October 2008 through September 2018; secured by real estate at Mercury Courts	52,613
--	--------

Note payable - Renasant Bank (4.25%); monthly principal and interest payment of \$2,366 beginning January 2007; final balloon payment for the balance due December 2011; secured by real estate at Hope Terrace	346,818
---	---------

Note payable - Renasant Bank (4.25%); payable in monthly principal and interest payment of \$6,161 beginning of November 2006, final balloon payment for the balance due October 2011; secured by real estate at Greentree Terrace.	924,711
---	---------

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

5. NOTES PAYABLE - continued

Note payable - Pinnacle Bank (1.25%); payable in monthly principal and interest payment of \$7,839 beginning of October 2008, final balloon payment for the balance due March 2013; secured by real estate at Mercury Courts. \$ 1,264,959

Note payable - Regions Bank (5.00%); payable in monthly principal and interest payment of \$6,439 beginning September 2006, final balloon payment for balance due August 2009; secured by real estate at Eastwood Courts 703,801

Total Notes Payable \$ 6,945,760

Annual principal maturities of notes payable as of December 31, 2008 are as follows:

2009	\$ 1,922,540
2010	288,438
2011	1,403,746
2012	2,352,437
2013	950,252
2014 and thereafter	<u>28,347</u>
	<u><u>\$ 6,945,760</u></u>

Interest expense of \$303,190 was paid in 2008 and \$334,411 in 2007.

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 (until December 31, 2009). Excess uninsured balances of UHS approximated \$395,210 in 2008 and \$964,120 in 2007. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

7. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Foundation grants for tenant assistance	<u>\$ 65,372</u>	<u>\$ 141,494</u>

8. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

UHS has 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.

Insurance settlement for the fire damage at Rex's Courtyards Apartments

In September 2003, one of the buildings at Rex's Courtyards that was under renovation was destroyed by fire. UHS and the insurance company are still negotiating the terms of the applicable insurance coverage on this property and under the builders risk policies relating to the renovation in progress at the time of the fire. At December 31, 2004, UHS had received \$918,251 of the insurance proceeds. As of December 31, 2005, UHS accrued \$118,363 of additional proceeds, which was received in May 2006. As of December 31, 2007, UHS accrued \$25,000 of additional proceeds, which was received in February 2008. Management is pursuing additional damage to the other two buildings on site. The amount of such additional proceeds, if any, will be recognized in the period a settlement is reached.

9. ACCRUED PAYMENTS IN LIEU OF TAXES (PILOT)

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

The Metropolitan Council approved the formula for calculating PILOT payments to be 25% of the normal property taxes. Accrued PILOT has been recorded as a liability in the amount of \$36,380 and \$34,263 for the years ended December 31, 2008 and 2007, respectively. PILOT expenses were \$36,947 and \$68,956 for the years ended December 31, 2008 and 2007, respectively.

URBAN HOUSING SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007

10. 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 developer of the 20-unit multifamily residential project. UHS is owed a developer fee of \$6,200. This fee will be paid from future capital contributions, cash flow or upon disposition of Mercury Court Apartments.

Mercury Courts Apartments, LP has entered into an agreement with UHS, in connection 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 \$11,834 in 2008 and \$11,650 in 2007. No operating income or loss passed through to UHS from the Partnership in 2008 or 2007.

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

SUPPLEMENTAL INFORMATION

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass-Through Grantor Agency & Program Name	Federal CFDA #	Grant Number	Grant Period	Grant Amount	Grant Receivable 1/1/08	1/1/08 - 12/31/08		Grant Receivable 12/31/08
						Receipts	Expenditures	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:								
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	4/1/07 - 3/31/08	\$ 95,722	55,128	71,953	16,825	\$ -
Multifamily Housing Service Coordinator Program	14.191	TN43HS00004	4/1/08 - 3/31/09	92,678	-	57,608	76,858	19,250
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	3/1/07 - 2/28/08	27,632	10,063	16,140	6,077	-
Multifamily Housing Service Coordinator Program	14.191	TN43HS00005	3/1/08 - 2/28/09			11,364	16,855	5,491
Supportive Housing Program	14.235	TN37B504001	4/1/07 - 3/31/09	240,000	34,657	122,352	168,411	80,716
Supportive Housing Program	14.235	TN37B604003	8/1/07 - 7/31/08	168,705	23,618	40,278	16,660	
Supportive Housing Program	14.235	TN37B204006	4/1/08 - 3/31/09	168,705	-	135,097	157,867	22,770
Supportive Housing Program	14.235	TN37B504004	9/1/06 - 8/31/07	27,439	1,635	1,635		-
Supportive Housing Program	14.235	TN37B504006	8/1/06 - 7/31/07	133,721	1,353	1,353		-
PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY:								
Housing Opportunities for Persons with AIDS	12.241	N/A	4/1/07 - 3/31/08	91,690	24,750	41,255	23,713	7,208
Housing Opportunities for Persons with AIDS	12.241	N/A	4/1/08 - 3/31/09	106,360	-	56,872	104,003	47,131
Community Housing Development Organization -HOME Investment Partnership Program - administrative funds	12.241	N/A		-	500,000	500,000		
Community Housing Development Organization -HOME Investment Partnership Program - administrative funds	14.239	N/A		130,000	-	95,676	130,000	34,324
Community Housing Development Organization -HOME Investment Partnership Program - administrative funds	14.239	N/A		228,438		5,026	37,582	32,556
Community Housing Development Organization -HOME Investment Partnership Program	14.239	N/A		1,450,000		751,464	1,082,757	331,293
STATE OF TENNESSEE REVENUE:								
Tennessee Housing Development Agency Housing Trust Fund Competitive Grant Program		N/A		341,896		187,450	330,531	143,081
State of Tennessee Community Enhancement Grant		N/A		5,000		5,000	5,000	
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 651,204	\$ 2,100,523	\$ 2,173,139	\$ 723,820	

(1) Not specified by grantor

Basis of presentation

This schedule of expenditures of federal awards includes the federal grant activity of Urban Housing Solutions, Inc. and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*.

** Tested as Major Programs

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

PROGRAM SERVICES										
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	CLAY STREET	REX'S COURTYARD	VULTEE GARDENS
REVENUES										
Rental Income	\$ 45,223	\$ -	\$ 752,609	\$ 93,646	\$ 78,593	\$ 89,656	\$ 49,354	\$ 700	\$ 457,378	\$ 65,530
Grants	1,006	-	1,065	27,610	22,097	-	142,500	-	53,150	15,390
Other	244	-	7,724	3,132	6,137	1,073	174	-	20,770	2,998
Gain on Sale of Building and Property	-	-	-	-	-	-	-	130,494	-	-
Total Revenues	46,473	-	761,398	124,388	106,827	90,729	192,028	131,194	531,298	83,918
EXPENSES										
Payroll and related expenses	12,481	-	234,045	31,529	28,527	26,938	19,912	947	80,692	18,208
Advertising	143	-	5,627	337	532	188	23	6	2,218	444
Contract services	60	-	2,847	400	250	75	580	-	1,033	65
Equipment	82	-	599	76	48	54	37	2	221	44
Insurance	1,651	16	12,409	3,767	3,086	1,916	2,036	175	16,172	2,407
Interest	-	-	70,691	5,098	5,098	5,098	-	-	49,769	-
Lawn care	270	-	1,555	270	280	420	720	-	628	416
Legal and professional	285	-	10,856	1,932	1,064	3,039	371	365	4,246	628
Management fees	-	-	-	3,020	2,573	2,333	-	-	3,335	3,099
Miscellaneous	2	-	86	6	4	5	2	-	17	39
Pest control	13	-	456	83	22	63	636	268	3,434	455
Printing and postage	52	-	924	129	90	90	55	3	393	73
Rent	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	3,184	-	86,393	17,901	10,910	13,990	1,570	454	110,281	12,395
Social program funds	118	-	1,293	215	194	164	214	74	608	178
Supplies	257	-	4,103	627	429	450	256	16	2,122	350
Taxes and licenses	-	-	-	2,397	3,502	1,370	-	2,305	8,417	1,944
Telephone	193	-	3,665	485	317	432	225	18	3,292	273
Trash removal	1,188	-	976	18	12	1,192	15	-	132	1,187
Travel	491	-	3,203	1,624	1,295	819	690	33	2,112	571
Utilities	2,970	-	132,735	17,389	10,698	15,295	9,450	206	112,367	6,765
TOTAL FUNCTIONAL EXPENSES										
BEFORE DEPRECIATION	23,440	16	572,463	87,303	68,931	73,931	36,792	4,872	401,489	49,541
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	23,033	(16)	188,935	37,085	37,896	16,798	155,236	126,322	129,809	34,377
Depreciation and amortization	15,623	5,264	125,523	30,925	18,398	19,554	15,454	791	58,396	24,402
REVENUE OVER EXPENSES	\$ 7,410	\$ (5,280)	\$ 63,412	\$ 6,160	\$ 19,498	\$ (2,756)	\$ 139,782	\$ 125,531	\$ 71,413	\$ 9,975

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM SERVICES									TOTAL RENTAL PROJECTS
	GREENTREE TERRACE	RIVER TERRACE	CORNELIA HOUSE	DRAKE	THE VIEWS ON MAIN	FREEDOM RECOVERY	EASTWOOD COURT	VILLAGE PLACE	THE ACADEMY	
REVENUES										
Rental Income	\$ 204,441	\$ 83,098	\$ -	\$ 7,438	\$ -	\$ -	\$ 291,144	\$ 324,610	\$ -	\$ 2,543,420
Grants	30,381	4,529	-	1,082,757	-	-	29,449	21,740	606,524	2,038,198
Other	11,547	290	2,202,200	6,351	-	4,915	5,884	12,674	27,678	2,313,791
Gain on Sale of Building and Property	-	-	-	-	-	-	-	-	-	130,494
Total Revenues	246,369	87,917	2,202,200	1,096,546	-	4,915	326,477	359,024	634,202	7,025,903
EXPENSES										
Payroll and related expenses	63,267	21,471	16,697	23,008	-	4,573	60,021	65,344	87,790	795,450
Advertising	1,423	222	169	2	-	-	3,656	1,812	10	16,812
Contract services	608	60	-	-	-	-	480	730	188	7,188
Equipment	175	52	14	20	-	7	154	134	188	1,907
Insurance	9,657	3,362	3,096	-	-	-	9,427	9,336	6,432	84,945
Interest	40,734	20,125	-	-	-	-	34,390	64,664	7,523	303,190
Lawn care	4,108	400	150	-	-	-	1,499	582	360	11,658
Legal and professional	2,933	897	605	116	18,522	43	4,412	5,585	1,612	57,511
Management fees	4,634	1,659	-	205	-	-	2,525	3,135	-	26,518
Miscellaneous	53	904	-	-	-	-	777	13	129,885	131,793
Pest control	1,726	586	-	-	-	-	2,024	2,140	-	11,906
Printing and postage	241	88	89	-	-	8	264	308	609	3,416
Rent	-	-	-	-	-	-	-	-	5,845	5,845
Repairs and maintenance	27,946	11,226	-	1,160	-	2,687	48,980	55,774	7,076	411,927
Social program funds	670	209	-	-	-	-	600	455	-	4,992
Supplies	1,178	430	-	286	-	80	1,306	1,452	473	13,815
Taxes and licenses	4,990	1,965	-	-	255	-	7,225	6,373	6,520	47,263
Telephone	1,750	328	24	181	-	22	995	1,100	3,430	16,730
Trash removal	81	12	-	-	-	-	37	41	-	4,891
Travel	1,114	1,241	-	5	-	232	3,148	2,320	18,826	37,724
Utilities	22,693	6,903	5,044	3,217	-	-	36,202	32,353	19,600	433,887
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	189,981	72,140	25,888	28,200	18,777	7,652	218,122	253,651	296,179	2,429,368
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	56,388	15,777	2,176,312	1,068,346	(18,777)	(2,737)	108,355	105,373	338,023	4,596,535
Depreciation and amortization	55,055	14,440	24,865	20,320	-	4	56,613	69,492	21,835	576,954
REVENUE OVER EXPENSES	\$ 1,333	\$ 1,337	\$ 2,151,447	\$ 1,048,026	\$ (18,777)	\$ (2,741)	\$ 51,742	\$ 35,881	\$ 316,188	\$ 4,019,581

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2008

	SERVICE COORDINATOR PROGRAM	JOURNEYS OF HOPE PROGRAM	PROGRAM SERVICES						RESIDENT SUPPORT PROGRAMS	TOTAL	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
			VENDING PROGRAM	MENTAL HEALTH	HEALTH MATTERS	SEED PROGRAM	CLIENT FUND PROGRAM	HOPWA				
REVENUES												
Rental Income	\$	\$ 30	\$	\$	\$	\$	\$	\$	\$ 30	\$ 2,543,450	\$	\$ 2,543,450
Grants	116,615	43,033		40,072	39,960		6,200	28,929	274,809	2,313,007	30,000	2,343,007
Other			13,894				31,453		45,347	2,359,138	53,657	2,412,795
Gain on Sale of Building and Property										130,494		130,494
Total Revenues	116,615	43,063	13,894	40,072	39,960		37,653	28,929	320,186	7,346,089	83,657	7,429,746
EXPENSES												
Payroll and related expenses	127,458	57,577		39,751	33,645	1,300	33,779	28,087	321,597	1,117,047	29,440	1,146,487
Advertising	13	6					\$		27	16,839	2	16,841
Contract services		1,347				840			2,187	9,375	1,000	10,375
Equipment							250		250	2,157	52	2,209
Insurance	6,123	2,855	521	2,148	770	658	940	770	14,785	99,730	1,058	100,788
Interest										303,190		303,190
Lawn care										11,658		11,658
Legal and professional	2,536	1,276	-	508	190	38	891	608	6,047	63,558	5,365	68,923
Management fees										26,518		26,518
Miscellaneous	166	11		53	256		654	5	1,145	132,938	4,880	137,818
Pest control										11,906		11,906
Printing and postage	193	137		99	33	21	108	66	657	4,073	396	4,469
Rent	232	107		71	41	38	86	67	642	6,487		6,487
Repairs and maintenance		51		1,387		37	4,595	13	6,083	418,010	567	418,577
Scholarships						13,850			13,850	13,850		13,850
Social program funds	107	4,620			1,554	1,088	4,946		12,315	17,307		17,307
Special events							4,790		4,790	4,790		4,790
Supplies	845	400		890	393	653	2,028	84	5,293	19,108	13,159	32,267
Taxes and licenses							300		300	47,603	40	47,603
Telephone	2,468	1,029		1,540	81	42	1,198	549	6,907	23,637	347	23,984
Trash removal										4,891		4,891
Travel	1,774	880		3,697	685	487	6,639	773	14,935	52,659	6,336	58,995
Utilities										433,887	814	434,701
Vending machine expenses			17,598						17,598	17,598		17,598
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	141,915	70,296	18,119	50,144	37,648	19,052	61,209	31,025	429,408	2,858,776	63,456	2,922,232
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(25,300)	(27,233)	(4,225)	(10,072)	2,312	(19,052)	(23,556)	(2,096)	(109,222)	4,487,313	20,201	4,507,514
Depreciation and amortization						528			528	577,482	20,387	597,869
REVENUE OVER EXPENSES	\$ (25,300)	\$ (27,233)	\$ (4,225)	\$ (10,072)	\$ 2,312	\$ (19,580)	\$ (23,556)	\$ (2,096)	\$ (109,750)	\$ 3,909,831	\$ (186)	\$ 3,909,645

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

PROGRAM SERVICES																	
	SHELBY COURTYARDS	WOODLAND	MERCURY COURTS	HOPE	CROWN COURTS	FISK	RUSSELL	CLAY STREET	REN'S COURTYARD	VULTEE GARDENS	GREENTREE TERRACE	RIVER TERRACE	MERCURY CONVERSIONS	EASTWOOD COURT	VILLAGE PLACE	THE ACADEMY	TOTAL RENTAL PROJECTS
REVENUES																	
Rental Income	\$ 44,744	\$	\$ 630,821	\$ 111,685	\$ 71,480	\$ 85,105	\$ 64,295	\$ 8,400	\$ 488,813	\$ 57,749	\$ 197,069	\$ 88,354	\$	\$ 303,674	\$ 297,368	\$	\$ 2,449,557
Grants	16,994		500,000	42,136	18,497	69,620			65,297	19,247	18,147	12,580		30,999	8,000	716,600	1,518,627
Other	490		9,720	3,465	768	1,159	480	168	11,219	720	6,271	721		8,679	2,880	1,300	47,880
Total Revenues	62,228		1,140,541	157,226	90,745	155,894	64,775	8,568	565,829	77,716	221,487	101,655		343,352	308,248	717,800	4,016,064
EXPENSES																	
Payroll and related expenses	10,462		221,700	25,127	18,419	22,343	11,641	2,607	75,806	14,217	47,726	17,092		48,140	53,242	35,676	604,398
Advertising	34		469	84	58	55	35	10	278	46	162	58		178	197	1,017	2,683
Contract services	210		10,467	548	485	478	235	52	2,226	464	1,217	395		958	1,500	854	20,089
Equipment										23							23
Insurance	1,947	777	24,491	4,623	3,012	2,226	2,343	822	16,485	2,909	11,455	3,504		12,854	12,511	5,731	105,690
Interest			79,032	5,298	5,259	5,259			63,801		42,018	20,514		39,651	66,938	6,641	334,411
Lawn care	350	105	2,347	810	526	428	1,665		701	584	2,753	1,280		2,457	650	520	15,176
Legal and professional	758	52	9,392	8,617	1,433	357	130	39	5,572	1,157	2,672	893		2,474	4,617	1,454	39,617
Management fees				4,836	1,978	4,594			2,000	2,492	3,263	1,200		2,400	7,347		30,110
Miscellaneous	182		5,518	590	442	323	173	52	2,702	385	1,972	318		2,125	4,541	18,533	37,856
Pest control	410		7,353	169	830	732	680	1,076	3,493	420	1,975	509		2,229	2,479	400	22,755
Printing and postage	16		249	41	28	28	16	5	133	147	203	28		85	95	200	1,375
Rent	17		230	41	28	27	17	6	136		79	28		36	96	2,463	3,254
Repairs and maintenance	2,816	34	80,742	24,411	11,865	7,602	5,440	1,380	86,591	14,018	25,102	8,017		57,749	68,558	2,491	396,816
Social program funds	98		2,447	306	186	156	98	30	786	131	458	164		499	736	170	6,267
Supplies	219		3,841	533	368	421	219	67	1,866	326	1,068	369		1,121	1,268	381	12,072
Taxes and licenses			22	4,676	3,480	587			16,772	3,881	10,490	3,929		14,413	13,533	198	70,971
Telephone	151		2,195	367	254	505	157	48	3,350	203	1,814	254		771	874	1,187	12,137
Trash removal	1,128		3,029	774	889	1,012	324		1,251	1,193	1,665	56		1,710	3,061	278	16,370
Travel	367		3,907	1,322	667	818	456	58	2,387	490	824	918		2,290	2,356	3,018	18,878
Utilities	2,470	231	156,480	22,107	8,754	14,044	7,666		131,454	6,484	24,701	7,057		40,937	29,530	4,606	456,521
TOTAL FUNCTIONAL EXPENSES	21,635	1,216	612,911	105,280	58,961	62,195	31,295	6,252	417,790	49,570	181,617	66,583		233,127	273,119	85,818	2,207,369
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	40,593	(1,216)	527,630	51,946	31,784	93,699	33,480	2,316	148,039	28,146	39,870	35,072		110,225	35,129	631,982	1,808,695
Depreciation and amortization	15,513	5,538	106,182	26,822	16,941	18,065	12,916	2,368	64,481	24,272	54,568	13,831		54,405	65,249	6,692	494,235
REVENUE OVER EXPENSES	\$ 25,080	\$ (6,754)	\$ 421,448	\$ 25,124	\$ 14,843	\$ 75,634	\$ 20,564	\$ (52)	\$ 83,558	\$ 3,874	\$ (14,698)	\$ 21,241	\$	\$ 55,820	\$ (30,120)	\$ 625,290	\$ 1,314,460

URBAN HOUSING SOLUTIONS, INC.
SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	SERVICE COORDINATOR PROGRAM	JOURNEYS OF HOPE PROGRAM	PROGRAM SERVICES						RESIDENT SUPPORT PROGRAMS	TOTAL	SUPPORTING SERVICES MANAGEMENT AND GENERAL	TOTAL
			VENDING PROGRAM	MENTAL HEALTH	HEALTH MATTERS	SEED PROGRAM	CLIENT FUND PROGRAM	HOPWA				
REVENUES												
Program income	\$ 99,038	60,423	\$ 33,787	\$ 46,558	\$ 22,635	\$ -	\$ 5,346	\$ 12,434	\$ 39,133	\$ 2,488,690	\$ 100,000	\$ 2,488,690
Grants							19,264		241,088	1,759,715	41,513	1,859,715
Other									19,264	67,144		108,657
Total Revenues	99,038	60,423	33,787	46,558	22,635		24,610	12,434	299,485	4,315,549	141,513	4,457,062
EXPENSES												
Payroll and related expenses	115,341	68,130		52,643	1,457	198	16,185	11,874	265,828	870,226	30,893	901,119
Advertising				-						2,683	-	2,683
Contract services	2,305	2,633		1,947	52	6,635	1,821	249	15,642	35,731	479	36,210
Equipment										23	75	98
Insurance	1,326	1,191	1,093	949		442	758		5,759	111,449	665	112,114
Interest										334,411		334,411
Lawn care										15,176		15,176
Legal and professional	1,200	1,200		800	-				3,200	42,817	35,080	77,897
Management fees										30,110		30,110
Miscellaneous	278	28	35	30			540		911	38,767	1,764	40,531
Pest control										22,755		22,755
Printing and postage	57	27		9			538	22	663	1,938	750	2,688
Rent	133	53		53	44	106	292	168	849	4,103	341	4,444
Repairs and maintenance	71	4		698		20	2,491	20	3,304	400,120	1,613	401,733
Social program funds	103	5,960		71		69	2,050	51	8,304	14,571	8	14,579
Supplies	1,795	147		406	43	335	179	77	2,982	15,054	5,061	20,115
Taxes and licenses										70,971	10	70,981
Telephone	2,152	803		927			735	450	5,067	17,204	707	17,911
Trash removal										16,370		16,370
Travel	5,748	42		2,410		153	3,434	428	12,215	31,093	7,976	39,069
Utilities	42	44		79		58	6	25	254	456,775	435	457,210
Vending machine expenses			30,757				-		30,757	30,757		30,757
TOTAL FUNCTIONAL EXPENSES	130,551	80,262	31,885	61,022	1,596	8,026	29,029	13,364	355,735	2,563,104	85,857	2,648,961
REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	(31,513)	(19,839)	1,902	(14,464)	21,039	(8,026)	(4,419)	(930)	(56,250)	1,752,445	55,656	1,808,101
Depreciation and amortization						863			863	495,098	18,667	513,765
REVENUE OVER EXPENSES	\$ (31,513)	\$ (19,839)	\$ 1,902	\$ (14,464)	\$ 21,039	\$ (8,889)	\$ (4,419)	\$ (930)	\$ (57,113)	\$ 1,257,347	\$ 36,989	\$ 1,294,336