URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA

(A Component Unit of the Atlanta Development Authority)

Basic Financial Statements

June 30, 2010

(With Independent Auditors' Report Thereon)

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

June 30, 2010

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITORS' 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, as of and for the year ended June 30, 2010, 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 did not audit the financial statements of Lakewood Hills, Inc. which represents 41.01% of the assets and 5.7% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lakewood Hills, Inc. is based solely on the report of the other auditors.

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. The financial statements of Lakewood Hills, Inc. were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 December 10, 2010 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 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 management's discussion and analysis (on pages 3 through 6) is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 10, 2010

This section of the Urban Residential Finance Authority ("URFA") annual financial report presents our discussion and analysis of URFA's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the financial statements and accompanying notes.

- **Fiscal Year 2010 Selected Financial Highlights (including Component Units)**
- Total assets of the Authority, including component units, increased approximately $4.3 million during the fiscal year ended June 30, 2010. This increase is primarily due to the $2.2 million receivable from the U.S. Department of Treasury related to the 2009 New Issue Bond Program and a $2 million amount due from others in relation to development fees as reflected in the Toby Sexton Development, LLC discretely presented component.
- Total liabilities of the Authority, including component units, increased approximately $2.9 million for the fiscal year ended June 30, 2010. The overall increase is mainly the result of a $2.2 million increase in a line of credit related to the 2009 New Issue Bond Program offset by a $1 million decrease in the principal balance related to the 2007 Housing Opportunity bonds.
- The Authority's assets related to business-type activities exceeded its liabilities at the close of the fiscal year ended June 30, 2010 by approximately $7 million (*net assets*). Of this amount, approximately $3.1 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 increased by approximately $176,000 during the fiscal year ended June 30, 2010.

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 7-8 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 9-11 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 14-26 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 million at the end of fiscal year 2010. A summary of the net assets is presented below.

Summary of the Authority's Net Assets
June 30, 2010 and June 30, 2009
Business-type Activities

	2010	2009
Assets:		
Current assets	$ 10,082,029	$ 8,948,644
Other non-current assets	32,848,675	33,080,726
Total assets	42,930,704	42,029,370
Liabilities:		
Long-term liabilities	31,430,986	32,518,535
Other liabilities	4,501,568	2,688,773
Total liabilities	35,932,554	35,207,308
Net assets:		
Invested in capital assets	40,297	17,450
Restricted	3,855,224	3,911,222
Unrestricted	3,102,629	2,893,390
Total net assets	$ 6,998,150	$ 6,822,062

The Authority's total assets equal approximately $43 million for the fiscal year ended June 30, 2010. Total assets increased by approximately $901,000. This increase is due primarily to an approximately $2.2 million receivable related to the 2009 New Issue Bond Program and an approximately $1 million decrease in the receivable from Atlanta Housing Opportunity, Inc. related to the Series 2007 Housing Opportunity bonds. The Authority's total liabilities increased approximately $725,000 primarily due to the establishment of an approximately $2.2 million line of credit related to the 2009 New Issue Bond offset by an approximately $1 million reduction in revenue bonds payable.

The largest portion of the Authority's net assets, amounting to approximately $3.9 million, which represents resources that are subject to external restrictions on how they may be used.

The Authority's net assets increased by approximately $176,000 during the fiscal year ended June 30, 2010. A summary of that change is presented below, in comparison to the change in the prior year.

Summary of Changes in the Authority's Net Assets
Fiscal Years ended June 30, 2010 and June 30, 2009

	2010	2009
Revenues:		
Program revenues:		
Charges for services	$ 7,596,359	$ 5,777,988
General revenues:		
From the use of money and property	39,371	87,032
Other revenue	-	388,781
Total revenues	7,635,730	6,253,801
Expenses:		
Economic development	7,459,642	10,331,019
Total expenses	7,459,642	10,331,019
Increase (decrease) in net assets	176,088	(4,077,218)
Net assets, beginning of year	6,822,062	10,899,280
Net assets, end of year	$ 6,998,150	$ 6,822,062

Charges for services accounted for 99% of the revenues of the Authority. This revenue includes program income, and service, administration, and loan fees related primarily to loan programs administered by the Authority. The Authority's revenues increased by approximately $1,382,000 for fiscal year ended June 30, 2010.

The Authority's total operating expenses are approximately $7.5 million related to its overall mission of economic development. Total operating expenses decreased by approximately $2.9 million, primarily due to a decrease of approximately $3.2 million in program expenses related to various housing programs URFA administers.

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 increase in net assets of approximately $176,000.

Debt Administration

At the end of the fiscal year, the Authority had total bond debt outstanding of approximately $32.5 million. The Authority's debt decreased by approximately $1 million during the current fiscal year. This decrease was due primarily to a principal payment of $1,040,000 on the Series 2007 Housing Opportunity bonds.

Activity for long term obligations of the Authority for the fiscal year ended June 30, 2010 which are reported in the Statement of Net Assets, is summarized as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010
Primary government:				
Notes and loans payable to the City of Atlanta funded by Community Development Block Grant	$ 345,998	$ -	$ -	$ 345,998
Bonds payable, 2007A Series Housing Opportunity Program	33,385,000	-	(1,040,000)	32,345,000
Discount on 2007A Series Housing Opportunity Program Bonds Payable	(165,809)	-	14,369	(151,440)
Total primary government	$ 33,565,189	$ -	$ (1,025,631)	$ 32,539,558

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)
Statement of Net Assets
June 30, 2010

	Business-type Activities	Component Units
Assets		
Current assets:		
Cash and cash equivalents	$ 5,611,573	$ 260
Restricted cash	222,368	-
Prepaid items	-	7,450
Other receivables	216,913	250
Investment in real estate	-	674,413
Due from Atlanta Development Authority	406,839	-
Due from Atlanta Housing Opportunity, Inc. - current portion of long-term debt	1,245,114	-
Due from the City of Atlanta	190,000	-
Due from the U.S. Department of the Treasury	2,189,222	-
Total current assets	10,082,029	682,373
Noncurrent assets:		
Capital assets, nondepreciable	17,450	-
Capital assets, net of depreciation	22,847	722,660
Bond issuance costs, net of amortization	389,599	-
Loans receivable	1,005,312	5,000
Other receivables	50	10,867
Investment in development projects	-	(5,536)
Due from others	-	2,049,548
Due from component units	768,028	-
Due from Atlanta Housing Opportunity, Inc. - noncurrent	30,645,389	-
Total noncurrent assets	32,848,675	2,782,539
Total assets	42,930,704	3,464,912
Liabilities		
Current liabilities:		
Accounts payable	127,038	1,101
Bonds, notes and loans payable, current portion	1,108,572	2,347,597
Other payables	-	1,750,382
Accrued interest payable	150,114	-
Line of credit payable	2,189,222	-
Unearned revenue	921,733	-
Funds held in escrow	4,889	-
Total current liabilities	4,501,568	4,099,080
Noncurrent liabilities:		
Due to the primary government	-	768,028
Due to others	-	1,281,520
Loan payable to Atlanta Development Authority	-	948,563
Bonds, notes and loans payable	31,430,986	-
Total noncurrent liabilities	31,430,986	2,998,111
Total liabilities	35,932,554	7,097,191
Net Assets (deficits)		
Invested in capital assets, net of related debt	40,297	(2,573,500)
Restricted for grant programs	3,855,224	-
Unrestricted	3,102,629	(1,058,779)
Total net assets (deficits)	$ 6,998,150	$ (3,632,279)

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)
Statement of Activities
Year ended June 30, 2010

	Expenses	Program revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Component Units
Functions/ Programs:				
Primary government:				
Business-type activities				
Economic development	$ 7,459,642	$ 7,596,359	$ 136,717	
Total primary government activities	$ 7,459,642	$ 7,596,359	136,717	
Component units:				
Lakewood Hills, Inc.	$ 292,001	$ 91,580		$ (200,421)
Crogman School Development, LLC	99,372	99,372		-
Crogman School, Inc.	-	-		-
GP URFA Sexton, Inc.	-	-		-
Sylvan Hills Development, LLC	134	-		(134)
Toby Sexton Development, LLC	-	100		100
Total component units activities	$ 391,507	$ 191,052		(200,455)
General revenues:				
Revenues from the use of money or property			39,371	1,424,611
Total general revenues			39,371	1,424,611
Changes in net assets			176,088	1,224,156
Net assets (deficits)– beginning of year			6,822,062	(4,856,435)
Net assets (deficits) – ending of year			$ 6,998,150	$ (3,632,279)

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)
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 2,331,814	$ 3,279,759	$ 5,611,573
Restricted cash	222,368	-	222,368
Other receivables	197,913	19,000	216,913
Due from Atlanta Development Authority	406,839	-	406,839
Due from Atlanta Housing Opportunity, Inc. - current	1,245,114	-	1,245,114
Due from other funds	285,560	-	285,560
Due from City of Atlanta	-	190,000	190,000
Due from U.S. Department of the Treasury	2,189,222	-	2,189,222
Total current assets	6,878,830	3,488,759	10,367,589
Noncurrent assets:			
Capital assets, nondepreciable	17,450	-	17,450
Capital assets, net of depreciation	22,847	-	22,847
Bond issuance costs, net of amortization	389,599	-	389,599
Loans receivable	-	1,005,312	1,005,312
Other receivables	50	-	50
Due from component units	768,028	-	768,028
Due from Atlanta Housing Opportunity, Inc.	30,645,389	-	30,645,389
Total noncurrent assets	31,843,363	1,005,312	32,848,675
Total assets	38,722,193	4,494,071	43,216,264
Liabilities			
Current liabilities:			
Accounts payable	124,638	2,400	127,038
Bonds, notes and loans payable, current portion	1,095,000	13,572	1,108,572
Accrued interest payable	150,114	-	150,114
Line of credit payable	2,189,222	-	2,189,222
Unearned revenue	921,733	-	921,733
Due to other funds	-	285,560	285,560
Funds held in escrow	-	4,889	4,889
Total current liabilities	4,480,707	306,421	4,787,128
Noncurrent liabilities:			
Bonds, notes and loans payable	31,098,560	332,426	31,430,986
Total noncurrent liabilities	31,098,560	332,426	31,430,986
Total liabilities	35,579,267	638,847	36,218,114
Net Assets			
Invested in capital assets	40,297	-	40,297
Restricted for grant programs	-	3,855,224	3,855,224
Unrestricted	3,102,629	-	3,102,629
Total net assets	$ 3,142,926	$ 3,855,224	$ 6,998,150

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)
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2010

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Operating revenues:			
Investment income	$ 2,844	$ 36,527	$ 39,371
Service, administration, and loan fees	5,537,761	1,245,102	6,782,863
Developer fees	768,028	-	768,028
Other revenue	45,468	-	45,468
Total operating revenues	6,354,101	1,281,629	7,635,730
Operating expenses:			
Interest on bonds, notes, and loan	1,823,330	13,840	1,837,170
Program expenses	-	1,295,558	1,295,558
Economic development	1,111,607	-	1,111,607
Amortization	51,909	-	51,909
General and administrative	3,135,169	28,229	3,163,398
Total operating expenses	6,122,015	1,337,627	7,459,642
Operating income (loss)	232,086	(55,998)	176,088
Change in net assets	232,086	(55,998)	176,088
Net assets at beginning of year	2,910,840	3,911,222	6,822,062
Net assets at end of year	$ 3,142,926	$ 3,855,224	$ 6,998,150

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)
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2010

	Business-type Activities - Enterprise Fund		
	Administrative Fund	Grants and Restricted Program Fund	Total
Cash flows from operating activities:			
Receipts from customers	$ 3,600,078	$ 1,077,662	$ 4,677,740
Receipts from City of Atlanta to cover interest expense on revenue bonds issued on behalf of the City of Atlanta for AHOI	1,824,330	-	1,824,330
Receipts of interest on loans	2,844	36,527	39,371
Receipts of developer fees from component units	768,028	-	768,028
Payments from Atlanta Housing Opportunity Inc.	285,942	-	285,942
Payments to Atlanta Development Authority	(626,973)	-	(626,973)
Advances to/from other funds	(178,240)	178,240	-
Payments to suppliers	(2,185,406)	(28,229)	(2,213,635)
Payments to employees	(949,763)	-	(949,763)
Payments for programs	(1,136,504)	(1,295,558)	(2,432,062)
Other	344,749	(199,493)	145,256
Net cash provided by (used in) operating activities	1,749,085	(230,851)	1,518,234
Cash flows from capital financing activities:			
Repayment of bond principal	(1,040,000)	-	(1,040,000)
Acquisition and construction of capital assets	(23,366)	-	(23,366)
Payments for interest	(1,823,330)	(13,840)	(1,837,170)
Net cash used in capital financing activities	(2,886,696)	(13,840)	(2,900,536)
Net increase (decrease) in cash and cash equivalents	(1,137,611)	(244,691)	(1,382,302)
Cash and cash equivalents at beginning of year	3,691,793	3,524,450	7,216,243
Cash and cash equivalents at end of year	$ 2,554,182	$ 3,279,759	$ 5,833,941
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	$ 2,331,814	$ 3,279,759	$ 5,611,573
Restricted cash	222,368	-	222,368
	$ 2,554,182	$ 3,279,759	$ 5,833,941
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 232,086	$ (55,998)	$ 176,088
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Amortization expense	51,909	-	51,909
Interest payments reported in operating loss	1,823,330	13,840	1,837,170
(Increase) decrease in:			
Other receivables	42,278	(11,680)	30,598
Loans receivable	77,757	(167,440)	(89,683)
Investment in joint venture	79	-	79
Due from component units	(768,028)	-	(768,028)
Due from Atlanta Housing Opportunity, Inc.	1,310,894	-	1,310,894
Due from Atlanta Development Authority	(406,839)	-	(406,839)
Due from the City of Atlanta		(190,000)	(190,000)
Advances to/from other funds	(178,240)	-	(178,240)
Increase (decrease) in:			
Accounts payable and accrued expenses	(24,897)	(1,587)	(26,484)
Funds held in escrow	-	3,774	3,774
Due to Atlanta Development Authority	(220,134)	-	(220,134)
Advances from other funds	-	(107,320)	(107,320)
Due to other funds	-	285,560	285,560
Unearned revenue	(191,110)	-	(191,110)
Net cash provided by (used in) operating activities	$ 1,749,085	$ (230,851)	$ 1,518,234
Non-cash operating activities:			
Allowance adjustment for doubtful receivables	$ 1,111,607	$ -	$ 1,111,607

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)
Combining Statement of Net Assets
Component Units
June 30, 2010

	Lakewood Hills, Inc.	Crogman School Development, LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Sylvan Hills Development, LLC	Toby Sexton Development, LLC	Total Component Units
Assets							
Current assets:							
Cash and cash equivalents	$ 260	$ -	$ -	$ -	$ -	$ -	$ 260
Other receivables	150	-	-	-	-	100	250
Investment in real estate	674,413	-	-	-	-	-	674,413
Prepaid items	7,450	-	-	-	-	-	7,450
Total current assets	682,273	-	-	-	-	100	682,373
Noncurrent assets:							
Loans receivable	5,000	-	-	-	-	-	5,000
Due from others	-	-	-	-	-	2,049,548	2,049,548
Other receivables	10,867	-	-	-	-	-	10,867
Capital assets, net of depreciation	722,660	-	-	-	-	-	722,660
Investment in development projects	-	-	(4,814)	(588)	(134)	-	(5,536)
Total noncurrent assets	738,527	-	(4,814)	(588)	(134)	2,049,548	2,782,539
Total assets	1,420,800	-	(4,814)	(588)	(134)	2,049,648	3,464,912
Liabilities							
Current liabilities:							
Accounts payable	1	1,000	100	-	-	-	1,101
Bonds, notes and loans payable, current portion	2,347,597	-	-	-	-	-	2,347,597
Other payables	1,750,382	-	-	-	-	-	1,750,382
Total current liabilities	4,097,980	1,000	100	-	-	-	4,099,080
Noncurrent liabilities:							
Due to the primary government	-	-	-	-	-	768,028	768,028
Due to others	-	-	-	-	-	1,281,520	1,281,520
Loan payable to Atlanta Development Authority	948,563	-	-	-	-	-	948,563
Total noncurrent liabilities	948,563	-	-	-	-	2,049,548	2,998,111
Total liabilities	5,046,543	1,000	100	-	-	2,049,548	7,097,191
Net Assets (Deficit)							
Invested in capital assets, net of related debt	(2,573,500)	-	-	-	-	-	(2,573,500)
Unrestricted	(1,052,243)	(1,000)	(4,914)	(588)	(134)	100	(1,058,779)
Total net assets (deficit)	$ (3,625,743)	$ (1,000)	$ (4,914)	$ (588)	$ (134)	$ 100	$ (3,632,279)

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)
Combining Statement of Activities
Component Units
Year ended June 30, 2010

		Program revenues	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Lakewood Hills, Inc.	Crogman School Development, LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Sylvan Hills Development, LLC	Toby Sexton Development, LLC	Total Component Units
Functions/ Programs:									
Component units:									
Lakewood Hills, Inc.	$ 292,001	$ 91,580	$ (200,421)	$ -	$ -	$ -	$ -	$ -	$ (200,421)
Crogman School Development, LLC	99,372	99,372	-	-	-	-	-	-	-
Crogman School, Inc.	-	-	-	-	-	-	-	-	-
GP URFA Sexton, Inc.	-	-	-	-	-	-	-	-	-
Sylvan Hills Development, LL(	134	-	-	-	-	-	(134)	-	(134)
Toby Sexton Development, LLC	-	100	-	-	-	-	-	100	100
Total component unit activities	$ 391,507	$ 191,052	$ (200,421)	$ -	$ -	$ -	$ (134)	$ 100	$ (200,455)
General revenues:									
Revenues from the use of money or property			$ 10	$ -	$ 445,741	$ 978,860	$ -	$ -	$ 1,424,611
Total general revenues			10	-	445,741	978,860	-	-	1,424,611
Changes in net assets			(200,411)	-	445,741	978,860	(134)	100	1,224,156
Net assets (deficit) – beginning of year			(3,425,332)	(1,000)	(450,655)	(979,448)	-	-	(4,856,435)
Net assets (deficit) – ending of year			$ (3,625,743)	$ (1,000)	$ (4,914)	$ (588)	$ (134)	$ 100	$ (3,632,279)

See the accompanying notes to the financial statements.

(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 (ADA), which combined several previously existing economic development entities, including the Authority. The Authority is considered to be a blended component unit of the ADA, and its financial statements are included in the ADA'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 that 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 ADA, who can also impose their will on LHI by removal of board members at any time. Lakewood Hills, Inc. has a December 31 fiscal 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 ADA, who can also impose their will on CSI by removal of board members at any time. Crogman School, Inc. has a December 31 fiscal 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 ADA, 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 fiscal 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 ADA, 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 fiscal 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, Atlanta Development Authority 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 amounts that are unrestricted.

(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 revenue of each of the Authority's enterprise funds 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 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) Advances for Development Costs

Advances for development costs consist of amounts paid to developers for initial costs of development of a desired area. Once permanent financing is obtained or sales or leasing of developed properties begin, these advances are repaid to the Authority. As of June 30, 2010, the value of these advances, net of allowances, is $0.

(f) 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.

(1) Summary of Significant Accounting Policies (Continued)

(g) Investment in Real Estate

Investments in real estate consist of property stated at the lower of aggregate cost or net realizable value. Cost includes the purchase price of the land and development costs, as well as capitalized interest.

(h) 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.

(i) Capital Assets

Capital assets are stated at cost. For the primary government, capital assets consist of non-depreciable work in process related to software implementation and 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.

(j) Unearned Revenue

The Authority has received certain money from issuer fees, 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.

(k) 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, 2010, 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, 2010, the Authority had no bank balances that were exposed to custodial credit risk.

(3) Investment in Real Estate

Investment in real estate of the discretely presented component units consisted of the following at June 30, 2010:

		2010
Component units:		
Lakewood Hills	$	674,413
Total	$	674,413

The condominiums and town homes in the Lakewood Hills development are being held for resale and are expected to be sold within the next year and are thus classified as current assets.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 consists of the following:

Urban Residential Finance Authority	June 30, 2009	Additions	Deletions	June 30, 2010
Capital assets, not being depreciated:				
Work in process - Software	$ 17,450	$ -	$ -	$ 17,450
Total capital assets, not being depreciated	17,450	-	-	17,450
Capital assets, being depreciated:				
Leasehold office improvements	-	23,366	-	23,366
	-	23,366	-	23,366
Less accumulated depreciation	-	(519)	-	(519)
Net capital assets, being depreciated	-	22,847	-	22,847
Total capital assets	$ 17,450	$ 22,847	$ -	$ 40,297
Component Unit - Lakewood Hills, Inc.				
Capital assets, being depreciated:				
Building and improvements	$ 745,971	$ -	$ -	$ 745,971
	745,971	-	-	745,971
Less accumulated depreciation	(4,662)	(18,649)	-	(23,311)
Net capital assets, being depreciated	$ 741,309	$ (18,649)	$ -	$ 722,660

(5) Receivables

As of June 30, 2010, the Administrative Fund had $1,442,538 in gross other receivables less $1,244,625 in allowances for uncollectible receivables which net to an ending balance of $197,913. In addition, the Administrative Fund reported $1,738,797 in gross loans receivables and in allowances for uncollectible receivables for a net loan receivable balance of $0 at year-end.

As of June 30, 2010, the Grants and Restricted Program Fund had $10,832,261 in gross loans outstanding less $9,826,949 in allowances for uncollectible loans and loans which are not expected to require repayment under the various Authority programs which netted to an ending balance of $1,005,312.

(6) Long-term Liabilities

Activity for the bonds, notes, loans payable, and other long-term liabilities for the fiscal year ended June 30, 2010 consists of the following:

	June 30, 2009	Additions	Reductions	June 30, 2010	Amount Due Within One Year
Primary government:					
Notes and loans payable to the City of Atlanta funded by Community Development Block Grant	$ 345,998	$ -	$ -	$ 345,998	$ 13,572
Bonds payable, 2007A Series Housing Opportunity Program	33,385,000	-	(1,040,000)	32,345,000	1,095,000
Discount on 2007A Series Housing Opportunity Program Bonds payable	(165,809)	-	14,369	(151,440)	-
Total primary government	$ 33,565,189	$ -	$ (1,025,631)	$ 32,539,558	$ 1,108,572
Component units:					
Construction loan payable	$ 2,347,597	$ -	$ -	$ 2,347,597	$ 2,347,597
Advance loan from Atlanta Development Authority	986,728	-	(38,165)	948,563	-
Total component units	$ 3,334,325	$ -	$ (38,165)	$ 3,296,160	$ 2,347,597

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, 2010, the balance of the remaining loans payable was $345,998.

(6) Long-term Liabilities (Continued)

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 year, with interest rates ranging from 5.068% to 5.802%. The bonds mature on December 1, 2027. At June 30, 2010, the outstanding principal balance was $32,345,000. Also at June 30, 2010, an amount of $31,890,503 is recorded as being due from AHOI, with the difference between the bonds and the receivable resulting from differences in unamortized issuance costs.

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, incurs interest at the 1 –month LIBOR plus 1.80 percent rate. Payments of interest only are due beginning June 1, 2008 and continuing until maturity, which is the earlier of the date of the sale of the last individual residential lot or December 31, 2010. Proceeds from sales of individual residential lots will be used to reduce the principal balance outstanding on the note, in accordance with the terms of the loan agreement with Wachovia (or now Wells Fargo). The construction loan had a balance of $2,347,597 at June 30, 2010.

On January 15, 2009, Lakewood Hills, Inc. obtained a loan in the amount of $986,728 from the Atlanta Development Authority (ADA) in which Lakewood Hills, Inc. received the funds through a line of credit with BB&T (note that in the prior year, this balance was included in the total construction loan payable as discussed in the preceding paragraph). Lakewood Hills, Inc. used the funds to pay down the 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 year-end, the loan due to ADA was $948,563.

Debt Service Requirements

At June 30, 2010, principal on the remaining bank construction loan for the Lakewood Hills project is payable when property sales occur; therefore, no debt service requirement schedules are presented.

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
Year ending June 30:			
2011	$ 1,095	$ 1,774	$ 2,869
2012	1,150	1,717	2,867
2013	1,210	1,656	2,866
2014	1,275	1,592	2,867
2015	1,345	1,524	2,869
2016 - 2020	7,905	6,430	14,335
2021 - 2025	10,470	3,865	14,335
2026 - 2028	7,895	705	8,600
Totals	32,345	$ 19,263	$ 51,608
Less discount	(151)		
Net bonds payable	$32,194		

(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, 2010 for conduit debt issued by the Authority was $453,177,368.

(8) Interfund Balances

All inter-fund balances were for payments made or received on behalf of each respective fund or component unit which had not been reimbursed at year end. At June 30, 2010, the Administrative Fund was owed $406,839 from ADA, which was expected to be reimbursed within one year. At June 30, 2010, the Administrative Fund was owed $285,560 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 also expected to be repaid within one year.

As of year-end, Lakewood Hills, Inc, a component unit of URFA, has a deficit of $3,625,743 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)

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 $2,415,848 and of this fee, $370,521 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, 2010, a developer fee of $2,045,326 and accrued interest of $4,222 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 to URFA and NDI, 40% of the fees receivable by TSD are due to URFA and 60% are due to NDI. At June 30, 2010 TSD owed URFA a balance of $768,028 and NDI $1,281,520, each of which includes accrued interest receivable by TSD.

(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") to afford 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, which could occur up to three (3) times on or prior to December 31, 2010. During a conversion of the bonds by URFA, bond proceeds held in escrow would be released and wired to Regions Bank (as trustee) to acquire mortgage pass-through securities 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 is expected to receive full reimbursement for loans previously purchased from the Lenders via a $25 million warehousing line provided by Regions Bank (as Warehouse Provider). The terms and conditions of the warehousing line are documented in the Warehousing Agreement dated February 2, 2010 between URFA and Regions Bank ("Warehouse Provider"). URFA would then facilitate access to the U.S. Treasury's bond proceeds to pay off Regions Bank.

(10) Line of Credit (Continued)

As of June 30, 2010, URFA had not converted any portion of the Bonds issued under the Program and Regions Bank (Warehouse Provider) had funded approximately $2,189,222 of loans through the Program, which represents the outstanding balance on the warehousing line at year end. Conversely, URFA has recorded a receivable of the same amount as being due from the Treasury in connection with the $25 million in variable rate bonds issued, but not yet converted, for the Program. 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. These payments are guaranteed by GNMA, FNMA or Freddie Mac through the mortgage-back securities.

(11) 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.

(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) 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 year ended June 30, 2010, URFA contributions to the 401(a) plan totaled $129,357. Employees cannot contribute directly to the 401(a) plan.

(12) Pension Plan (Continued)

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.

(13) Subsequent Event

On October 20, 2010, URFA sold $10 million in mortgage certificates related to the 2009 New Issue Bond Program for $10.5 million, resulting in a gain of $500,000 for the Authority. Additional mortgage certificates related to this program will likely be sold within one year of the Authority's year end. Net proceeds from the sale of these mortgage certificates will be dependent upon the prevailing market conditions at the time of the settlement.