URBAN RESIDENTIAL FINANCE AUTHORITY OF THE CITY OF ATLANTA, GEORGIA

(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)

Basic Financial Statements

June 30, 2012

(With Independent Auditor's Report Thereon)

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority, d/b/a Invest Atlanta)

June 30, 2012

Table of Contents

MAULDIN
& JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Urban Residential Finance Authority
Atlanta, Georgia

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the **Urban Residential Finance Authority** (the "Authority"), a component unit of The Atlanta Development Authority, d/b/a Invest Atlanta ("Invest Atlanta"), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and each major fund of the Urban Residential Finance Authority as of June 30, 2012, and the respective changes in financial position and, where applicable, 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 November 26, 2012 on our consideration of the 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 3 through 7) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 26, 2012

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2012

This section of the Urban Residential Finance Authority ("URFA" or the "Authority") annual financial report presents our discussion and analysis of URFA's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2012 Selected Financial Highlights

- Total assets of the Authority, including component units, decreased approximately $7.7 million during the fiscal year ended June 30, 2012. This decrease is primarily due to a $5.3 million decrease in the receivable from the U.S. Department of Treasury related to the 2009 New Issue Bond Program. This particular program ended in December 2011.

- Total liabilities of the Authority, including component units, decreased approximately $6.6 million for the fiscal year ended June 30, 2012. The overall decrease is mainly the pay down of the $5.3 million warehousing line of credit related to the 2009 New Issue Bond Program at the conclusion of the program.

- The Authority's assets related to business-type activities, excluding component units, exceeded its liabilities at the close of the fiscal year ended June 30, 2012 by approximately $7.7 million (*net assets*). Of this amount, approximately $4.3 million represents unrestricted net assets which may be used to meet the Authority's ongoing obligations to citizens and creditors.

- The Authority's total net assets related to business-type activities, excluding component units, decreased by approximately $854,000 during the fiscal year ended June 30, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's basic financial statements consist of four components: management's discussion and analysis (this section), government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, including information related to its component units.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include not only the Authority itself (known as the *primary government*), but also legally separate entities for which the Authority is financially accountable: Lakewood Hills, Inc.; Crogman School Development, LLC; Crogman School, Inc.; GP URFA Sexton, Inc.; Sylvan Hills Development, LLC.; and Toby Sexton Development, LLC (collectively known as *component units*). Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The accompanying statements include two funds, one for the administrative fund and another for all other accounts of the Authority. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but show the activity in greater detail, presenting the activity of each of the funds and also presenting cash flow information. The basic proprietary fund financial statements can be found on pages 10-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-28 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by approximately $7.7 million at the end of fiscal year 2012. A summary of the net assets is presented below.

Summary of the Authority's Net Assets
June 30, 2012 and June 30, 2011
Business-type Activities

	2012	2011
Assets:		
Current assets	$ 6,915,717	$ 12,129,717
Other non-current assets	31,813,491	34,263,463
Total assets	38,729,208	46,393,180
Liabilities:		
Current liabilities	1,953,440	7,559,056
Long-term liabilities	29,083,745	30,287,732
Total liabilities	31,037,185	37,846,788
Net assets:		
Invested in capital assets	16,171	19,509
Restricted	3,394,144	3,490,233
Unrestricted	4,281,708	5,036,650
Total net assets	$ 7,692,023	$ 8,546,392

The Authority's total assets equal approximately $38.8 million as of the fiscal year ended June 30, 2012. Total assets decreased $7.6 million. This decrease is due primarily to the completion of the 2009 New Issue Bond Program and the removal of the associated $5.3 million receivable from the Authority's books. Total liabilities decreased approximately $6.8 million. The overall decrease is mainly the result of the $5.3 million reduction of the warehousing line of credit related to the 2009 New Issue Bond Program as the program has come to completion as noted above.

The largest portion of the Authority's net assets, amounting to approximately $4.3 million, represents resources that are not subject to external restrictions on how they may be used.

The Authority's net assets decreased by approximately $854,000 during the fiscal year ended June 30, 2012. A summary of that change is presented below compared to the change in the prior fiscal year.

Summary of Changes in the Authority's Net Assets
Fiscal Years Ended June 30, 2012 and June 30, 2011

	2012	2011
Revenues:		
Program revenues:		
Charges for services	$ 2,019,459	$ 7,019,762
Operating grants and contributions	2,711,876	-
General revenues:		
From the use of money and property	62,781	16,388
Total revenues	4,794,116	7,036,150
Expenses:		
Economic development	5,648,485	5,470,458
Loss on disposal of capital assets	-	17,450
Total expenses	5,648,485	5,487,908
(Decrease) increase in net assets	(854,369)	1,548,242
Net assets, beginning of fiscal year	8,546,392	6,998,150
Net assets, end of fiscal year	$ 7,692,023	$ 8,546,392

Charges for services accounted for 42% of the revenues of the Authority. This revenue includes program income, servicing, administration, and loan fees related primarily to loan programs administered by the Authority. Operating grants and contributions makes up 57% of the revenues. This revenue consists of grants for loan programs and funding from the City of Atlanta for debt service related to the 2007 Housing Opportunity Bonds.

The Authority's total revenue declined approximately $2.2 million for the fiscal year ended June 30, 2012. The largest contributors of this decrease are $960,000 less in developer fees and $660,000 less in gain on the sale of the single family mortgage certificates of the New Issue Bond Program.

The Authority's total operating expenses are approximately $5.6 million related to its overall mission of providing assistance for single-family and multi-family residential housing. Total operating expenses increased approximately $161,000 from the prior fiscal year.

Analysis of the Authority's Funds

As previously discussed, the Authority's funds report the activities of the administrative fund and restricted program funds with an overall decrease in net assets of approximately $854,000.

Debt Administration

At the end of the fiscal year, the Authority had total bond debt outstanding of approximately $30.3 million. The Authority's debt decreased approximately $1.1 million during the current fiscal year. This decrease was due primarily to a principal payment of $1,150,000 on the Series 2007 Housing Opportunity bonds.

Activity for long term obligations of the Authority for the fiscal year ended June 30, 2012 which are reported in the Statement of Net Assets is summarized as follows:

	June 30, 2011	Additions	Reductions	June 30, 2012
Primary government:				
Notes and loans payable to the City of Atlanta funded by Community Development Block Grants	$ 339,345	$ -	$ (6,919)	$ 332,426
Bonds payable, 2007A Series Housing Opportunity Program	31,250,000	-	(1,150,000)	30,100,000
Discount on 2007A Series Housing Opportunity Program Bonds Payable	(137,497)	-	13,497	(124,000)
Total primary government	$ 31,451,848	$ -	$ (1,143,422)	$ 30,308,426

More detail regarding the long-term liabilities of the Authority are presented in Note 6 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Financial Officer, 86 Pryor Street SW, Suite 300, Atlanta, GA 30303.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Net Assets
June 30, 2012

	Business-type Activities	Component Units
Assets		
Current assets:		
Cash and cash equivalents	$ 5,402,458	$ 19,242
Restricted cash and cash equivalents	1	-
Prepaid items	-	7,450
Other receivables	122,440	150
Due from Atlanta Housing Opportunity, Inc. - current portion	1,354,818	-
Due from Atlanta BeltLine, Inc.	26,000	-
Due from the City of Atlanta	10,000	-
Total current assets	6,915,717	26,842
Noncurrent assets:		
Capital assets, net of depreciation	16,171	685,361
Bond issuance costs, net of amortization	319,005	-
Loans receivable	1,682,383	-
Due from component units	526,318	-
Other receivables	50	4,435,676
Investment in development projects	-	575,482
Advances to Invest Atlanta	942,210	-
Due from Atlanta Housing Opportunity, Inc. - noncurrent	28,327,354	-
Total noncurrent assets	31,813,491	5,696,519
Total assets	38,729,208	5,723,361
Liabilities		
Current liabilities:		
Accounts payable	89,721	6,434
Bonds, notes and loans payable, current portion	1,224,681	375,000
Accrued interest payable	140,633	-
Unearned revenue	493,267	-
Funds held in escrow	5,138	-
Total current liabilities	1,953,440	381,434
Noncurrent liabilities:		
Due to primary government (URFA)	-	3,910,879
Due to others	-	2,806,508
Loan payable to Invest Atlanta	-	948,563
Bonds, notes and loans payable	29,083,745	1,672,597
Total noncurrent liabilities	29,083,745	9,338,547
Total liabilities	31,037,185	9,719,981
Net Assets (deficits)		
Invested in capital assets, net of related debt	16,171	(2,310,799)
Restricted for grant programs	3,394,144	-
Unrestricted	4,281,708	(1,685,821)
Total net assets (deficits)	$ 7,692,023	$ (3,996,620)

See the accompanying notes to the financial statements.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Activities
Fiscal Year Ended June 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Business-type Activities	Component Units
Functions/ Programs:					
Primary government:					
Business-type activities:					
Economic development	$ 5,648,485	$ 2,082,240	$ 2,711,876	$ (854,369)	
Total primary government activities	$ 5,648,485	$ 2,082,240	$ 2,711,876	(854,369)	
Component units:					
Lakewood Hills, Inc.	$ 356,214	$ 125,471	$ -		$ (230,743)
Crogman School Development, LLC	-	-	-		-
Crogman School, Inc.	42	-	-		(42)
GP URFA Sexton, Inc.	82	-	-		(82)
Sylvan Hills Development, LLC	1	-	-		(1)
Toby Sexton Development, LLC	-	-	-		-
Total component units activities	$ 356,339	$ 125,471	$ -		(230,868)
General revenues:					
Revenues from the use of money or property				-	18
Total general revenues				-	18
Changes in net assets				(854,369)	(230,850)
Net assets (deficits)– beginning of fiscal year				8,546,392	(3,765,770)
Net assets (deficits) – ending of fiscal year				$ 7,692,023	$ (3,996,620)

See the accompanying notes to the financial statements.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds		
	Administrative Fund	**Grants and Restricted Program Fund**	**Total**
Assets			
Current assets:			
Cash and cash equivalents	$ 3,306,444	$ 2,096,014	$ 5,402,458
Restricted cash and cash equivalents	1	-	1
Other receivables	122,440	-	122,440
Due from Atlanta Housing Opportunity, Inc. - current	1,354,818	-	1,354,818
Due from Atlanta BeltLine, Inc.	26,000	-	26,000
Due from other funds	55,105	-	55,105
Due from City of Atlanta	-	10,000	10,000
Total current assets	4,864,808	2,106,014	6,970,822
Noncurrent assets:			
Capital assets, net of depreciation	16,171	-	16,171
Bond issuance costs, net of amortization	319,005	-	319,005
Loans receivable	-	1,682,383	1,682,383
Due from component units	526,318	-	526,318
Other receivables	50	-	50
Advances to Invest Atlanta	942,210	-	942,210
Due from Atlanta Housing Opportunity, Inc.	28,327,354	-	28,327,354
Total noncurrent assets	30,131,108	1,682,383	31,813,491
Total assets	34,995,916	3,788,397	38,784,313
Liabilities			
Current liabilities:			
Accounts payable	88,136	1,585	89,721
Bonds, notes and loans payable, current portion	1,210,000	14,681	1,224,681
Accrued interest payable	140,633	-	140,633
Unearned revenue	493,267	-	493,267
Due to other funds	-	55,105	55,105
Funds held in escrow	-	5,138	5,138
Total current liabilities	1,932,036	76,509	2,008,545
Noncurrent liabilities:			
Bonds, notes and loans payable	28,766,000	317,745	29,083,745
Total noncurrent liabilities	28,766,000	317,745	29,083,745
Total liabilities	30,698,036	394,254	31,092,290
Net Assets			
Invested in capital assets	16,171	-	16,171
Restricted for grant programs	1	3,394,143	3,394,144
Unrestricted	4,281,708	-	4,281,708
Total net assets	$ 4,297,880	$ 3,394,143	$ 7,692,023

See the accompanying notes to the financial statements.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds		
	Administrative Fund	**Grants and Restricted Program Fund**	**Total**
Operating revenues:			
Investment income	$ 49,419	$ 13,362	$ 62,781
Service, administration, and loan fees	1,573,240	130,525	1,703,765
Developer fees	21,497	-	21,497
Private grants	-	1,000,000	1,000,000
Subsidy income for debt service payments - City of Atlanta	1,711,876	-	1,711,876
Other revenue	287,745	6,452	294,197
Total operating revenues	3,643,777	1,150,339	4,794,116
Operating expenses:			
Interest on bonds, notes, and loans	1,711,876	13,297	1,725,173
Economic development	912,164	1,208,306	2,120,470
Depreciation and amortization	151,505	-	151,505
General and administrative	1,626,511	24,826	1,651,337
Total operating expenses	4,402,056	1,246,429	5,648,485
Operating loss	(758,279)	(96,090)	(854,369)
Change in net assets	(758,279)	(96,090)	(854,369)
Net assets at beginning of fiscal year	5,056,159	3,490,233	8,546,392
Net assets at end of fiscal year	$ 4,297,880	$ 3,394,143	$ 7,692,023

See the accompanying notes to the financial statements.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Fund		
	Administrative Fund	**Grants and Restricted Program Fund**	**Total**
Cash flows from operating activities:			
Receipts from customers and other governments	$ 1,569,021	$ 1,067,650	$ 2,636,671
Receipts of interest on loans	49,419	65	49,484
Receipts of developer fees from component units	21,497	-	21,497
Advances to/from other funds	100,000	(100,000)	-
Payments to suppliers	(656,399)	(24,825)	(681,224)
Payments to employees	(1,002,216)	-	(1,002,216)
Payments for programs	-	(1,208,306)	(1,208,306)
Other	-	3,603	3,603
Net cash provided by (used in) operating activities	81,322	(261,813)	(180,491)
Cash flows from noncapital financing activities:			
Receipts from City of Atlanta to cover interest expense on revenue bonds issued on behalf of the City of Atlanta for AHOI	2,845,236	-	2,845,236
Receipts of principal and interest on loans	-	13,297	13,297
Repayment of bond principal	(1,150,000)	-	(1,150,000)
Repayment on notes and loans payable	-	(6,919)	(6,919)
Payments for interest	(1,716,733)	(13,297)	(1,730,030)
Repayment on line of credit	(5,339,473)	-	(5,339,473)
Receipt from the U.S. Department of the Treasury	5,339,473	-	5,339,473
Advances from Invest Atlanta	179,350	-	179,350
Advances to City of Atlanta	-	(10,000)	(10,000)
Net cash provided by (used in) noncapital financing activities	157,853	(16,919)	140,934
Net increase (decrease) in cash and cash equivalents	239,175	(278,732)	(39,557)
Cash and cash equivalents at beginning of fiscal year	3,067,270	2,374,746	5,442,016
Cash and cash equivalents at end of fiscal year	$ 3,306,445	$ 2,096,014	$ 5,402,459
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	$ 3,306,444	$ 2,096,014	$ 5,402,458
Restricted cash and cash equivalents	1	-	1
	$ 3,306,445	$ 2,096,014	$ 5,402,459
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (758,279)	$ (96,090)	$ (854,369)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	51,556	-	51,556
Interest receipts reported in operating loss	(1,711,876)	(13,297)	(1,725,173)
Interest payments reported in operating loss	1,711,876	13,297	1,725,173
Allowance for doubtful accounts	1,081,271	-	1,081,271
(Increase) decrease in:			
Other receivables	(69,702)	-	(69,702)
Loans receivable	-	(62,875)	(62,875)
Due from Atlanta BeltLine, Inc.	(26,000)	-	(26,000)
Due from component units	21,479	-	21,479
Due from other funds	100,000	-	100,000
Increase (decrease) in:			
Accounts payable and accrued expenses	(32,104)	1	(32,103)
Funds held in escrow	-	(2,849)	(2,849)
Due to other funds	-	(100,000)	(100,000)
Unearned revenue	(286,899)	-	(286,899)
Net cash provided by (used in) operating activities	$ 81,322	$ (261,813)	$ (180,491)
Non-cash operating activities:			
Allowance adjustment for doubtful receivables	$ 1,081,271	$ -	$ 1,081,271

See the accompanying notes to the financial statements.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Combining Statement of Net Assets
Component Units
June 30, 2012

	Lakewood Hills, Inc.	Crogman School Devel., LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Sylvan Hills Devel., LLC	Toby Sexton Devel., LLC	Total Component Units
Assets							
Current assets:							
Cash and cash equivalents	$ 19,242	$ -	$ -	$ -	$ -	$ -	$ 19,242
Other receivables	150	-	-	-	-	-	150
Prepaid items	7,450	-	-	-	-	-	7,450
Total current assets	26,842	-	-	-	-	-	26,842
Noncurrent assets:							
Developer fees receivables, net of allowance	-	142,205	-	-	2,318,822	1,974,649	4,435,676
Capital assets, net of depreciation	685,361	-	-	-	-	-	685,361
Investment in development projects	581,282	-	(4,890)	(738)	(172)	-	575,482
Total noncurrent assets	1,266,643	142,205	(4,890)	(738)	2,318,650	1,974,649	5,696,519
Total assets	1,293,485	142,205	(4,890)	(738)	2,318,650	1,974,649	5,723,361
Liabilities							
Current liabilities:							
Accounts payable	5,334	1,000	100	-	-	-	6,434
Bonds, notes and loans payable, current portion	375,000	-	-	-	-	-	375,000
Total current liabilities	380,334	1,000	100	-	-	-	381,434
Noncurrent liabilities:							
Due to primary government (URFA)	2,281,811	142,205	-	-	718,835	768,028	3,910,879
Due to others	-	-	-	-	1,599,987	1,206,521	2,806,508
Construction loan payable	1,672,597	-	-	-	-	-	1,672,597
Loan payable to Invest Atlanta	948,563	-	-	-	-	-	948,563
Total noncurrent liabilities	4,902,971	142,205	-	-	2,318,822	1,974,549	9,338,547
Total liabilities	5,283,305	143,205	100	-	2,318,822	1,974,549	9,719,981
Net Assets (Deficit)							
Invested in capital assets, net of related debt	(2,310,799)	-	-	-	-	-	(2,310,799)
Unrestricted	(1,679,021)	(1,000)	(4,990)	(738)	(172)	100	(1,685,821)
Total net assets (deficit)	$ (3,989,820)	$ (1,000)	$ (4,990)	$ (738)	$ (172)	$ 100	$ (3,996,620)

See the accompanying notes to the financial statements.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Combining Statement of Activities
Component Units
Fiscal Year Ended June 30, 2012

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Lakewood Hills, Inc.	Crogman School Devel., LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Sylvan Hills Devel., LLC	Toby Sexton Devel., LLC	Total Component Units
Functions/ Programs:									
Component units:									
Lakewood Hills, Inc.	$ 356,214	$ 125,471	$ (230,743)	$ -	$ -	$ -	$ -	$ -	$ (230,743)
Crogman School Development, LLC	-	-	-	-	-	-	-	-	-
Crogman School, Inc.	42	-	-	-	(42)	-	-	-	(42)
GP URFA Sexton, Inc.	82	-	-	-	-	(82)	-	-	(82)
Sylvan Hills Development, LLC	1	-	-	-	-	-	(1)	-	(1)
Toby Sexton Development, LLC	-	-	-	-	-	-	-	-	-
Total component unit activities	$ 356,339	$ 125,471	$ (230,743)	$ -	$ (42)	$ (82)	$ (1)	$ -	$ (230,868)
General revenues:									
Revenues from the use of money or property			$ 18	$ -	$ -	$ -	$ -	$ -	$ 18
Total general revenues			18	-	-	-	-	-	18
Changes in net assets			(230,725)	-	(42)	(82)	(1)	-	(230,850)
Net assets (deficit) – beginning of fiscal year			(3,759,095)	(1,000)	(4,948)	(656)	(171)	100	(3,765,770)
Net assets (deficit) – ending of fiscal year			$ (3,989,820)	$ (1,000)	$ (4,990)	$ (738)	$ (172)	$ 100	$ (3,996,620)

See the accompanying notes to the financial statements.

THE URBAN RESIDENTIAL FINANCE AUTHORITY OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

(a) The Financial Reporting Entity

The Urban Residential Finance Authority of the City of Atlanta, Georgia ("URFA" or "the Authority") was created in 1979 to assist in providing financing for the construction or rehabilitation of single-family and multi-family residential housing, and to provide funds to be used as down payment assistance for families within certain income limitations within the City of Atlanta.

In 1997, the City created a new umbrella economic development agency, the Atlanta Development Authority, d/b/a Invest Atlanta ("Invest Atlanta"), which combined several previously existing economic development entities, including the Authority. The Authority is considered to be a blended component unit of Invest Atlanta, and its financial statements are included in Invest Atlanta's financial statements.

The component unit column in the government-wide financial statements also includes Lakewood Hills, Inc.; Crogman School Development, LLC; Crogman School, Inc.; GP URFA Sexton, Inc.; Sylvan Hills Development, LLC; and Toby Sexton Development, LLC, which are discretely presented component units of URFA. They are reported in a separate column to emphasize they are legally separate from the Authority.

Each of these component units is accounted for as proprietary fund types.

Lakewood Hills, Inc. (LHI) is wholly owned by URFA and was created to develop single-family and multi-family homes in the City of Atlanta. The Board of Directors of LHI is appointed by the Board of Directors of URFA, who can also impose their will on LHI by removal of board members at any time. Lakewood Hills, Inc. has a December 31 year-end and its balances are shown as of its year ending date.

Crogman School Development, LLC (CSD) is wholly owned by URFA and was organized to improve and develop property for use as affordable multi-family residential housing. As the sole member of the limited liability company, URFA controls the activity of CSD. Crogman School Development, LLC has a December 31 year-end and its balances are shown as of its year ending date.

Crogman School, Inc. (CSI) is wholly owned by URFA and is the general partner in Crogman, LP, which consists of an affordable multi-family residential housing facility. The Board of Directors of CSI is appointed by the Board of Directors of URFA, who can also impose their will on CSI by removal of board members at any time. Crogman School, Inc. has a December 31 year-end and its balances are shown as of its year ending date.

(1) Summary of Significant Accounting Policies (Continued)

(a) The Financial Reporting Entity (Continued)

GP URFA Sexton, Inc. (GP URFA Sexton) is wholly owned by URFA and is the owner of 10% of URFA Sexton, Inc., which is the general partner in URFA-Sexton, LP, which consists of an affordable multi-family residential housing facility. The Board of Directors of GP URFA Sexton is appointed by the Board of Directors of URFA, who can also impose their will on GP URFA Sexton by removal of board members at any time. GP URFA Sexton, Inc. has a December 31 year-end and its balances are shown as of its year ending date.

Sylvan Hills Development, LLC. (Sylvan Hills) is wholly owned by URFA and is the general partner and owner of .01% of Columbia at Sylvan Hills, LP, which consists of an affordable multi-family residential housing facility. The Board of Directors of Sylvan Hills is appointed by the Board of Directors of URFA, who can also impose their will on Sylvan Hills by removal of board members at any time. Sylvan Hills Development, LLC has a December 31 year-end and its balances are shown as of its year ending date.

Toby Sexton Development, LLC. (Toby Sexton) is a joint venture in which URFA has an interest of 79%. Toby Sexton was organized to improve and develop property for use as affordable multi-family residential housing. As the majority owner of the limited liability company, URFA controls the activity of Toby Sexton. Toby Sexton Development, LLC has a December 31 year-end and its balances are shown as of its year ending date.

Separate financial statements or financial information on these component units may be obtained from the Chief Financial Officer, Invest Atlanta at 86 Pryor Street SW, Suite 300, Atlanta, GA 30303.

(b) Government-wide and Fund Financial Statements

The Authority presents government-wide financial statements which are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund. Net assets in the statement of net assets are distinguished between amounts that are invested in capital assets, restricted for use by third parties or outside requirements, and unrestricted amounts.

(1) Summary of Significant Accounting Policies (Continued)

(b) Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and include interest income on loans provided for economic development and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income on investments and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the Authority has prepared separate financial statements for proprietary funds. These fund financial statements use the accrual basis of accounting and the economic resources measurement focus.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest income and service, administration, and loan fees are recognized as revenue when earned regardless of when the cash is received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when a liability is incurred.

The Authority reports the following major enterprise funds:

Administrative Fund – The Administrative Fund is used to record the receipt of income not directly pledged to the repayment of specific notes, bonds, or grant programs and the payment of expenses related to the Authority's administrative functions.

Grants and Restricted Program Fund – This fund is used to account for all activity of the Authority that is restricted for grants or bond activities.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989 generally are followed in both the government-wide and proprietary fund 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 Authority has elected not to follow subsequent private-sector guidance.

(1) Summary of Significant Accounting Policies (Continued)

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 revenues of each of the Authority's enterprise funds are 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 Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, the Authority 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. Certain resources set aside for specific purposes are classified as restricted assets on the balance sheet because their use is limited by the purpose of certain agreements with other parties.

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

(e) 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.

(f) Investment in Development Projects

Investments in development projects represent the Authority's acquisition and improvement of properties in anticipation of either private or public development of the property. Investments and improvements are recorded at cost.

(1) Summary of Significant Accounting Policies (Continued)

(g) Capital Assets

Capital assets are stated at cost. For the primary government, capital assets consist of depreciable leasehold office improvements. Depreciation of the leasehold office improvements are computed primarily using the straight-line method over a 7 year estimated useful life.

For the Authority's component unit, Lakewood Hills, Inc, capital assets consists of real property representing 11 condominium units in Phase VI-A and are recorded at cost. Depreciation of the rental property (buildings) is computed primarily using the straight-line method over a 40 year estimated useful life.

(h) Unearned Revenue

The Authority has received certain money from issuer fees and administrative fees on Housing Opportunity Fund operations in which revenue will be recognized when earned. Therefore, the Authority has reported these items as unearned revenue under the accrual basis of accounting on the statement of net assets.

(i) Use of Estimates

Management of the Authority 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 Authority is authorized to invest in obligations or investments as determined by the Board of Directors of the Authority, subject to any agreement with bondholders and with applicable law. As of June 30, 2012, the Authority did not have any investments other than deposits with financial institutions.

(2) Deposits and Investments (Continued)

(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, 2012, the Authority had no bank balances that were exposed to custodial credit risk.

(3) Investment in Development Projects

Investment in development projects of the discretely presented component units consisted of the following at June 30, 2012:

	2012
Component units:	
Lakewood Hills, Inc.	$ 581,282
Crogman School, Inc.	(4,890)
GP URFA Sexton, Inc.	(738)
Sylvan Hills Development, LLC	(172)
Total	$ 575,482

The condominiums in the Lakewood Hills development are being held for resale and the difference between the current year and prior year balances reflects those inventories sold during the calendar year ending December 31, 2011.

(4) Capital Assets

Capital assets activity for the fiscal year ended June 30, 2012 consists of the following:

Urban Residential Finance Authority	**June 30, 2011**	**Additions**	**Deletions**	**June 30, 2012**
Capital assets, being depreciated:				
Leasehold office improvements	$ 23,366	$ -	$ -	$ 23,366
	23,366	-	-	23,366
Less accumulated depreciation	(3,857)	(3,338)	-	(7,195)
Net capital assets, being depreciated	$ 19,509	$ (3,338)	$ -	$ 16,171

Component Unit - Lakewood Hills, Inc.				
Capital assets, being depreciated:				
Building and improvements	$ 745,971	$ -	$ -	$ 745,971
	745,971	-	-	745,971
Less accumulated depreciation	(41,960)	(18,650)	-	(60,610)
Net capital assets, being depreciated	$ 704,011	$ (18,650)	$ -	$ 685,361

(5) Receivables

As of June 30, 2012, the Administrative Fund had $1,446,940 in gross other receivables less $1,324,500 in allowances for uncollectible receivables which net to an ending balance of $122,440. In addition, the Administrative Fund reported $6,852,987 in gross loans receivable and in allowances for uncollectible receivables for a net loan receivable balance of $0 at fiscal year-end. These loans receivable include a loan due from Lakewood Hills, Inc. of $2,502,266; a loan due from Crogman, LP of $2,116,265; and loan due from URFA-Sexton, LP of $2,156,659; and other loans due of $77,797.

As of June 30, 2012, the Grants and Restricted Program Fund had $14,540,155 in gross loans outstanding less $12,857,772 in allowances for uncollectible loans and loans which are not expected to require repayment under the various Authority programs, netting to an ending balance of $1,682,383.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2012

(6) Long-term Liabilities

Activity for the bonds, notes, loans payable, and other long-term liabilities for the fiscal year ended June 30, 2012 consists of the following:

	June 30, 2011	Additions	Reductions	June 30, 2012	Amount Due Within One Year
Primary government:					
Notes and loans payable to the City of Atlanta funded by Community Development Block Grants	$ 339,345	$ -	$ (6,919)	$ 332,426	$ 14,681
Bonds payable, 2007A Series Housing Opportunity Program	31,250,000	-	(1,150,000)	30,100,000	1,210,000
Discount on 2007A Series Housing Opportunity Program Bonds payable	(137,497)	-	13,497	(124,000)	-
Total primary government	$ 31,451,848	$ -	$ (1,143,422)	$ 30,308,426	$ 1,224,681
Component units:					
Construction loan payable	$ 2,347,597	$ -	$ (300,000)	$ 2,047,597	$ 375,000
Advance loan from Invest Atlanta	948,563	-	-	948,563	-
Total component units	$ 3,296,160	$ -	$ (300,000)	$ 2,996,160	$ 375,000

The Authority entered into loan agreements with the City of Atlanta wherein the City loaned the Authority $900,000 of U.S. Department of Housing and Urban Development (HUD) funds under its Community Development Block Grant ("CDBG") program. The CDBG funds were used to establish mezzanine financing for Evergreen Village Estates, L.P. and Fulton Cotton Mill Associates, L.P. to leverage their investment of tax-exempt housing revenue bonds in the acquisition and rehabilitation of certain development projects. At June 30, 2012, the balance of the remaining loans payable was $332,426.

On April 11, 2007, the Authority issued $35,000,000 of Georgia Taxable Revenue Bonds (Housing Opportunity Program), Series 2007A, for the purpose of loaning the proceeds from the sale of the bonds to Atlanta Housing Opportunity, Inc. ("AHOI"), a Georgia non-profit corporation. AHOI uses the bond proceeds to make loans to finance single-family and multi-family housing purchases in the City of Atlanta. The City of Atlanta has guaranteed that it will make payments sufficient in time and amount to enable AHOI to pay the principal and interest on the bonds. Interest on the bonds is payable semiannually on June 1 and December 1 of each fiscal year, with interest rates ranging from 5.068% to 5.802%. The bonds mature on December 1, 2027. At June 30, 2012, the outstanding principal balance was $30,100,000. Also at June 30, 2012, an amount of $29,682,172 is recorded as being due from AHOI, with the difference between the bonds and the receivable resulting from differences in unamortized issuance costs and other small amounts receivable as a result of other activities not related to these bonds.

(6) Long-term Liabilities (Continued)

Construction of the Lakewood Hills development was financed with construction loans. On April 28, 2008, Lakewood Hills Inc. refinanced its construction loan with Wachovia Bank. The note, in the amount of $3,000,000, incurred interest at the 1–month LIBOR plus 1.80 percent rate. Payments of interest only were due beginning June 1, 2008 and continuing until maturity, which was the earlier of the date of the sale of the last individual residential lot or August 17, 2011. On August 17, 2011, Lakewood Hills, Inc. refinanced its construction loan with Wells Fargo Bank (previously Wachovia Bank, NA). The note, in the amount of $3,300,000, incurred interest at the 1-month LIBOR plus 4 percent rate. Payments of interest only were due until maturity, which was the earlier of the date of the sale of the last individual residential lot or August 31, 2012. Proceeds from sales of individual residential lots were to be used to reduce the principal balance outstanding on the note, in accordance with the terms of the loan agreement with Wells Fargo Bank. The construction loan had a balance of $2,047,597 at December 31, 2011. Subsequent to year-end, on August 20, 2012, Lakewood Hills, Inc. refinanced its construction loan with Wells Fargo Bank. The note, in the amount of $1,847,597, which is the balance due on the construction loan at the time of the refinancing, incurs interest at the 1-month LIBOR plus 4 percent rate. Payments of $87,500 plus interest are due quarterly until maturity, which is December 1, 2017.

On January 15, 2009, Lakewood Hills, Inc. obtained a loan in the amount of $986,728 from Invest Atlanta to pay down a construction loan with Sun Trust Bank. The loan bears interest at a variable rate and matures on January 15, 2019. The loan is to be repaid with net proceeds from the sale of condominium units, with the entire balance and any unpaid accrued interest due becoming immediately payable upon the first to occur of the sale of the last unit or the maturity date. As of fiscal year-end, the loan due to Invest Atlanta was $948,563.

Debt Service Requirements

The notes and loans payable to the City, funded by CDBG, are also payable only when property sales occur; therefore, no debt service requirement schedule is presented.

(6) Long-term Liabilities (Continued)

The annual principal and interest requirements for the Revenue Bonds (Housing Opportunity Program), Series 2007A are set forth below (dollar amounts in thousands):

	Principal	Interest	Total
Fiscal Year Ending June 30:			
2013	$ 1,210	$ 1,656	$ 2,866
2014	1,275	1,592	2,867
2015	1,345	1,524	2,869
2016	1,415	1,452	2,867
2017	1,490	1,375	2,865
2018 - 2022	8,835	5,503	14,338
2023 - 2027	11,745	2,589	14,334
2028	2,785	81	2,866
Totals	30,100	$ 15,772	$ 45,872
Less discount	(124)		
Net bonds payable	$29,976		

The annual principal and interest requirements, using the interest rate in effect at year-end, for the loan payable to Wells Fargo for Lakewood Hills, Inc. are set forth below (dollar amounts in thousands):

	Principal	Interest	Total
Fiscal Year Ending December 31:			
2012	$ 375	$ 38	$ 413
2013	350	65	415
2014	350	50	400
2015	350	35	385
2016	350	21	371
2017	273	6	279
Totals	$ 2,048	$ 215	$ 2,263

(7) Conduit Debt

The Authority issues private activity tax exempt and taxable revenue bonds to private sector entities for projects located within the city limits of Atlanta. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans or promissory notes. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds and does not report these as liabilities in the accompanying financial statements. The aggregate principal amounts outstanding as of June 30, 2012 for conduit debt issued by the Authority was $422,034,371.

(8) Interfund Balances

All interfund balances were for payments made or received on behalf of each respective fund or component unit which had not been reimbursed at fiscal year-end. At June 30, 2012, the Administrative Fund was owed $942,210 from Invest Atlanta, which will be reimbursed over the next several fiscal years. At June 30, 2012, the Administrative Fund was owed $55,105 from the Grants and Restricted Program Fund for payments made on behalf of the Grants and Restricted Program Fund which had not been reimbursed at year-end. This balance is expected to be repaid within one fiscal year.

As of fiscal year-end, Lakewood Hills, Inc, a component unit of URFA, has a deficit of $3,989,820 in which URFA has agreed, if deemed necessary, to cover any major operating shortfalls Lakewood Hills, Inc. may have.

(9) Due to Others and Due to Primary Government (URFA)

Toby Sexton Development, LLC

Pursuant to a developer agreement between URFA-Sexton, LP ("USLP") and Toby Sexton Development, LLC ("TSD") (a discretely presented component unit of URFA), TSD had been retained by USLP to perform certain services with respect to property owned by USLP, including construction and rehabilitation of the property and other related cost. As consideration for the services provided by TSD, USLP, pursuant to a developer agreement made between the two entities, will pay a fee of up to $2,415,847 and of this fee, $445,521 has been paid to date by USLP to TSD. The agreement provides for interest on the unpaid balance at the long-term annual federal rate at the placed in service date which was 4.68%. At June 30, 2012, a developer fee of $1,970,326 and accrued interest of $4,323 remained due from USLP.

Developer fees receivable for TSD are payable to both URFA and Needle Development, Inc., ("NDI"). Pursuant to a development services agreement between URFA and NDI, 40% of the fees receivable by TSD are due to URFA and 60% are due to NDI. At June 30, 2012, TSD owed URFA a balance of $768,028 and NDI $1,206,521, each of which includes accrued interest receivable by TSD.

In the event of a default by USLP, URFA will be required to satisfy the outstanding payments due to TSD. As of June 30, 2012, the Authority does not find it necessary to report this contingent liability as the amounts due to TSD are not due until December 2015; however the receivable for URFA related to the development fees owed to it by Toby Sexton Development, LLC have been provided for with an allowance for doubtful account in the amount of $768,028.

Additionally, in the event of default by USLP, URFA will be required to satisfy the debt of USLP, which, as of June 30, 2012, had a balance of $10,701,163. As of June 30, 2012, the Authority does not find it necessary to report this contingent liability.

Crogman School Development, LLC

Pursuant to a development agreement between Crogman, LP ("CLP") and Crogman School Development, LLC ("CSDL") (a discretely presented component unit of URFA), CLP agreed to provide a developer fee in the amount of $1,315,432 to CSDL for services provided by CSDL during development and construction of the project. As of June 30, 2012, the balance remaining on this agreement is $142,205. In turn, this amount is owed by CSDL to URFA; however the receivable for URFA related to the development fees owed to it by CSDL have been provided for with an allowance for doubtful account in the amount of $142,205.

Additionally, in the event of default by CLP, URFA will be required to satisfy the debt of CLP, which, as of June 30, 2012, had a balance of $4,390,000. As of June 30, 2012, the Authority does not find it necessary to report this contingent liability.

(9) Due to Others and Due to Primary Government (URFA) (Continued)

Sylvan Hills Development, LLC

Pursuant to a development agreement between Columbia at Sylvan Hills, LP ("CSH") and Sylvan Hills Development, LLC ("SHD") (a discretely presented component unit of URFA), CSH agreed to provide a development and overhead fee in the amount of $2,715,820 to SHD for services provided by SHD during development and construction of the project. As of June 30, 2012, the balance remaining on this agreement is $2,318,822. In turn, this amount is owed by SHD to URFA and other entities for $718,835 and $1,599,987, respectively and pursuant to a joint venture agreement, which defines the applicable percentages, between SHD and the other entities.

(10) Line of Credit

On December 1, 2009, URFA entered into an agreement with the U.S. Department of Treasury (the "Treasury") to participate in the New Issue Bond Program (the "Program"). The purpose of the Program is to assist persons of low and moderate income within the City of Atlanta, Georgia (the "Program Area") in affording the cost of acquiring and owning decent, safe, and sanitary housing. Pursuant to the agreement between URFA and the Treasury, the Treasury issued $25 million in taxable, variable rate, convertible option bonds with bond proceeds being placed in escrow pending the release of such proceeds and conversion of the bonds to tax-exempt obligations guaranteed by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (Freddie Mac).

With $25 million of funding available through the Program, URFA, Bank of America, N.A., as master servicer and various lending institutions (the "Lenders") doing business in the Program Area entered into a Mortgage Origination and Servicing Agreement under which mortgage loans are originated by the Lenders, and pooled and purchased by Bank of America. From time to time, Bank of America was expected to receive full reimbursement for loans previously purchased from the Lenders via a $25 million warehousing line provided by Bear Creek Products 2010-2, LLLP ("Bear Creek") (as Warehouse Provider).

As of June 30, 2011, URFA had not converted any portion of the Bonds issued under the Program and Bear Creek had funded approximately $5,339,473 of loans through the Program, which represents the outstanding balance on the warehousing line at June 30, 2011. During fiscal year 2012, US Bank (Escrow Agent) withdrew $6,500,000 of principal from the Global Escrow Agreement which was deposited with the trustee. The trustee in turn used the proceeds to fully reimburse Bear Creek for all amounts due and payable under the Warehousing Agreement in exchange for GNMA, FNMA, and Freddie Mac certificates previously purchased by Bear Creek. Under the terms of the agreement between URFA and the Treasury, URFA is a conduit Issuer and is not liable for any payments to the bondholders or the Treasury for any portion of the $6,500,000 bonds outstanding. These payments are guaranteed by GNMA, FNMA or Freddie Mac through the mortgage-backed securities. No additional draws on the line of credit or mortgages were funded under the program subsequent to the conversion of the $6,500,000.

(11) Contingencies

The Authority participates in a number of federal financial assistance programs in the current and prior fiscal 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.

(12) Pension Plan

The Authority offers two different qualified tax deferred defined contribution retirement plans to its employees, both of which are administered by the International City/County Management Association Retirement Corp ("ICMA-RC"). The first plan operates under section 457(b) of the Internal Revenue Code, and allows employees to contribute a certain percentage of their pay each year (up to the Federal maximum limits). The Authority does not match contributions to the section 457(b) defined contribution plan.

Because URFA does not participate in the federal social security system, it is required by law to establish a "public employee retirement system" ("PERS") to take the place of its otherwise mandatory contributions to the federal social security system. Establishing a PERS requires by law that URFA contribute to a qualified retirement plan a minimum of 7.25% of base pay for all eligible employees. URFA has met this requirement by participating in a second retirement plan which operates under section 401(a) of the Internal Revenue Code and is wholly funded by employer contributions which are made based on a percentage of eligible compensation for all full time employees of the Authority who are over 21 years of age. URFA has elected to contribute more to the Plan than the required legal minimum. For the fiscal year ended June 30, 2012, URFA contributions to the 401(a) defined contribution plan totaled $115,436. Employees cannot contribute directly to the 401(a) defined contribution plan.

Together the 457(b) plan and 401(a) plan are referred to as the Plans. Investments in both Plans are self-directed by the employee and each employee vests in both Plans immediately upon hire. The benefit provisions, including the amount of the employer contribution that is in excess of the legal minimum, and contribution requirements may be amended at any time by the President or the Board of Directors of the Authority.