

**HOUSING TRUST FUND OF THE  
URBAN RESIDENTIAL FINANCE AUTHORITY**

Basic Financial Statements

June 30, 2007

(With Independent Auditors' Report Thereon)

**HOUSING TRUST FUND OF THE  
URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA**

June 30, 2007

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## INDEPENDENT AUDITOR'S REPORT

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**The Board of Directors  
Housing Trust Fund of  
The Urban Residential Finance Authority  
Atlanta, Georgia**

We have audited the accompanying financial statements of the **Housing Trust Fund of the Urban Residential Finance Authority** (the "Fund") as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Housing Trust Fund and do not purport to, and do not, present fairly the financial position of the Urban Residential Finance Authority as of June 30, 2007, the changes in financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Housing Trust Fund of the Urban Residential Finance Authority as of June 30, 2007, and the changes in financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2007 on our consideration of the Housing Trust Fund of the Urban Residential Finance Authority'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 should be considered in assessing the results of our audit.

The Fund has not presented the Management's Discussion and Analysis for the Fund that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 17, 2007

**HOUSING TRUST FUND  
OF THE URBAN RESIDENTIAL FINANCE AUTHORITY  
Statement of Net Assets  
June 30, 2007**

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,856,259
Other receivable	87,134
Total current assets	<u>2,943,393</u>
Noncurrent assets:	
Loan receivable	<u>3,446,162</u>
Total noncurrent assets	<u>3,446,162</u>
Total assets	<u>6,389,555</u>
<b>Liabilities</b>	
Current liabilities:	
Funds held in escrow	<u>22,694</u>
Total liabilities	<u>22,694</u>
<b>Net Assets</b>	
Restricted for grant programs	<u>6,366,861</u>
Total net assets	<u>\$ 6,366,861</u>

**See accompanying notes to financial statements.**

**HOUSING TRUST FUND  
OF THE URBAN RESIDENTIAL FINANCE AUTHORITY  
Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
Year Ended June 30, 2007**

Operating revenues:	
Investment income	\$ 159,226
Other	35,798
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Total operating revenues	195,024
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Operating expenses:	
Development costs	111,372
Allowance adjustment for doubtful receivables	2,997,391
General and administrative	42,734
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Total operating expenses	3,151,497
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Operating loss	(2,956,473)
Change in net assets	(2,956,473)
Net assets at beginning of year	9,323,334
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Net assets at end of year	\$ 6,366,861
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**See accompanying notes to financial statements.**

**HOUSING TRUST FUND**  
**OF THE URBAN RESIDENTIAL FINANCE AUTHORITY**  
**Statement of Cash Flows**  
**Year Ended June 30, 2007**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 3,141,360
Receipts of interest on loans	159,226
Payments to suppliers	(38,279)
Payments for programs	(3,108,763)
Other	195,167
	<hr/>
Net cash provided by operating activities	348,711
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Net increase in cash and cash equivalents	348,711
Cash and cash equivalents at beginning of year	2,507,548
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Cash and cash equivalents at end of year	<u>\$ 2,856,259</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (2,956,473)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in:	
Loan receivable	3,141,360
Other receivable	159,369
Increase (decrease) in:	
Funds held in escrow	4,455
	<hr/>
Net cash provided by operating activities	<u>\$ 348,711</u>
Non-cash operating activities	
Allowance adjustment for doubtful receivables	<u>\$ 2,997,391</u>

**See accompanying notes to financial statements.**

**HOUSING TRUST FUND  
OF THE URBAN RESIDENTIAL FINANCE AUTHORITY  
Notes to Financial Statements  
June 30, 2007**

**(1) Summary of Significant Accounting Policies**

**(a) *The Financial Reporting Entity***

The Housing Trust Fund of the Urban Residential Finance Authority (the Fund) was established in 1989 to provide affordable single and multi family low interest loans in the Vine City area of Atlanta. The Fund was established primarily as a result of commercial development with the Vince City corridor and financed by 1% hotel sales tax dollars. The accompanying financial statements include only the financial activities of the Fund. The Fund is an integral part of the Urban Residential Finance Authority's (the Authority) government reporting entity, and its results are included in the financial statements of the Authority as a proprietary fund. The latest available financial report for the Authority is as of and for the year ended June 30, 2007; that report should be read in conjunction with these financial statements.

The accounting policies of the Fund conform, in all material respects, to accounting principles generally accepted in the United States of America applicable to proprietary funds of governmental units. A summary of the more significant accounting policies followed by the Department is as follows:

**(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Fund has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of each of the Fund is interest income on loans outstanding; service, administration, and loan fees; and other activity surrounding the development of property. Operating expenses for the enterprise funds include direct general and administrative expenses of administering the economic development programs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

**HOUSING TRUST FUND  
OF THE URBAN RESIDENTIAL FINANCE AUTHORITY  
Notes to Financial Statements  
June 30, 2007**

**(1) Summary of Significant Accounting Policies (Continued)**

**(c) Cash, Cash Equivalents, and Investments**

For the purposes of the statement of cash flows, the Fund considers all short-term investment securities with original maturities of three months or less, local government investment pools, repurchase agreements, money market accounts, and investment agreements under which funds can be withdrawn at any time without penalty to be cash equivalents.

Investments are carried at fair value based on quoted market prices.

**(d) Loans Receivable**

Loans receivable are stated at their unpaid principal balance less loan discounts. The discounts are amortized using a method approximating a level yield over the estimated average life of the loans.

**(e) Use of Estimates**

Management of the Fund has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

**(2) Deposits and Investments**

**(a) Credit Risk**

The Fund is authorized to invest in obligations or investments as determined by the Authority, subject to any agreement with bondholders and with applicable law. As of June 30, 2007, the Fund did not have any investments other than deposits with financial institutions.

**(b) Custodial Credit Risk-Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2007, the Fund had no bank balances that were exposed to custodial credit risk.

**(3) Loan Receivables**

As of June 30, 2007, the Fund had \$7,719,943 in gross loans outstanding less \$4,273,781 in allowances for uncollectible loans which netted to an ending balance of \$3,446,162.

**HOUSING TRUST FUND  
OF THE URBAN RESIDENTIAL FINANCE AUTHORITY  
Notes to Financial Statements  
June 30, 2007**

**(4) Contingencies**

The Authority participates in a number of Federal financial assistance programs in the current and prior years. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

The Authority is subject to various legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, based on the advice of legal counsel, the amount of ultimate liability, with respect to these actions, will not materially affect the financial position or results of operations of the Authority.