

**URBAN HOUSING SOLUTIONS, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**DECEMBER 31, 2010 AND 2009**

# URBAN HOUSING SOLUTIONS, INC.

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**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, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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, 2010 and 2009, 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 30, 2011, 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 financial statements taken as a whole. 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 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.

*Bellenfant & Miles, PLLC*

June 30, 2011

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

**ASSETS**

|   | <b><u>2010</u></b>          | <b><u>2009</u></b>          |
|---|-----------------------------|-----------------------------|
| Cash  | \$ 895,531                  | \$ 498,444                  |
| Restricted cash:  |                             |                             |
| Tenant security deposits  | 101,498                     | 71,533                      |
| Replacement reserves  | 401,838                     | 101,373                     |
| Accounts receivable:  |                             |                             |
| Grants  | 76,969                      | 117,002                     |
| Consortium Agreement  | 98,890                      | -                           |
| Tenants (less allowance for doubtful accounts of \$20,377 in 2010)                                  | 81,891                      | 55,157                      |
| Due from Mercury Court Apartments, LP   | 6,947                       | 17,538                      |
| Insurance receivables   | 29,695                      | -                           |
| Prepaid expenses, deposits and other  | 11,216                      | 13,786                      |
| Investment in Mercury Court Apartments, LP  | 70,000                      | 70,000                      |
| Accrued developer fees  | -                           | 6,200                       |
| Property and equipment - net of accumulated depreciation  | 22,542,730                  | 16,707,732                  |
| Loan closing costs, net of accumulated amortization of<br>\$ 69,395 and \$ 62,682 for 2010 and 2009 | <u>102,017</u>              | <u>44,191</u>               |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 24,419,222</u></b> | <b><u>\$ 17,702,956</u></b> |

**LIABILITIES AND NET ASSETS**

|  |                             |                             |
|--|-----------------------------|-----------------------------|
| <b>LIABILITIES</b>   |                             |                             |
| Accounts payable and accrued expenses                              | \$ 159,859                  | \$ 128,157                  |
| Accrued payments in lieu of tax (PILOT) and property taxes payable | 96,204                      | 35,233                      |
| Tenant security deposits payable                                   | 131,871                     | 104,813                     |
| Unearned revenue   | 59,861                      | 92,000                      |
| Notes payable  | <u>8,582,540</u>            | <u>6,615,880</u>            |
| <b>TOTAL LIABILITIES</b>   | <b><u>9,030,335</u></b>     | <b><u>6,976,083</u></b>     |
| <b>NET ASSETS</b>  |                             |                             |
| Unrestricted:  |                             |                             |
| Undesignated   | 1,418,697                   | 568,149                     |
| Property and equipment   | <u>13,960,190</u>           | <u>10,091,852</u>           |
| Total unrestricted   | 15,378,887                  | 10,660,001                  |
| Temporarily restricted   | <u>10,000</u>               | <u>66,872</u>               |
| <b>TOTAL NET ASSETS</b>  | <b><u>15,388,887</u></b>    | <b><u>10,726,873</u></b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                            | <b><u>\$ 24,419,222</u></b> | <b><u>\$ 17,702,956</u></b> |

The accompanying notes are an integral part of these financial statements

**URBAN HOUSING SOLUTIONS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**DECEMBER 31, 2010 AND 2009**

|   | 2010             |                 |                  | 2009             |              |                  |
|---|------------------|-----------------|------------------|------------------|--------------|------------------|
|   | TEMPORARILY      |                 |                  | TEMPORARILY      |              |                  |
|   | UNRESTRICTED     | RESTRICTED      | TOTAL            | UNRESTRICTED     | RESTRICTED   | TOTAL            |
| <b>SUPPORT AND REVENUES</b>                   |                  |                 |                  |                  |              |                  |
| Public Support:                               |                  |                 |                  |                  |              |                  |
| Individual and corporate gifts                | \$ 12,431        | \$ 100          | \$ 12,531        | \$ 52,178        | \$ 3,561     | \$ 55,739        |
| Grants:                                       |                  |                 |                  |                  |              |                  |
| Government                                    | 4,793,024        | 4,527           | 4,797,551        | 1,011,226        | -            | 1,011,226        |
| Foundation                                    | -                | 54,000          | 54,000           | 59,171           | -            | 59,171           |
| Consortium Agreement                          | 613,883          | -               | 613,883          |                  |              |                  |
| Total public support                          | 5,419,338        | 58,627          | 5,477,965        | 1,122,575        | 3,561        | 1,126,136        |
| Revenues:                                     |                  |                 |                  |                  |              |                  |
| Rental income                                 | 3,185,655        | -               | 3,185,655        | 2,732,265        | -            | 2,732,265        |
| Laundry and vending machine income            | 32,291           | -               | 32,291           | 30,949           | -            | 30,949           |
| Investment income                             | 12,564           | -               | 12,564           | 12,901           | -            | 12,901           |
| Security deposits forfeited                   | -                | -               | -                | 47,604           | -            | 47,604           |
| Developer fees                                | 49,970           | -               | 49,970           | -                | -            | -                |
| Insurance proceeds                            | 186,413          | -               | 186,413          | -                | -            | -                |
| Management fees                               | 10,401           | -               | 10,401           | 10,514           | -            | 10,514           |
| Miscellaneous                                 | 10,848           | -               | 10,848           | 31,000           | -            | 31,000           |
| Freedom recovery                              | 9,215            | -               | 9,215            | 7,223            | -            | 7,223            |
| Business income - The Academy                 | 16,328           | -               | 16,328           | 66,769           | -            | 66,769           |
| Special events                                | -                | -               | -                | 400              | -            | 400              |
| Net assets released from restrictions:        |                  |                 |                  |                  |              |                  |
| Satisfaction of time and purpose restrictions | 115,499          | (115,499)       | -                | 2,061            | (2,061)      | -                |
| <b>TOTAL SUPPORT AND REVENUES</b>             | <b>9,048,522</b> | <b>(56,872)</b> | <b>8,991,650</b> | <b>4,064,261</b> | <b>1,500</b> | <b>4,065,761</b> |
| <b>EXPENSES</b>                               |                  |                 |                  |                  |              |                  |
| Program services:                             |                  |                 |                  |                  |              |                  |
| Rental projects                               | 3,636,087        | -               | 3,636,087        | 3,378,502        | -            | 3,378,502        |
| Resident support programs                     | 556,725          | -               | 556,725          | 539,217          | -            | 539,217          |
| Total program services                        | 4,192,812        | -               | 4,192,812        | 3,917,719        | -            | 3,917,719        |
| Supporting services:                          |                  |                 |                  |                  |              |                  |
| Management and general                        | 136,824          | -               | 136,824          | 98,119           | -            | 98,119           |
| <b>TOTAL EXPENSES</b>                         | <b>4,329,636</b> | <b>-</b>        | <b>4,329,636</b> | <b>4,015,838</b> | <b>-</b>     | <b>4,015,838</b> |
| <b>CHANGE IN NET ASSETS</b>                   | <b>4,718,886</b> | <b>(56,872)</b> | <b>4,662,014</b> | <b>48,423</b>    | <b>1,500</b> | <b>49,923</b>    |
| NET ASSETS - BEGINNING OF YEAR                | 10,660,001       | 66,872          | 10,726,873       | 10,611,578       | 65,372       | 10,676,950       |
| NET ASSETS - END OF YEAR                      | \$ 15,378,887    | \$ 10,000       | \$ 15,388,887    | \$ 10,660,001    | \$ 66,872    | \$ 10,726,873    |

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, 2010**

|  | <b>PROGRAM SERVICES</b> |                                  |                     | <b>SUPPORTING SERVICES</b>    |                     |
|--|-------------------------|----------------------------------|---------------------|-------------------------------|---------------------|
|  | <b>RENTAL PROJECTS</b>  | <b>RESIDENT SUPPORT PROGRAMS</b> | <b>TOTAL</b>        | <b>MANAGEMENT AND GENERAL</b> | <b>TOTAL</b>        |
| Payroll and related expenses                         | \$ 879,145              | \$ 459,019                       | \$ 1,338,164        | \$ 75,050                     | \$ 1,413,214        |
| Advertising  | 5,799                   | 3                                | 5,802               | -                             | 5,802               |
| Contract services                                    | 409,455                 | 221                              | 409,676             | -                             | 409,676             |
| Insurance  | 120,795                 | 14,618                           | 135,413             | 6,050                         | 141,463             |
| Interest   | 269,221                 | -                                | 269,221             | -                             | 269,221             |
| Legal and professional                               | 25,087                  | 3,826                            | 28,913              | 21,043                        | 49,956              |
| Miscellaneous  | 56,154                  | 1,897                            | 58,051              | 3,164                         | 61,215              |
| Printing and postage                                 | 4,393                   | 1,937                            | 6,330               | 126                           | 6,456               |
| Repairs and maintenance                              | 153,709                 | 1,671                            | 155,380             | 79                            | 155,459             |
| Social program funds                                 | 4,780                   | 14,054                           | 18,834              | -                             | 18,834              |
| Special events                                       | -                       | 731                              | 731                 | -                             | 731                 |
| Supplies   | 42,455                  | 26,965                           | 69,420              | 545                           | 69,965              |
| Taxes and licenses                                   | 183,935                 | 2,293                            | 186,228             | 1,061                         | 187,289             |
| Telephone  | 14,728                  | 6,418                            | 21,146              | 3,516                         | 24,662              |
| Travel   | 23,856                  | 13,619                           | 37,475              | 339                           | 37,814              |
| Utilities  | 604,366                 | 1,122                            | 605,488             | -                             | 605,488             |
| <b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b> | <b>2,797,878</b>        | <b>548,394</b>                   | <b>3,346,272</b>    | <b>110,973</b>                | <b>3,457,245</b>    |
| Depreciation and amortization                        | 838,209                 | 8,331                            | 846,540             | 25,851                        | 872,391             |
| <b>TOTAL FUNCTIONAL EXPENSES</b>                     | <b>\$ 3,636,087</b>     | <b>\$ 556,725</b>                | <b>\$ 4,192,812</b> | <b>\$ 136,824</b>             | <b>\$ 4,329,636</b> |

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, 2009**

|  | <b>PROGRAM SERVICES</b> |                                  |                     | <b>SUPPORTING SERVICES</b>    |                     |
|--|-------------------------|----------------------------------|---------------------|-------------------------------|---------------------|
|  | <b>RENTAL PROJECTS</b>  | <b>RESIDENT SUPPORT PROGRAMS</b> | <b>TOTAL</b>        | <b>MANAGEMENT AND GENERAL</b> | <b>TOTAL</b>        |
| Payroll and related expenses                         | \$ 921,201              | \$ 468,401                       | \$ 1,389,602        | \$ 17,831                     | \$ 1,407,433        |
| Advertising  | 22,079                  | -                                | 22,079              | -                             | 22,079              |
| Contract services                                    | 342,468                 | 60                               | 342,528             | -                             | 342,528             |
| Insurance  | 94,583                  | 9,636                            | 104,219             | 11,495                        | 115,714             |
| Interest   | 260,129                 | -                                | 260,129             | -                             | 260,129             |
| Legal and professional                               | 19,257                  | 5,638                            | 24,895              | 23,253                        | 48,148              |
| Miscellaneous  | 256,434                 | 5,917                            | 262,351             | 2,542                         | 264,893             |
| Printing and postage                                 | 3,575                   | 1,179                            | 4,754               | 351                           | 5,105               |
| Rent   | 2,128                   | 845                              | 2,973               | 55                            | 3,028               |
| Repairs and maintenance                              | 190,382                 | 184                              | 190,566             | 846                           | 191,412             |
| Social program funds                                 | 7,445                   | 21,127                           | 28,572              | 181                           | 28,753              |
| Special events                                       | -                       | 276                              | 276                 | -                             | 276                 |
| Supplies   | 12,345                  | 3,074                            | 15,419              | 1,815                         | 17,234              |
| Taxes and licenses                                   | 35,576                  | 40                               | 35,616              | 510                           | 36,126              |
| Telephone  | 16,856                  | 7,217                            | 24,073              | 804                           | 24,877              |
| Travel   | 13,491                  | 15,235                           | 28,726              | 119                           | 28,845              |
| Utilities  | 493,363                 | 388                              | 493,751             | 277                           | 494,028             |
| <b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b> | <b>2,691,312</b>        | <b>539,217</b>                   | <b>3,230,529</b>    | <b>60,079</b>                 | <b>3,290,608</b>    |
| Depreciation and amortization                        | 687,190                 | -                                | 687,190             | 38,040                        | 725,230             |
| <b>TOTAL FUNCTIONAL EXPENSES</b>                     | <b>\$ 3,378,502</b>     | <b>\$ 539,217</b>                | <b>\$ 3,917,719</b> | <b>\$ 98,119</b>              | <b>\$ 4,015,838</b> |

The accompanying notes are an integral part of these financial statements

**URBAN HOUSING SOLUTIONS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|  | <u>2010</u>        | <u>2009</u>       |
|--|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                    |                   |
| Change in net assets:  | \$ 4,662,014       | \$ 49,923         |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                    |                   |
| Depreciation and amortization  | 872,391            | 725,230           |
| (Increase) decrease in:  |                    |                   |
| Accounts receivable:   |                    |                   |
| Grants   | 40,033             | 606,818           |
| Consortium agreement   | (98,890)           | -                 |
| Tenants  | (26,734)           | 27,304            |
| Insurance receivable   | (29,695)           | -                 |
| Other assets   | 19,361             | 26,385            |
| Increase (decrease) in:  |                    |                   |
| Accounts payable and accrued expenses  | 31,702             | 70,287            |
| Unearned revenue   | (32,139)           | (32,074)          |
| Accrued payments in lieu of tax (PILOT)  | 60,971             | (1,147)           |
| Net cash (used) provided by operating activities   | <u>5,499,014</u>   | <u>1,472,726</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                    |                   |
| Purchase of property and equipment   | (6,678,745)        | (1,375,441)       |
| Book Value of property sold  | -                  | -                 |
| (Increase) decrease in restricted deposits   | (330,430)          | 515,733           |
| Increase (decrease) in tenant security deposits payable  | 27,058             | (15,296)          |
| Net cash (used) provided by investing activities   | <u>(6,982,117)</u> | <u>(875,004)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                    |                   |
| Loan closing costs   | (86,470)           | -                 |
| Proceeds from notes payable  | 4,568,803          | -                 |
| Principal payments on notes payable  | (2,602,143)        | (347,633)         |
| Net cash (used) provided by financing activities   | <u>1,880,190</u>   | <u>(347,633)</u>  |
| NET INCREASE (DECREASE) IN CASH  | 397,087            | 250,089           |
| CASH - BEGINNING OF YEAR   | <u>498,444</u>     | <u>248,355</u>    |
| CASH - END OF YEAR   | <u>\$ 895,531</u>  | <u>\$ 498,444</u> |

Supplemental Information: Interest expense was \$269,221 and \$260,129 for the years ended December 31, 2010 and 2009, respectively.

Closing costs of \$86,470 were capitalized during 2010 and added to principle of notes payable

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



**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**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.

The Organization has evaluated its tax position in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

**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 156 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.

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

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - continued**

**Program and supporting services - continued**

Rental projects continued:

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

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

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

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

**Lindsley** - provides dorm-style housing for The Academy program. Completed in early 2010.

**Porter East** - 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. Phase I construction was completed in early 2011.

**Neely Meadows** - provides 148 units of housing for low-to-moderate income individuals and families. This property has been under renovation since its purchase in January 2010

**Neighborhood Stabilization Program II** - there are six properties that were purchased to rehabilitate the neighborhoods.

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

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

**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.

**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

**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, 2010 AND 2009**

**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, an allowance for uncollectible accounts was considered to be 20% of total balance as of December 31, 2010 which was \$20,377.

**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:

|                               | 2010                 | 2009                 |
|-------------------------------|----------------------|----------------------|
| Land                          | \$ 3,607,678         | \$ 2,785,808         |
| Building and improvements     | 22,783,775           | 17,200,424           |
| Furniture and equipment       | 1,220,227            | 1,082,714            |
|                               | <u>27,611,680</u>    | <u>21,068,946</u>    |
| Less accumulated depreciation | (5,068,950)          | (4,361,214)          |
|                               | <u>\$ 22,542,730</u> | <u>\$ 16,707,732</u> |

**4. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

Cash, cash equivalents, payables 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, 2010 AND 2009**

**5. NOTES PAYABLE**

| Notes payable consist of the following at December 31:   | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| 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 2011; secured by real estate at River Terrace         | \$ 475,535  | \$ 487,282  |
| 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              | -           | 1,142,653   |
| Note payable - Renasant Bank (4.75%); interest due monthly beginning May 2007; final balloon payment for balance due January 2010; secured by real estate at Lindsley Avenue   | -           | 448,377     |
| 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. | -           | 1,403,357   |
| 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.   | 4,274       | 12,698      |
| 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.  | 43,534      | 48,174      |
| 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.                         | 318,785     | 333,103     |
| 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.      | 853,614     | 889,929     |

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

**5. NOTES PAYABLE - continued**

|  | <u>2010</u>  | <u>2009</u>  |
|--|--------------|--------------|
| 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.  | \$ 1,100,327 | \$ 1,179,910 |
| 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 2010; secured by real estate at Eastwood Courts   | -            | 652,643      |
| Note payable - Nashville Housing Fund (3.00%); interest due monthly beginning October 2009 through October 2010; monthly principal and interest payment of \$3,403 due beginning November 2010, final balloon payment for balance due September 2013; secured by real estate at Porter East. | 611,645      | 17,754       |
| 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.   | 606,018      | -            |
| Note payable - Bank of TN (prime rate - 2%); payable in monthly principal payment of \$1,890 plus interest beginning February 2011, final balloon payment for balance due January 2026; secured by real estate.  | 340,000      | -            |
| Note payable - Bank of TN (prime rate - 2%); 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.  | 1,375,000    | -            |

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

**5. NOTES PAYABLE - continued**

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| Note payable - Bank of TN (prime rate - 2%); 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 | 1,150,000           | -                   |
| Note payable - Pinnacle (prime rate - 2%); payable in monthly principal and interest payment of \$6,592 beginning February 2010, final balloon payment for balance due January 2015; secured by real estate.   | 1,014,200           | -                   |
| Note payable - Pinnacle (6.00%); payable in monthly principal and interest payment of \$1,018 beginning February 2010, final balloon payment for balance due January 2015; secured by real estate              | 114,944             | -                   |
| Note payable - US Bank (prime rate); payable in monthly principal payment of \$2,639 plus interest beginning April 2010, final balloon payment for balance due March 2020; secured by real estate.             | 451,250             | -                   |
| Note payable - US Bank (3.50%); payable in monthly principal and interest payment of \$905 beginning July 2010, final balloon payment for balance due June 2025; secured by real estate                        | <u>123,414</u>      | <u>-</u>            |
| Total Notes Payable  | <u>\$ 8,582,540</u> | <u>\$ 6,615,880</u> |

Annual principal maturities of notes payable as of December 31, 2010 are as follows:

|                     |                     |
|---------------------|---------------------|
| 2011                | \$ 2,110,440        |
| 2012                | 463,265             |
| 2013                | 1,865,251           |
| 2014                | 365,250             |
| 2015                | 1,125,048           |
| 2016 and thereafter | <u>2,653,286</u>    |
|                     | <u>\$ 8,582,540</u> |

Interest expense of \$269,221 was paid in 2010 and \$260,129 in 2009.



**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

**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 \$679,198 in 2010 and \$197,057 in 2009. 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>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| Foundation grants for tenant assistance | \$ 10,000   | \$ 66,872   |

**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.

**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 \$35,208 and \$35,233 for the years ended December 31, 2010 and 2009, respectively. PILOT expenses were \$35,208 and \$35,233 for the years ended December 31, 2010 and 2009, respectively.

**URBAN HOUSING SOLUTIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

**10. CONSORTIUM AGREEMENT**

The Organization 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 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 \$10,400 in 2010 and \$10,514 in 2009. No operating income or loss passed through to UHS from the Partnership in 2010 or 2009.

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.

**12. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 30, 2011 which is the date the financial statements were available to be issued.

## **SUPPLEMENTAL INFORMATION**

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

| Federal Grantor/ Pass-Through<br>Grant Agency & Program Name  | Federal<br>CFDA # | Grant<br>Number | Grant<br>Period    | Grant<br>Amount | Grant<br>Receivable<br>1/1/10 | Receipts<br>1/1/10 - 12/31/10 | Expenditures<br>1/1/10 - 12/31/10 | Grant<br>Receivable<br>12/31/10 |
|---|-------------------|-----------------|--------------------|-----------------|-------------------------------|-------------------------------|-----------------------------------|---------------------------------|
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN<br/>DEVELOPMENT:</b>  |                   |                 |                    |                 |                               |                               |                                   |                                 |
| Multifamily Housing Service Coordinator Program   | 14.191            | TN43HS00004     | 12/1/08 - 11/30/09 | 96,385          | 17,493                        | 17,493                        |                                   |                                 |
| Multifamily Housing Service Coordinator Program   | 14.191            | TN43HS00004     | 12/1/09 - 11/30/10 | 98,987          | -                             | 77,217                        | 93,186                            | 15,969                          |
| Multifamily Housing Service Coordinator Program   | 14.191            | TN43HS00005     | 3/1/09 - 2/28/10   | 27,875          | 4,958                         | 9,768                         | 4,810                             |                                 |
| Multifamily Housing Service Coordinator Program   | 14.191            | TN43HS00005     | 3/1/10 - 2/28/11   | 251,936         |                               | 15,877                        | 20,478                            | 4,601                           |
| ** Supportive Housing Program   | 14.235            | TN37B504001     | 4/1/09 - 3/31/10   | 120,000         | 6,398                         | 6,398                         |                                   | -                               |
| ** Supportive Housing Program   | 14.235            | TN61B410408     | 4/1/09 - 3/31/10   | 168,705         | 13,265                        | 53,073                        | 39,808                            | -                               |
| ** Supportive Housing Program   | 14.235            | TN37B204006     | 4/1/10 - 3/31/11   | -               | -                             | 98,406                        | 126,522                           | 28,116                          |
| ** Supportive Housing Program   | 14.235            | TN53B410408     | 9/1/09 - 8/31/11   | 122,250         | 3,375                         | 47,632                        | 44,257                            | -                               |
| ** Supportive Housing Program   | 14.235            | TN53B410408     | 9/1/09 - 8/31/11   | 238,000         | 7,427                         | 104,790                       | 97,363                            | -                               |
| <b>PASSED THROUGH METROPOLITAN<br/>DEVELOPMENT AND HOUSING AGENCY:</b>                                    |                   |                 |                    |                 |                               |                               |                                   |                                 |
| Housing Opportunities for Persons with AIDS   | 14.241            | N/A             | 4/1/09 - 3/31/10   | 101,931         | 10,133                        | 36,239                        | 26,106                            |                                 |
| Housing Opportunities for Persons with AIDS   | 14.241            | N/A             | 4/1/10 - 3/31/11   | 154,081         | -                             | 81,604                        | 109,887                           | 28,283                          |
| Community Housing Development Organization -HOME<br>Investment Partnership Program - administrative funds | 14.239            | N/A             |                    | 1,450,000       | 27,100                        | 27,100                        | -                                 |                                 |
| Community Housing Development Organization -HOME<br>Investment Partnership Program - administrative funds | 14.239            | N/A             |                    | 20,000          | -                             | 4,774                         | 4,774                             | -                               |
| Community Housing Development Organization-HOME<br>Program  | 14.239            | N/A             |                    | 150,000         |                               | 150,000                       | 150,000                           | -                               |
| <b>PASSED THROUGH TENNESSEE DEVELOPMENT<br/>AND HOUSING AGENCY:</b>                                       |                   |                 |                    |                 |                               |                               |                                   |                                 |
| Neighborhood Stabilization Program I  | 14.218            | N/A             | 7/1/09 - 3/19/13   | 3,240,556       |                               | 3,240,556                     | 3,240,556                         |                                 |

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

| Federal Grantor/ Pass-Through<br>Grantor Agency & Program Name | Federal<br>CFDA # | Grant<br>Number | Grant<br>Period   | Grant<br>Amount | Grant<br>Receivable<br>1/1/10 | 1/1/10 - 12/31/10<br>Receipts | Expenditures        | Grant<br>Receivable<br>12/31/10 |
|--|-------------------|-----------------|-------------------|-----------------|-------------------------------|-------------------------------|---------------------|---------------------------------|
| <b>STATE OF TENNESSEE REVENUE:</b>                             |                   |                 |                   |                 |                               |                               |                     |                                 |
| Tennessee Housing Development Agency                           | 14.239            | B-08-DN-47-001  | 7/1/07 - 12/31/10 | 341,896         | -                             | 11,365                        | 11,365              | -                               |
| Tennessee Housing Development Agency                           | 14.239            | HTF-07-23       | 1/1/09 - 12/31/11 | 348,417         | 21,443                        | 313,575                       | 292,132             |                                 |
| <b>OTHER:</b>  |                   |                 |                   |                 |                               |                               |                     |                                 |
| Federal Home Bank Loan Grant                                   |                   |                 |                   | 500,000         |                               | 500,000                       | 500,000             | -                               |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                    |                   |                 |                   |                 | <b>\$ 111,592</b>             | <b>\$ 4,795,867</b>           | <b>\$ 4,761,244</b> | <b>\$ 76,969</b>                |

***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, *Audits of States, Local Governments, and Non-Profit Organizations*.

\*\* Tested as Major Program

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**PROGRAM SERVICES**

|   | SHELBY<br>COURTYARDS | WOODLAND           | MERCURY<br>COURTS | HOPE               | CROWN<br>COURTS | FISK             | RUSSELL          | MERCURY<br>NORTH | REX'S<br>COURTYARD | VULTEE<br>GARDENS |
|---|----------------------|--------------------|-------------------|--------------------|-----------------|------------------|------------------|------------------|--------------------|-------------------|
| <b>REVENUES</b>   |                      |                    |                   |                    |                 |                  |                  |                  |                    |                   |
| Rental income   | \$ 50,300            | \$ -               | \$ 804,809        | \$ 70,302          | \$ 62,581       | \$ 107,622       | \$ 66,611        | \$ 78,954        | \$ 466,860         | \$ 50,420         |
| Grants  | -                    | -                  | 6,841             | 21,578             | 17,333          | -                | -                | 106,897          | 60,724             | 25,324            |
| Other   | -                    | -                  | 4,343             | 2,835              | 772             | 1,063            | -                | 44,132           | 119,194            | 345               |
| <b>Total Revenues</b>   | <b>50,300</b>        |                    | <b>815,993</b>    | <b>94,715</b>      | <b>80,686</b>   | <b>108,685</b>   | <b>66,611</b>    | <b>229,983</b>   | <b>646,778</b>     | <b>76,089</b>     |
| <b>EXPENSES</b>   |                      |                    |                   |                    |                 |                  |                  |                  |                    |                   |
| Pavroll and related expenses  | 13,948               | 732                | 218,175           | 27,729             | 18,491          | 18,580           | 13,506           | 43,587           | 77,026             | 12,922            |
| Advertising   | -                    | -                  | 332               | 61                 | 42              | 40               | 25               | 67               | 202                | 34                |
| Contract services   | 5,604                | 103                | 57,593            | 18,087             | 12,780          | 7,594            | 3,993            | 19,773           | 62,463             | 14,729            |
| Insurance   | 1,294                | 443                | 21,071            | 3,134              | 2,364           | 1,640            | 1,385            | 5,173            | 14,070             | 1,812             |
| Interest  | -                    | -                  | 16,467            | 4,690              | 4,690           | 4,690            | -                | -                | 51,064             | -                 |
| Legal and professional  | 164                  | -                  | 7,499             | 370                | 259             | 239              | 166              | 572              | 10,016             | 188               |
| Miscellaneous   | 615                  | -                  | 9,447             | 1,668              | 1,496           | 1,088            | 609              | 2,932            | 7,590              | 1,004             |
| Printing and postage  | 62                   | -                  | 1,265             | 142                | 98              | 92               | 63               | 224              | 437                | 69                |
| Repairs and maintenance   | 1,551                | -                  | 53,755            | 8,392              | 3,136           | 2,468            | 3,360            | 4,904            | 19,211             | 3,734             |
| Social program funds  | ?                    | -                  | 1,459             | 1,296              | 722             | 10               | 6                | 17               | 51                 | 797               |
| Special events  | -                    | -                  | -                 | -                  | -               | -                | -                | -                | -                  | -                 |
| Supplies  | 242                  | -                  | 5,745             | 576                | 394             | 379              | 243              | 806              | 1,845              | 307               |
| Taxes and licenses  | -                    | -                  | -                 | 2,758              | 2,567           | 708              | -                | 4,753            | 7,083              | 2,148             |
| Telephone   | 160                  | -                  | 2,625             | 406                | 262             | 274              | 161              | 517              | 2,498              | 203               |
| Travel  | 548                  | 128                | 2,305             | 1,021              | 737             | 631              | 511              | 471              | 1,857              | 317               |
| Utilities   | 736                  | 2,169              | 158,119           | 22,098             | 9,634           | 20,142           | 12,499           | 35,216           | 137,076            | 8,001             |
| <b>TOTAL FUNCTIONAL EXPENSES<br/>BEFORE DEPRECIATION</b>              | <b>24,931</b>        | <b>3,575</b>       | <b>555,857</b>    | <b>92,428</b>      | <b>57,672</b>   | <b>58,575</b>    | <b>36,527</b>    | <b>119,012</b>   | <b>392,489</b>     | <b>46,265</b>     |
| <b>REVENUE OVER EXPENSES BEFORE<br/>DEPRECIATION AND AMORTIZATION</b> | <b>25,369</b>        | <b>(3,575)</b>     | <b>260,136</b>    | <b>2,287</b>       | <b>23,014</b>   | <b>50,110</b>    | <b>30,084</b>    | <b>110,971</b>   | <b>254,289</b>     | <b>29,824</b>     |
| Depreciation and amortization   | 16,352               | 7,396              | 131,630           | 27,476             | 17,655          | 20,195           | 18,967           | 50,055           | 68,482             | 25,710            |
| <b>REVENUE OVER EXPENSES</b>  | <b>\$ 9,017</b>      | <b>\$ (10,971)</b> | <b>\$ 128,506</b> | <b>\$ (25,189)</b> | <b>\$ 5,359</b> | <b>\$ 29,915</b> | <b>\$ 11,117</b> | <b>\$ 60,916</b> | <b>\$ 185,807</b>  | <b>\$ 4,114</b>   |

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | PROGRAM SERVICES     |                  |                |              |                     |                   |                  |                |              | TOTAL<br>RENTAL<br>PROJECTS |
|---|----------------------|------------------|----------------|--------------|---------------------|-------------------|------------------|----------------|--------------|-----------------------------|
|   | GREENTREE<br>TERRACE | RIVER<br>TERRACE | PORTER<br>EAST | NEELY        | FREEDOM<br>RECOVERY | EASTWOOD<br>COURT | VILLAGE<br>PLACE | THE<br>ACADEMY | LINDSEY      |                             |
| REVENUES  |                      |                  |                |              |                     |                   |                  |                |              |                             |
| Rental Income   | \$ 223,232           | \$ 79,192        | \$ 26,759      | \$ 468,168   | \$ -                | \$ 293,597        | \$ 305,620       | \$ -           | \$ 20,113    | \$ 3,175,140                |
| Grants  | 19,214               | 13,740           | 446,906        | 3,241,984    |                     | 20,869            | 31,072           | 511,365        | -            | 4,523,847                   |
| Other   | 2,398                | -                | 1,500          | 6,166        | 9,215               | 13,355            | 3,704            | 16,878         | -            | 225,900                     |
| Total Revenues  | 244,844              | 92,932           | 475,165        | 3,716,318    | 9,215               | 327,821           | 340,396          | 528,243        | 20,113       | 7,924,887                   |
| EXPENSES  |                      |                  |                |              |                     |                   |                  |                |              |                             |
| Payroll and related expenses                                  | 44,808               | 16,933           | 30,792         | 195,925      |                     | 55,698            | 69,288           | 21,005         |              | 879,145                     |
| Advertising   | 117                  | 42               | -              | 4,564        | -                   | 128               | 145              |                | -            | 5,799                       |
| Contract services   | 39,727               | 10,087           | 1,457          | 22,604       | 3,618               | 55,713            | 59,685           | 867            | 12,978       | 409,455                     |
| Insurance   | 8,170                | 3,822            | 11,171         | 19,442       | -                   | 8,342             | 9,276            | 7,121          | 1,065        | 120,795                     |
| Interest  | 37,622               | 20,882           | 5,998          | 20,463       | -                   | 22,654            | 60,777           | 5,502          | 13,722       | 269,221                     |
| Legal and professional  | 1,265                | 236              | 134            | 2,124        | -                   | 757               | 903              | 195            | -            | 25,087                      |
| Miscellaneous   | 3,935                | 1,799            | 241            | 11,868       | -                   | 5,480             | 6,255            | 61             | 66           | 56,154                      |
| Printing and postage  | 251                  | 91               | 63             | 831          | -                   | 289               | 344              | 72             |              | 4,393                       |
| Repairs and maintenance                                       | 646                  | 3,088            | 46             | 15,239       | -                   | 19,193            | 14,429           | 236            | 321          | 153,709                     |
| Social program funds  | 30                   | 39               | 76             | 84           | -                   | 33                | 37               | 116            |              | 4,780                       |
| Special events  |                      |                  | -              | -            |                     |                   | -                | -              |              |                             |
| Supplies  | 1,265                | 384              | 285            | 3,232        | 1,168               | 1,195             | 1,377            | 23,012         | -            | 42,455                      |
| Taxes and licenses  | 4,455                | 2,082            | 34,840         | 67,908       |                     | 8,297             | 5,130            | 44             | 41,162       | 183,935                     |
| Telephone   | 1,234                | 254              | 269            | 2,782        | -                   | 817               | 910              | 1,356          | -            | 14,728                      |
| Travel  | 986                  | 643              | 31             | 9,024        |                     | 2,208             | 2,438            | -              | -            | 23,856                      |
| Utilities   | 31,674               | 10,701           | 4,801          | 57,435       |                     | 39,626            | 37,116           | 8,617          | 8,706        | 604,366                     |
| TOTAL FUNCTIONAL EXPENSES<br>BEFORE DEPRECIATION              | 176,185              | 71,083           | 90,204         | 433,525      | 4,786               | 220,430           | 268,110          | 68,204         | 78,020       | 2,797,878                   |
| REVENUE OVER EXPENSES BEFORE<br>DEPRECIATION AND AMORTIZATION | 68,659               | 21,849           | 384,961        | 3,282,793    | 4,429               | 107,391           | 72,286           | 460,039        | (57,907)     | 5,127,009                   |
| Depreciation and amortization                                 | 59,449               | 16,429           | 104,066        | 73,813       | -                   | 61,177            | 73,089           | -              | 66,268       | 838,209                     |
| REVENUE OVER EXPENSES   | \$ 9,210             | \$ 5,420         | \$ 280,895     | \$ 3,208,980 | \$ 4,429            | \$ 46,214         | \$ (803)         | \$ 460,039     | \$ (124,175) | \$ 4,288,800                |

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | SERVICE COORDINATOR PROGRAM | JOURNEYS OF HOPE PROGRAM | PROGRAM SERVICES  |                            |               |                    |                     |                     | RESIDENT SUPPORT PROGRAMS | HOPWA               | CLIENT FUND PROGRAM | EDUCATIONAL PROGRAM | HEALTH MATTERS | MENTAL HEALTH      | NEIGHBORHOOD STABILIZATION | SUPPORTING SERVICES    |                     |                     |
|---|-----------------------------|--------------------------|-------------------|----------------------------|---------------|--------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------|----------------|--------------------|----------------------------|------------------------|---------------------|---------------------|
|   |                             |                          | HOPE PROGRAM      | NEIGHBORHOOD STABILIZATION | MENTAL HEALTH | HEALTH MATTERS     | EDUCATIONAL PROGRAM | CLIENT FUND PROGRAM |                           |                     |                     |                     |                |                    |                            | MANAGEMENT AND GENERAL | TOTAL               | TOTAL               |
| <b>REVENUES</b>   |                             |                          |                   |                            |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        |                     |                     |
| Rental Income   | \$ 153,197                  | \$ 38,359                | \$ 10,515         | \$ 44,820                  | \$ 50,000     | \$ 8,527           | \$ 32,801           | \$ 10,515           | \$ 32,801                 | \$ 10,515           | \$ 8,527            | \$ 32,801           | \$ 10,515      | \$ 32,801          | \$ 10,515                  | \$ 32,801              | \$ 3,185,655        | \$ 3,185,655        |
| Grants  |                             |                          |                   |                            |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        | 4,851,551           | 4,851,551           |
| Consortium Agreement  |                             |                          |                   | 613,883                    |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        | 613,883             | 613,883             |
| Other   |                             |                          |                   | 49,970                     |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        | 52,936              | 340,561             |
| <b>Total Revenues</b>   | <b>153,197</b>              | <b>38,359</b>            | <b>10,515</b>     | <b>674,368</b>             | <b>44,820</b> | <b>51,213</b>      | <b>100</b>          | <b>18,969</b>       | <b>32,801</b>             | <b>1,013,827</b>    | <b>18,969</b>       | <b>100</b>          | <b>51,213</b>  | <b>44,820</b>      | <b>674,368</b>             | <b>52,936</b>          | <b>8,991,650</b>    | <b>8,991,650</b>    |
| <b>EXPENSES</b>   |                             |                          |                   |                            |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        |                     |                     |
| Payroll and related expenses                                      | 177,562                     | 47,295                   | 54,871            | 221                        | 60,165        | 42,700             | 961                 | 44,513              | 30,952                    | 459,019             | 44,513              | 961                 | 42,700         | 60,165             | 54,871                     | 75,050                 | 1,413,214           | 1,413,214           |
| Advertising   |                             |                          |                   |                            |               |                    |                     |                     |                           | 221                 |                     |                     |                |                    |                            |                        | 5,802               | 5,802               |
| Contract services   | 5,744                       | 1,724                    | 1,278             |                            | 1,724         | 1,480              | 78                  | 1,573               | 1,017                     | 14,618              | 1,573               | 78                  | 1,480          | 1,724              | 1,278                      | 6,050                  | 141,463             | 141,463             |
| Insurance   |                             |                          |                   |                            |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        | 269,221             | 269,221             |
| Interest  |                             |                          |                   |                            |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        |                     |                     |
| Legal and professional  | 1,476                       | 388                      | 262               | 746                        | 664           | 317                | 66                  | 426                 | 227                       | 3,826               | 426                 | 66                  | 317            | 664                | 262                        | 21,043                 | 49,956              | 49,956              |
| Miscellaneous   | 206                         | 21                       | 299               | 299                        | 239           | 132                | 22                  | 887                 | 9                         | 1,897               | 887                 | 22                  | 132            | 239                | 21                         | 3,164                  | 61,215              | 61,215              |
| Printing and postage  | 629                         | 160                      | 160               | 530                        | 127           | 140                | 19                  | 340                 | 116                       | 1,937               | 340                 | 19                  | 140            | 127                | 160                        | 126                    | 6,456               | 6,456               |
| Repairs and maintenance   | 524                         | 126                      | 530               |                            |               |                    |                     | 131                 | 74                        | 1,671               | 131                 |                     |                |                    |                            | 79                     | 155,459             | 155,459             |
| Social program funds  | 356                         | 4,365                    |                   |                            |               | 3,261              |                     | 6,051               | 21                        | 14,054              | 6,051               |                     | 3,261          |                    |                            |                        | 18,834              | 18,834              |
| Special events  |                             |                          |                   |                            |               | 731                |                     |                     |                           | 731                 |                     |                     | 731            |                    |                            |                        | 731                 | 731                 |
| Supplies  | 2,002                       | 408                      | 23,136            | 2,293                      | 499           | 355                | 35                  | 344                 | 186                       | 26,965              | 344                 | 35                  | 355            | 499                | 23,136                     | 545                    | 69,965              | 69,965              |
| Taxes and licenses  |                             |                          |                   |                            |               |                    |                     |                     |                           |                     |                     |                     |                |                    |                            |                        | 187,289             | 187,289             |
| Telephone   | 1,927                       | 755                      | 515               |                            | 980           | 560                | 19                  | 1,214               | 448                       | 2,293               | 1,214               | 19                  | 560            | 980                | 755                        | 1,061                  | 24,662              | 24,662              |
| Travel  | 2,404                       | 1,485                    | 1,082             |                            | 1,044         | 1,180              |                     | 5,000               | 1,424                     | 13,619              | 5,000               |                     | 1,180          | 1,044              | 1,485                      | 339                    | 37,814              | 37,814              |
| Utilities   |                             |                          | 1,122             |                            |               |                    |                     |                     |                           | 1,122               |                     |                     |                |                    |                            |                        | 605,488             | 605,488             |
| <b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>              | <b>192,830</b>              | <b>56,727</b>            | <b>86,358</b>     | <b>65,461</b>              | <b>50,865</b> | <b>60,479</b>      | <b>1,200</b>        | <b>34,474</b>       | <b>548,394</b>            | <b>3,346,272</b>    | <b>60,479</b>       | <b>1,200</b>        | <b>50,865</b>  | <b>65,461</b>      | <b>86,358</b>              | <b>110,973</b>         | <b>3,457,245</b>    | <b>3,457,245</b>    |
| <b>REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b> | <b>(39,633)</b>             | <b>(18,368)</b>          | <b>588,010</b>    | <b>(20,641)</b>            | <b>348</b>    | <b>(41,510)</b>    | <b>(1,100)</b>      | <b>(1,673)</b>      | <b>465,433</b>            | <b>5,592,442</b>    | <b>(41,510)</b>     | <b>(1,100)</b>      | <b>348</b>     | <b>(20,641)</b>    | <b>588,010</b>             | <b>(58,037)</b>        | <b>5,534,405</b>    | <b>5,534,405</b>    |
| Depreciation and amortization                                     |                             |                          | 8,331             |                            |               |                    |                     |                     | 8,331                     |                     |                     |                     |                |                    |                            | 25,851                 | 872,391             | 872,391             |
| <b>REVENUE OVER EXPENSES</b>                                      | <b>\$ (39,633)</b>          | <b>\$ (18,368)</b>       | <b>\$ 579,679</b> | <b>\$ (20,641)</b>         | <b>\$ 348</b> | <b>\$ (41,510)</b> | <b>\$ (1,100)</b>   | <b>\$ (1,673)</b>   | <b>\$ 457,102</b>         | <b>\$ 4,745,902</b> | <b>\$ (41,510)</b>  | <b>\$ (1,100)</b>   | <b>\$ 348</b>  | <b>\$ (20,641)</b> | <b>\$ 579,679</b>          | <b>\$ (83,888)</b>     | <b>\$ 4,662,014</b> | <b>\$ 4,662,014</b> |



**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|   | PROGRAM SERVICES     |                   |                   |                    |                  |                  |                  |                   |                    |                   |
|---|----------------------|-------------------|-------------------|--------------------|------------------|------------------|------------------|-------------------|--------------------|-------------------|
|   | SHELBY<br>COURTYARDS | WOODLAND          | MERCURY<br>COURTS | HOPE               | CROWN<br>COURTS  | FISK             | RUSSELL          | MERCURY<br>NORTH  | REX'S<br>COURTYARD | VULTEE<br>GARDENS |
| <b>REVENUES</b>   |                      |                   |                   |                    |                  |                  |                  |                   |                    |                   |
| Rental income   | \$ 57,354            | \$ -              | \$ 744,150        | \$ 105,984         | \$ 94,839        | \$ 92,152        | \$ 63,724        | \$ 104,025        | \$ 500,553         | \$ 68,537         |
| Grants  | -                    | -                 | 22,716            | 20,526             | 10,009           | -                | -                | 398,222           | 50,734             | 10,365            |
| Other   | 1,386                | 848               | 24,803            | 5,529              | 2,959            | 2,560            | 1,087            | 6,240             | 15,777             | 3,903             |
| <b>Total Revenues</b>   | <b>58,740</b>        | <b>848</b>        | <b>791,669</b>    | <b>132,039</b>     | <b>107,807</b>   | <b>94,712</b>    | <b>64,811</b>    | <b>508,487</b>    | <b>567,064</b>     | <b>82,805</b>     |
| <b>EXPENSES</b>   |                      |                   |                   |                    |                  |                  |                  |                   |                    |                   |
| Payroll and related expenses                                  | 13,324               |                   | 295,560           | 36,354             | 19,963           | 24,770           | 12,171           | 56,829            | 102,978            | 13,914            |
| Advertising   | 108                  |                   | 7,449             | 909                | 222              | 145              | 39               | 54                | 3,183              | 234               |
| Contract services   | 5,353                |                   | 62,264            | 13,037             | 12,748           | 7,350            | 3,407            | 5,391             | 66,330             | 10,811            |
| Insurance   | 1,157                | -                 | 16,296            | 2,852              | 2,177            | 1,392            | 1,248            | 4,519             | 13,307             | 1,697             |
| Interest  | -                    | -                 | 19,034            | 4,891              | 4,891            | 4,891            | -                | -                 | 55,352             | -                 |
| Legal and professional  | 92                   | -                 | 4,086             | 517                | 227              | 167              | 107              | 305               | 5,295              | 85                |
| Miscellaneous   | 3,322                | -                 | 3,770             | 20,460             | 17,252           | 221              | 32               | 20,224            | 29,213             | 10,730            |
| Printing and postage  | 54                   | -                 | 1,075             | 132                | 86               | 93               | 63               | 156               | 428                | 78                |
| Rent  | 28                   | -                 | 745               | 60                 | 34               | 52               | 32               | 159               | 200                | 25                |
| Repairs and maintenance                                       | 2,318                | -                 | 45,250            | 6,367              | 6,112            | 3,501            | 2,010            | 5,497             | 35,835             | 4,400             |
| Social program funds  | 67                   | -                 | 4,927             | 163                | 112              | 125              | 67               | 163               | 573                | 90                |
| Special events  | -                    | -                 | -                 | -                  | -                | -                | -                | -                 | -                  | -                 |
| Supplies  | 172                  | -                 | 3,678             | 410                | 275              | 681              | 177              | 517               | 1,475              | 225               |
| Taxes and licenses  | 6                    | -                 | 77                | 2,697              | 2,561            | 739              | 7                | 32                | 7,173              | 2,166             |
| Telephone   | 184                  | -                 | 3,529             | 458                | 280              | 341              | 196              | 659               | 3,173              | 205               |
| Travel  | 256                  | -                 | 2,294             | 1,104              | 693              | 774              | 223              | 234               | 2,152              | 296               |
| Utilities   | 1,892                | -                 | 163,006           | 21,468             | 9,879            | 16,675           | 7,382            | 15,219            | 129,399            | 8,070             |
| <b>TOTAL FUNCTIONAL EXPENSES</b>                              | <b>28,333</b>        | <b>-</b>          | <b>633,040</b>    | <b>111,879</b>     | <b>77,512</b>    | <b>61,917</b>    | <b>27,161</b>    | <b>109,958</b>    | <b>456,066</b>     | <b>53,026</b>     |
| <b>BEFORE DEPRECIATION</b>                                    |                      |                   |                   |                    |                  |                  |                  |                   |                    |                   |
| REVENUE OVER EXPENSES BEFORE<br>DEPRECIATION AND AMORTIZATION | 30,407               | 848               | 158,629           | 20,160             | 30,295           | 32,795           | 37,650           | 398,529           | 110,998            | 29,779            |
| Depreciation and amortization                                 | 16,036               | 5,849             | 118,467           | 30,953             | 18,713           | 19,896           | 18,490           | 41,386            | 60,032             | 24,362            |
| <b>REVENUE OVER EXPENSES</b>                                  | <b>\$ 14,371</b>     | <b>\$ (5,001)</b> | <b>\$ 40,162</b>  | <b>\$ (10,793)</b> | <b>\$ 11,582</b> | <b>\$ 12,899</b> | <b>\$ 19,160</b> | <b>\$ 357,143</b> | <b>\$ 50,966</b>   | <b>\$ 5,417</b>   |

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|   | PROGRAM SERVICES     |                  |               |             |                     |                   |                  |                | TOTAL              |
|---|----------------------|------------------|---------------|-------------|---------------------|-------------------|------------------|----------------|--------------------|
|   | GREENTREE<br>TERRACE | RIVER<br>TERRACE | 701<br>PORTER | NEELY       | FREEDOM<br>RECOVERY | EASTWOOD<br>COURT | VILLAGE<br>PLACE | THE<br>ACADEMY | RENTAL<br>PROJECTS |
| REVENUES  |                      |                  |               |             |                     |                   |                  |                |                    |
| Rental Income   | \$ 230,821           | \$ 60,141        | \$ 11,790     | \$ -        | \$ -                | \$ 267,898        | \$ 330,195       | \$ -           | \$ 2,732,163       |
| Grants  | 19,294               | 14,323           | 21,444        |             | -                   | 32,401            | 21,348           | 129,956        | 751,338            |
| Other   | 8,181                | 1,752            | 88            |             | 7,223               | 23,109            | 13,525           | 67,948         | 186,918            |
| Total Revenues  | 258,296              | 76,216           | 33,322        | -           | 7,223               | 323,408           | 365,068          | 197,904        | 3,670,419          |
| EXPENSES  |                      |                  |               |             |                     |                   |                  |                |                    |
| Payroll and related expenses                                  | 69,998               | 20,015           | 23,991        | 19,014      | -                   | 61,666            | 73,629           | 77,025         | 921,201            |
| Advertising   | 1,286                | 464              | -             |             | -                   | 4,003             | 3,983            | -              | 22,079             |
| Contract services   | 24,495               | 13,836           | 90            | -           | 3,662               | 61,960            | 51,734           | -              | 342,468            |
| Insurance   | 7,767                | 3,869            | 10,403        | 28          |                     | 7,849             | 8,796            | 11,226         | 94,583             |
| Interest  | 39,154               | 19,718           | -             | -           | -                   | 28,701            | 61,903           | 21,594         | 260,129            |
| Legal and professional  | 1,250                | 1,507            | 98            | 34          | -                   | 2,910             | 2,114            | 463            | 19,257             |
| Miscellaneous   | 14,960               | 76               | 103           | 26          | -                   | 2,991             | 2,495            | 130,559        | 256,434            |
| Printing and postage  | 251                  | 86               | 39            | 18          | -                   | 273               | 293              | 450            | 3,575              |
| Rent  | 116                  | 33               | 25            | 114         | -                   | 188               | 145              | 172            | 2,128              |
| Repairs and maintenance                                       | 15,368               | 6,815            | -             | -           | -                   | 33,235            | 22,798           | 876            | 190,382            |
| Social program funds  | 315                  | 112              | -             | -           | -                   | 343               | 388              | -              | 7,445              |
| Special events  |                      | -                | -             | -           | -                   | -                 | -                | -              | -                  |
| Supplies  | 817                  | 275              | 61            | 29          | 957                 | 1,105             | 978              | 513            | 12,345             |
| Taxes and licenses  | 4,448                | 2,083            | 20            |             | -                   | 8,298             | 5,249            | 20             | 35,576             |
| Telephone   | 1,687                | 280              | 253           | 118         | -                   | 907               | 1,031            | 3,555          | 16,856             |
| Travel  | 583                  | 709              | 71            | 52          | 20                  | 2,110             | 1,630            | 290            | 13,491             |
| Utilities   | 27,008               | 7,055            | 1,855         | -           | -                   | 37,280            | 31,528           | 15,647         | 493,363            |
| TOTAL FUNCTIONAL EXPENSES<br>BEFORE DEPRECIATION              | 209,503              | 76,933           | 37,009        | 19,433      | 4,639               | 253,819           | 268,694          | 262,390        | 2,691,312          |
| REVENUE OVER EXPENSES BEFORE<br>DEPRECIATION AND AMORTIZATION | 48,793               | (717)            | (3,687)       | (19,433)    | 2,584               | 69,589            | 96,374           | (64,486)       | 979,107            |
| Depreciation and amortization                                 | 56,956               | 15,740           | 77,338        | 169         | 8                   | 59,188            | 71,586           | 52,021         | 687,190            |
| REVENUE OVER EXPENSES   | \$ (8,163)           | \$ (16,457)      | \$ (81,025)   | \$ (19,602) | \$ 2,576            | \$ 10,401         | \$ 24,788        | \$ (116,507)   | \$ 291,917         |

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PROGRAM SERVICES REVENUES AND EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

|  | PROGRAM SERVICES            |                          |                 |               |                |                     |                     |            |                           |             | SUPPORTING SERVICES |
|--|-----------------------------|--------------------------|-----------------|---------------|----------------|---------------------|---------------------|------------|---------------------------|-------------|---------------------|
|  | SERVICE COORDINATOR PROGRAM | JOURNEYS OF HOPE PROGRAM | VENDING PROGRAM | MENTAL HEALTH | HEALTH MATTERS | EDUCATIONAL PROGRAM | CLIENT FUND PROGRAM | HOPWA      | RESIDENT SUPPORT PROGRAMS | TOTAL       |                     |
|  |                             |                          |                 |               |                |                     |                     |            |                           |             |                     |
| REVENUES   |                             |                          |                 |               |                |                     |                     |            |                           |             |                     |
| Rental Income  | \$ 168,159                  | \$ 33,474                | \$ -            | \$ 40,666     | \$ 27,169      | \$ -                | \$ 5,410            | \$ 30,371  | \$ 305,249                | \$ 102      | \$ 2,732,265        |
| Grants   | 794                         | 353                      |                 | 353           | 5,339          | 88                  | 30,734              | 177        | 37,838                    | 13,810      | 1,070,397           |
| Other  |                             |                          |                 |               |                |                     |                     |            |                           | 38,343      | 263,099             |
| Total Revenues   | 168,953                     | 33,827                   |                 | 41,019        | 32,508         | 88                  | 36,144              | 30,548     | 343,087                   | 52,255      | 4,065,761           |
| EXPENSES   |                             |                          |                 |               |                |                     |                     |            |                           |             |                     |
| Payroll and related expenses                               | 170,365                     | 54,714                   |                 | 75,529        | 58,155         | 17,544              | 62,753              | 29,341     | 468,401                   | 17,831      | 1,407,433           |
| Advertising  |                             |                          | -               |               |                |                     |                     |            | 60                        |             | 22,079              |
| Contract services  | 3,628                       | 1,176                    | 327             | 1,453         | 1,143          | 130                 | 1,194               | 585        | 9,636                     |             | 342,528             |
| Insurance  |                             | 60                       |                 |               |                |                     |                     |            |                           |             | 115,714             |
| Interest   |                             |                          |                 |               |                |                     |                     |            |                           |             | 260,129             |
| Legal and professional                                     | 796                         | 322                      |                 | 330           | 1,346          | 167                 | 2,518               | 159        | 5,638                     |             | 23,253              |
| Miscellaneous  | 3,958                       | 269                      | 35              | 74            | 38             | 38                  | 1,503               | 2          | 5,917                     |             | 2,542               |
| Printing and postage                                       | 288                         | 112                      |                 | 134           | 145            | 73                  | 373                 | 54         | 1,179                     |             | 351                 |
| Rent   | 268                         | 114                      |                 | 111           | 83             | 39                  | 134                 | 96         | 845                       |             | 55                  |
| Repairs and maintenance                                    | 112                         |                          | 28              | 15            |                |                     | 29                  |            | 184                       |             | 3,028               |
| Social program funds                                       | 790                         | 6,012                    |                 |               | 5,010          |                     | 9,191               | 124        | 21,127                    |             | 191,412             |
| Special events   |                             |                          |                 |               |                |                     | 276                 |            | 276                       |             | 28,753              |
| Supplies   | 776                         | 247                      | -               | 733           | 324            | 118                 | 798                 | 78         | 3,074                     |             | 276                 |
| Taxes and licenses   | -                           |                          |                 |               |                |                     | 40                  |            |                           |             | 17,234              |
| Telephone  | 2,126                       | 841                      |                 | 1,497         | 823            | 160                 | 1,378               | 392        | 7,217                     |             | 36,126              |
| Travel   | 1,789                       | 1,341                    | 6               | 2,922         | 1,808          | 15                  | 6,223               | 1,131      | 15,235                    |             | 35,616              |
| Utilities  |                             |                          |                 |               |                |                     |                     | 388        | 388                       |             | 24,877              |
| TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION              | 184,896                     | 65,208                   | 396             | 82,798        | 68,875         | 18,284              | 86,410              | 32,350     | 539,217                   | 60,079      | 494,028             |
| REVENUE OVER EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | (15,943)                    | (31,381)                 | (396)           | (41,779)      | (36,367)       | (18,196)            | (50,266)            | (1,802)    | (196,130)                 | (7,824)     | 775,153             |
| Depreciation and amortization                              |                             |                          |                 |               |                |                     |                     |            | -                         |             | 725,230             |
| REVENUE OVER EXPENSES                                      | \$ (15,943)                 | \$ (31,381)              | \$ (396)        | \$ (41,779)   | \$ (36,367)    | \$ (18,196)         | \$ (50,266)         | \$ (1,802) | \$ (196,130)              | \$ (45,864) | \$ 49,923           |



## BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**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 the financial statements of Urban Housing Solutions, Inc., as of and for the year ended December 31, 2010, and have issued our report thereon dated June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Urban Housing Solution's internal control over financial reporting as a basis for designing our auditing procedures 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 Solution's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bellenfant + Miles, PLLC*

June 30, 2011



**BELLENFANT + MILES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Urban Housing Solutions, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Urban Housing Solutions, Inc.'s major federal programs for the year ended December 31, 2010. Urban Housing Solutions, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Urban Housing Solutions, Inc.'s management. Our responsibility is to express an opinion on Urban Housing Solutions, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Urban Housing Solutions, Inc.'s compliance with those requirements.

In our opinion, Urban Housing Solutions, Inc. complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Urban Housing Solutions, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Urban Housing Solutions, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 30, 2011

*Bellenfant & Miles, PLLC*

URBAN HOUSING SOLUTIONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2010

PART I - SUMMARY OF AUDITORS' RESULTS

**I. Summary of Auditors' 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 no

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 A-133, Section 510(a)? \_\_\_\_\_yes \_\_\_\_\_x no

Identification of major programs:

14 235 Supportive Housing Program

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_yes \_\_\_\_\_x no

**URBAN HOUSING SOLUTIONS, INC.**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

There were no audit findings for the year ended December 31, 2009.