Comprehensive Annual Financial Report and Independent Auditors' Report

Atlanta Housing Authority

For the fiscal years ended June 30, 2014 and 2013

The Housing Authority of the City of Atlanta, Georgia

Prepared by the Atlanta Housing Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORT

THE HOUSING AUTHORITY OF THE CITY OF ATLANTA, GEORGIA

For the fiscal years ended June 30, 2014 and 2013

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INTRODUCTORY SECTION

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November 13, 2014

Members of the Board of Commissioners
The Housing Authority of the City of Atlanta, Georgia

Introduction

We are pleased to present The Housing Authority of the City of Atlanta, Georgia (referred to as AHA or the Authority) Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2014 (FY 2014) and 2013 (FY 2013). This report was prepared by the Authority's Finance staff and the Authority's FY 2014 financial statements included in this CAFR were audited by the public accounting firm CohnReznick, newly appointed during FY 2014, thereby succeeding Metcalf Davis, AHA's prior auditors, whose contract expired at the end of FY 2013. The Independent Auditors' Report of CohnReznick is presented as the first component of the Financial Section of the CAFR. AHA will publish the CAFR for FY 2014 and FY 2013 for the public to review on its website at www.atlantahousing.org.

The independent audit of the financial statements of the Authority is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require an independent auditor to report not only on the fair presentation of the financial statements, but also on the Authority's internal controls and compliance with federal program requirements.

The data presented in this report is the responsibility of the management of the Authority. To the best of our knowledge and belief, the information as presented is accurate in all material respects, is presented in a manner designed to fairly state the financial position and the results of operations of the Authority, and includes all necessary disclosures to enable the reader to gain a complete understanding of the Authority's financial position and the results of its operations. To provide a reasonable basis for making these representations, management of the Authority has established internal controls that are designed both to protect its assets and the integrity of its operations, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with generally accepted accounting principles (GAAP).

For a complete overview and analysis of the Authority's FY 2014 financial position and results of operations, please review Management's Discussion and Analysis (MD&A) found immediately following the report of the independent public accountants, in tandem with this transmittal letter.

Profile of the Authority

Independent Public Jurisdiction: AHA is a public body corporate and politic created by the City of Atlanta in 1938 pursuant to the Housing Authorities Laws of the State of Georgia. AHA has broad corporate powers including, but not limited to, the power to acquire, manage, own, operate, develop and renovate housing; invest and lend money; create for-profit and not-for-profit entities; administer Housing Choice vouchers; issue bonds for affordable housing purposes; and acquire, own and develop commercial, retail and market-rate properties that benefit affordable housing.

AHA has created affiliate entities to implement and execute a number of the Authority's program activities and initiatives. The financial statements of these affiliates are included in AHA's financial statements as blended component units. AHA has one affiliate that is not a component unit, but is considered a related entity. As such, the financial activities for this entity have been excluded from the Authority's financial statements. (See Note A of the Notes to the Financial Statements for further details.)

Moving To Work (MTW) Housing Authority: AHA is one of the 39 housing authorities (of more than 3,400 in the country) designated as a Moving To Work (MTW) housing authority. An MTW agency is one that is part of a demonstration created in the 1996 Congressional appropriation for the Department of Housing and Urban Development (HUD). MTW agencies have three statutory objectives:

1. Reduce costs and achieve greater cost effectiveness in federal expenditures.
2. Give incentives to families with children where the head of household is working, seeking work or is preparing for work by participating in job training, educational programs or programs that assist people to obtain employment and become economically self-sufficient.
3. Increase housing choices for low-income families.

Having moved from "troubled agency" status in 1994 to "high performer" status in 1999 and sustaining that status thereafter, AHA applied for and received the MTW designation in 2001. After extensive negotiations with HUD, AHA executed its MTW Agreement with HUD on September 23, 2003, effective as of July 1, 2003. Later, AHA was able to retain the unique provisions under its original agreement when it negotiated and executed a 10-year extension of this agreement effective November 13, 2008, as amended on January 16, 2009, which extended the MTW Agreement until June 30, 2018, with options for further ten-year extensions, subject to HUD's approval and meeting certain agreed-upon conditions.

AHA's MTW Agreement provides substantial statutory and regulatory relief under the U.S. Housing Act of 1937, as amended. AHA's program design for implementing its MTW Agreement is reflected in AHA's multi-year Business Plan, which was prepared leveraging the statutory and regulatory relief under its MTW Agreement and the guiding principles, the lessons learned and best practices from AHA's Revitalization Program. Under its MTW Agreement, AHA has the flexibility to develop policies and procedures that differ from those prescribed in regulations implementing Section 8 and 9 of the Housing Act of 1937. It provides also the flexibility to innovate and create new programs, and to create and implement local solutions to address local challenges in providing affordable housing opportunities to eligible low-income households in Atlanta.

As authorized under its MTW Agreement, AHA has combined its Housing Choice Voucher funds, Public Housing Operating Subsidy and Capital Fund Program grants into an MTW Single Fund which may be used for MTW-eligible activities that best meet local low-income housing needs.

Governing Body and Strategic Guidance: The governing body of AHA is its Board of Commissioners (the Board), which is comprised of seven members, including two resident members, appointed by the Mayor of the City of Atlanta. The Board of Commissioners appoints the President and Chief Executive Officer to administer the affairs of the Authority, including hiring the staff of the Authority. AHA is not considered a component unit of the City of Atlanta and, as a result, AHA's financial statements are not included in the City's financial statements.

The Board provides strategic guidance and oversight of AHA's operations. AHA's programs and actions are further guided by its Business Plan, as modified, refined and updated by its Annual Implementation Plans, which are approved by the Board. The underpinnings for the Business Plan are AHA's Vision and Mission statements:

> ***Our Vision:*** *"*Healthy Mixed-Income Communities; Healthy Self-Sufficient Families"
>
> ***Our Mission:*** *"*Provide quality affordable housing in amenity-rich, mixed-income communities for the betterment of the community."

AHA's strategies and initiatives for facilitating housing opportunities for low-income families in the City of Atlanta are governed by five guiding principles:

1. End the practice of concentrating low-income families in distressed and isolated neighborhoods.
2. Create healthy mixed-use, mixed-income (children-centered) communities using a holistic and comprehensive approach to assure long-term market competitiveness and sustainability of the community, and to support excellent outcomes for families (especially children), with emphasis on excellent, high-performing neighborhood schools and high quality-of-life amenities, including first-class retail and green space.
3. Create mixed-income communities with the goal of creating market-rate communities with a seamlessly integrated affordable residential component.
4. Develop communities through public/private partnerships using public and private sources of funding and private-sector real estate market principles.
5. Support AHA-assisted families with strategies and programs that help them achieve their life goals, focusing on self-sufficiency and educational advancement of the children with expectations and standards for personal responsibility benchmarked for success.

Consistent with the five guiding principles and in alignment with the MTW statutory objectives, AHA's Business Plan sets forth three primary goals:

1. Quality Living Environments
2. Self-Sufficiency
3. Economic Viability

In addition to these strategic directions, and creatively using the tools and flexibility afforded by its MTW Agreement to implement housing policy reforms across all programs, during FY 2014 AHA focused on the following three priorities as articulated in its FY 2014 MTW Annual Implementation Plan:

1. Advance AHA's Real Estate Initiatives with the goal of facilitating opportunity-rich housing in healthy mixed-income communities;
2. Advance AHA's Human Development Initiatives with the goal of building healthy self-sufficient families through lifelong learning, workforce participation, wealth-building and *"Aging Well"* initiatives; and
3. Advance AHA's Business Transformation Initiative, including the integrated Enterprise Resource Planning (ERP) solution, enhanced capabilities and an improved customer experience.

Housing Profile: AHA chartered a new course and embarked on an important and ambitious mission: to transform its delivery of affordable housing by ending the practice of concentrating low-income families and by abandoning the traditional 100 percent public housing model through implementation of a comprehensive and strategic revitalization program (Revitalization Program). Under AHA's Revitalization Program, public-housing-assisted households were relocated to housing of their choice, primarily to private housing (using tenant-based Housing Choice vouchers). After relocation, distressed and obsolete housing projects were demolished, and the sites remediated and prepared for development. Through partnerships with excellent private-sector developers, market-rate-quality, mixed-use, mixed-income communities continue to be developed using public and private resources. AHA's Revitalization Program is designed to intentionally de-concentrate poverty and create communities of choice, where Atlanta's families from every socio-economic status can live, learn, work and play as they pursue their version of the American dream.

As of June 30, 2010, AHA successfully completed the relocation of all affected public-housing-assisted households and, by December 31, 2010, AHA had completed the demolition of these 12 remaining properties. With the completion of the relocation and demolition phases, AHA no longer owns or operates any large-family public housing projects, thereby ending the era of warehousing low-income households in distressed and obsolete developments in isolated and depressed areas.

As a result of the above-described strategic initiatives and leveraging more than $300 million in HOPE VI, other public housing development funds and MTW funds, which resulted in a total financial investment and economic impact of more than $2 billion, AHA's portfolio of housing opportunities has changed dramatically since 1995. In 1994, AHA owned and operated 14,300 public-housing-assisted units in 43 conventional public housing projects and administered approximately 4,500 certificates and vouchers. As of June 30, 2014, AHA's housing profile and operating activities have evolved into the following:

- Public-housing-assisted communities (11 senior high-rise buildings and two small-family developments) owned and operated through professional property management firms, with a total of 1,953 units, all of which are well-located in economically integrated neighborhoods (referred to as AHA-Owned Residential Communities);
- Operating subsidy for 2,522 ACC (HUD-subsidized) units in 16 AHA-Sponsored mixed-income, mixed-finance communities owned and operated by related public/private owner entities;

- Tenant-based Housing Choice rental assistance for 9,595 units owned and operated by private property owners;
- Rental assistance for 1,387 PBRA-assisted units in six of the mixed-income, mixed-finance rental communities owned and operated by related public/private owner entities;
- Rental assistance for 3,040 PBRA-assisted units in other mixed-income and Supportive Housing communities owned and operated by unrelated private owners;
- Mortgage assistance to 59 participants, who used their Section 8 tenant-based Housing Choice vouchers for homeownership; and
- Down payment assistance to a total of 315 first-time home buyers since inception of the program.

The implementation of these initiatives has also changed the mix of AHA's revenue from HUD from being primarily comprised of Section 9 public housing operating funds and capital funds in 1995 to being primarily comprised of Section 8 Housing Choice Voucher funds in FY 2014. During FY 2014, approximately 90% of AHA's revenue from HUD was attributable to Section 8 Housing Choice Voucher funds.

Moreover, as a result of the strategic Revitalization Program and other initiatives, and the shift from a primarily Section 9 public housing funds platform to a Section 8 Housing Choice Voucher funds platform, AHA's operations are more stable and its financial position is stronger.

In addition, AHA is one of the 11 founding member organizations of National Housing Compliance, Inc. (NHC), a Georgia not-for-profit 501(c)(4) corporation that performs contract administration services as HUD's Performance Based Contract Administrator (PBCA) for the states of Illinois and Georgia. NHC makes periodic contributions to Members based on NHC's earned PBCA revenue in excess of NHC's operating expenses. As a Member, AHA received unrestricted contributions from NHC activities in Illinois and Georgia which are included in AHA's financial statements as operating revenue.

Budget Process and Monitoring: The annual budget for the Authority is prepared with significant involvement from the CEO and the executive staff, and the support and analysis of AHA Budget and Analytics staff. At the front-end of the budget process, CEO and executive staff establish the key areas of focus for the coming year from the MTW Business Plan.

On an annual basis, the Board approves the Authority's Comprehensive Operating and Capital Budget after the CEO has presented both the annual MTW Plan and the Authority's Proposed Budget for public review and comment. Throughout the fiscal year, the Board-approved budget becomes the primary management tool to plan, control and evaluate spending for major activities and programs. Monthly actual-to-budget performance reports are reviewed by the Budget and Analytics staff and the Authority's departments. Quarterly actual-to-budget reviews are conducted at the management and executive levels, and budget revisions and actions to address variances against budget, as needed, are taken to ensure appropriate budget control. A quarterly report is also submitted to the Board with a complete analysis and explanations of significant actual-to-budget variances.

Economic Conditions and Financial Outlook

Like every other major metropolitan area in the United States, metropolitan-Atlanta has been adversely impacted by the global economic recession. Many local and national economists have stated that metropolitan-Atlanta and Georgia remain attractive places to live, work and invest because the fundamentals are quite strong. Metropolitan-Atlanta enjoys the benefits of moderate weather, an educated workforce, a concentration of excellent colleges and universities, and the Hartsfield-Jackson Atlanta International Airport. Such economists have stated that, given these fundamentals, Atlanta's economic recovery will be stronger than that of the nation. Job loss data suggests, however, that Atlanta in the near term was hit slightly harder by the recession than the nation. Net job growth in metropolitan-Atlanta began in late 2010 and continued through 2014, but at a slower pace than some of its counterparts. All indications suggest full recovery will take several more years.

During FY 2014, the multi-family rental market continued its slow recovery nationally and in the City of Atlanta. There has also been steady improvement in the sales prices of single-family homes with the sustained reduction in excess inventory.

As a result of the above factors, AHA has been impacted as follows:

- AHA-Sponsored development activities, in partnership with private-sector developers, rely on private investment and the conditions in the real estate and financial markets. During FY 2014, the local real estate market continued to strengthen, especially in the multi-family rental market. AHA expects that our development activities will continue to pick up as those markets improve and investors continue to return to the market.
- The downturn in the Atlanta real estate market has created both opportunities and challenges. AHA has been able to purchase real estate at more reasonable prices to advance revitalization activities. In this environment, real estate owners throughout the City of Atlanta have been willing to participate in AHA's PBRA program, thereby guaranteeing a stream of income for a percentage of their units in a soft market. This has opened new markets in Atlanta for this program. Households using tenant-based Housing Choice vouchers have had a broader array of choices to use their vouchers, tempered by the recent improvements in the single-family home market. With the recent recovery in the multi-family rental market, AHA will need to develop new incentives and approaches in order to facilitate access to Class A and B properties for tenant-based voucher holders.
- AHA-assisted households have been severely affected by the downturn in the employment market. Higher unemployment and under employment amongst AHA-assisted households result in higher aggregate subsidy payments from AHA until the employment market recovers.

Federal Funding — Status and Outlook

The Authority relied on federal funding for about 97% of its overall revenue during FY 2014. Consequently, federal budget decisions play a significant role in AHA's ongoing economic condition.

Since the Budget Control Act of 2011, federal budget appropriators have focused on deficit reduction, especially by reducing discretionary defense and non-defense programs. With the 2012 failure of the Congressional Super Committee to reach a bipartisan agreement, the automatic trigger of sequestration went into effect, resulting in a five percent reduction on top of the budget cuts passed by Congress.

At the end of 2013, the two houses of Congress agreed on the Bipartisan Budget Act of 2013, which provided a two-year reprieve from sequestration and the restoration of about 50 percent of the sequestered cuts. While the return to normalcy in federal budget and appropriations processes is welcome, it will be short-lived, unless Congress acts in 2016 to moderate the impact of budget ceilings and sequestration cuts.

In preparing our budget for FY 2015 in the context of the reality of the staggering federal deficit, AHA was more conservative in making assumptions and projections concerning revenue. AHA believes that it is well-positioned to come through this economic downturn as a result of:

- the statutory and regulatory relief provided under its MTW Agreement;
- AHA's shift from a Section 9 public housing funds platform to a Section 8 Housing Choice Voucher funds platform;
- the operational and financial efficiencies resulting from combining its low-income operating funds, Housing Choice Voucher funds and certain capital funds into a single fund, and preparing a multi-year Business Plan;
- the elimination of the obsolete, distressed and socially dysfunctional public housing projects through the thoughtful implementation of its comprehensive Revitalization Program and other strategic initiatives;
- the implementation of a business transformation including an integrated ERP which resulted in cost and time efficiencies throughout the agency; and
- the implementation of various cost-reduction initiatives at its corporate operations and AHA-Owned Residential Communities.

Even in a down economy, AHA's strategic decisions have allowed it to sustain its strong financial position while providing eligible low-income households with housing opportunities in amenity-rich communities and neighborhoods that are substantially better than other available low-income housing options. Despite AHA's financial preservation strategy, however, there have been indications from HUD in recent months that it is seeking to change the terms applicable to the funding and expenditure authority of the MTW agencies. Should HUD successfully impose such changes, AHA's financial position may be impacted.

FY 2014 Accomplishments and Program Highlights

AHA comprehensively operates the entire agency pursuant to its MTW Agreement and utilizes fungibility of its MTW Single Fund in operating and administering its programs. In cases where there are statutory requirements or grant provisions, AHA complies with these terms as required. Each AHA program is designed to economically and efficiently leverage all AHA's resources where possible — finances and funding flexibility, knowledge and experience, grant funds, rental subsidies, partner relationships and land. Through its various housing solutions and programs, all supported by human development services, AHA is able to meet a broad spectrum of housing needs for low-income families in the City of Atlanta.

Below are some of AHA's FY 2014 major accomplishments and milestones which demonstrate AHA's continued strategic focus and commitment to its vision and three primary goals.

- 21,680 households served.
- Committed or signed project-based rental agreements (new and renewals) at 14 properties ensuring availability of 561 affordable housing units for 2 to 15 years.
- 366 new households were housed from the Housing Choice waiting list, reaching a total of 9,595 households (7,292 of whom live in the City of Atlanta) that participated in the Housing Choice Voucher Program and received rental subsidy assistance by the end of FY 2014.
- 95 veterans were housed through the HUD-Veterans Affairs Supportive Housing (HUD-VASH) voucher program.
- 20 students were awarded $42,750 in scholarships through AHA's Atlanta Community Scholars Award.
- Through AHA's Supportive Housing Program, AHA partnered with the City of Atlanta's Continuum of Care and the United Way of Greater Atlanta, and committed $1.1 million to launch two innovative pilot programs to reduce or prevent homelessness for 200 families.
- Provided 90 new Project Based Rental Assistance (PBRA) units at the historic Commons at Imperial Hotel to deliver housing for homeless adults who need specialized social services.
- Advanced Master Plans for mixed-use, mixed-income communities:
  - 150 mixed-income family units at Auburn Pointe II were completed and leased, thereby completing the rental phases on this site (formerly Grady Homes).
  - Provided PBRA for newly constructed 100-unit affordable independent living for seniors at Veranda at Scholars Landing.
  - Closed on the development of a 60-unit affordable-assisted-living community of the Oasis at Scholars Landing for which construction is expected to be completed in FY 2015.
  - In partnership with the City of Atlanta, the Georgia Department of Transportation and the Atlanta Regional Commission, work was completed on the Livable Centers Initiative to enhance the streetscape and connectivity on Memorial Drive in front of the Capital Gateway community.
  - 44 homes were built and sold by AHA's development partner at West Highlands, providing 31 market-rate homes and 13 for-sale affordable homes for families at 80% of Area Median Income.
  - Provided down payment assistance to 37 first-time home buyers.
  - Completed the sale of a vacant parcel of land to Fulton County to develop a regional library which will provide a wonderful amenity to families in the revitalized community of Villages at Carver.
- Achieved savings of $1.1 million through energy-efficiency improvements and conservation efforts in the 13 AHA-Owned Residential Communities. Upgrades were completed under the Energy Performance Contract (EPC).

- Implemented the new Yardi Voyager platform for the Housing Choice Voucher Program, the most complex component of the integrated ERP project, and continued to re-engineer our business, achieving significant progress.
- Continued cost-reduction initiatives, and lowered administrative and direct operating expenses, including general expenses, by $5.4 million (more than 10%) during FY 2014.
- Completed the sale of Roosevelt property for $2.7 million cash proceeds.
- Repositioned AHA-Owned Residential Communities in partnership with new Property Manager-Developer (PMD) partners.

Please refer to AHA's FY 2014 MTW Annual Report for comprehensive insight into AHA's successes.

We take our responsibility to serve the community and Atlanta's low-income families very seriously. Our MTW Agreement has allowed us to be innovative, and engage our partners and stakeholders in local problem-solving. We believe we are transforming the business of helping people.

Acknowledgments

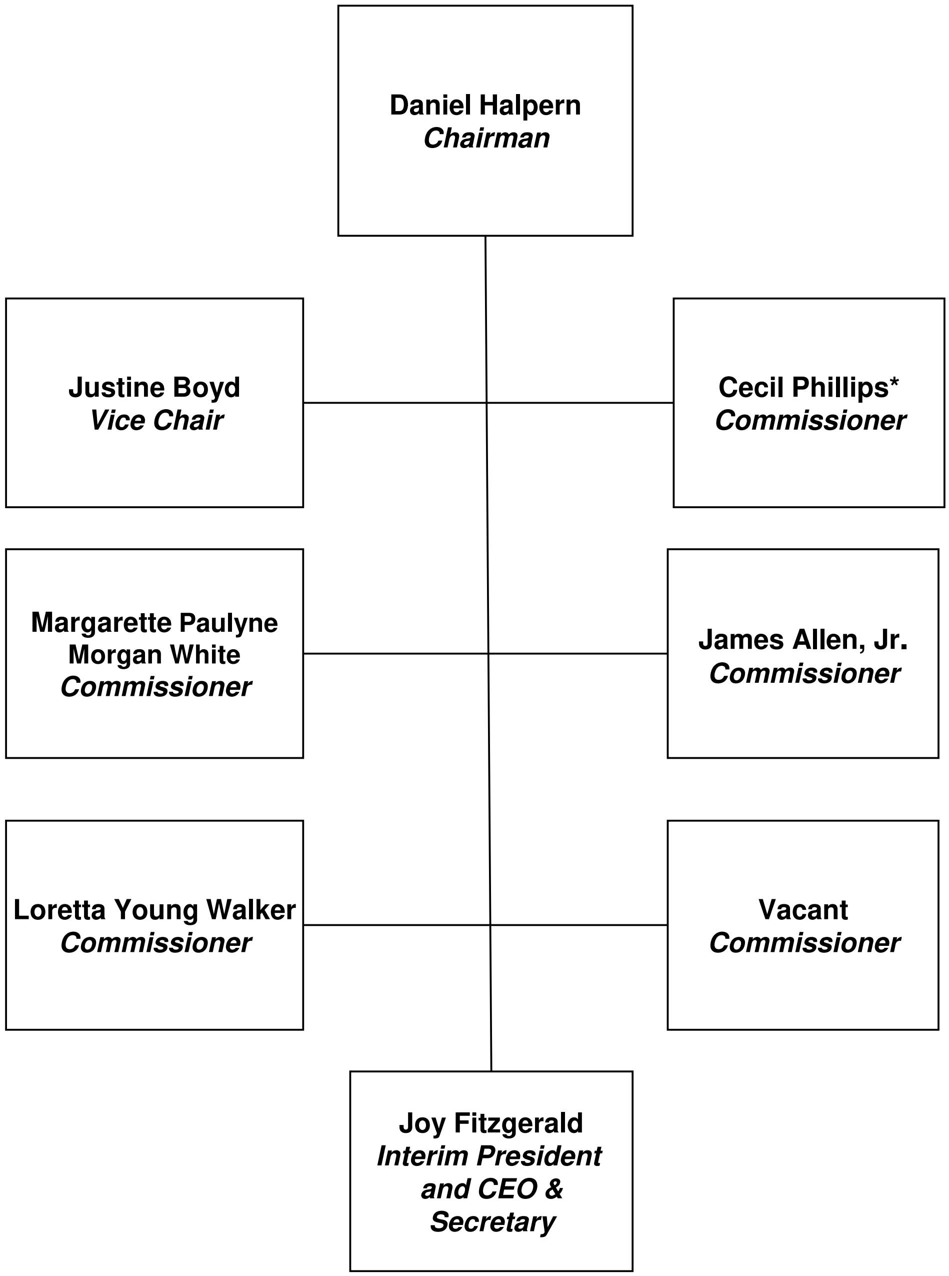
The preparation of this report has been accomplished through the hard work of the Finance Department accountants and support of other staff members throughout AHA. We wish to express our appreciation to all of the individuals who contributed to the preparation of this report.

We would also like to take this opportunity, on behalf of the staff and residents of the Atlanta Housing Authority, to acknowledge the members of the Board of Commissioners for their tireless support and guidance.

Joy W. Fitzgerald
Interim President and CEO

Myrianne Robillard
Senior Vice President of Finance

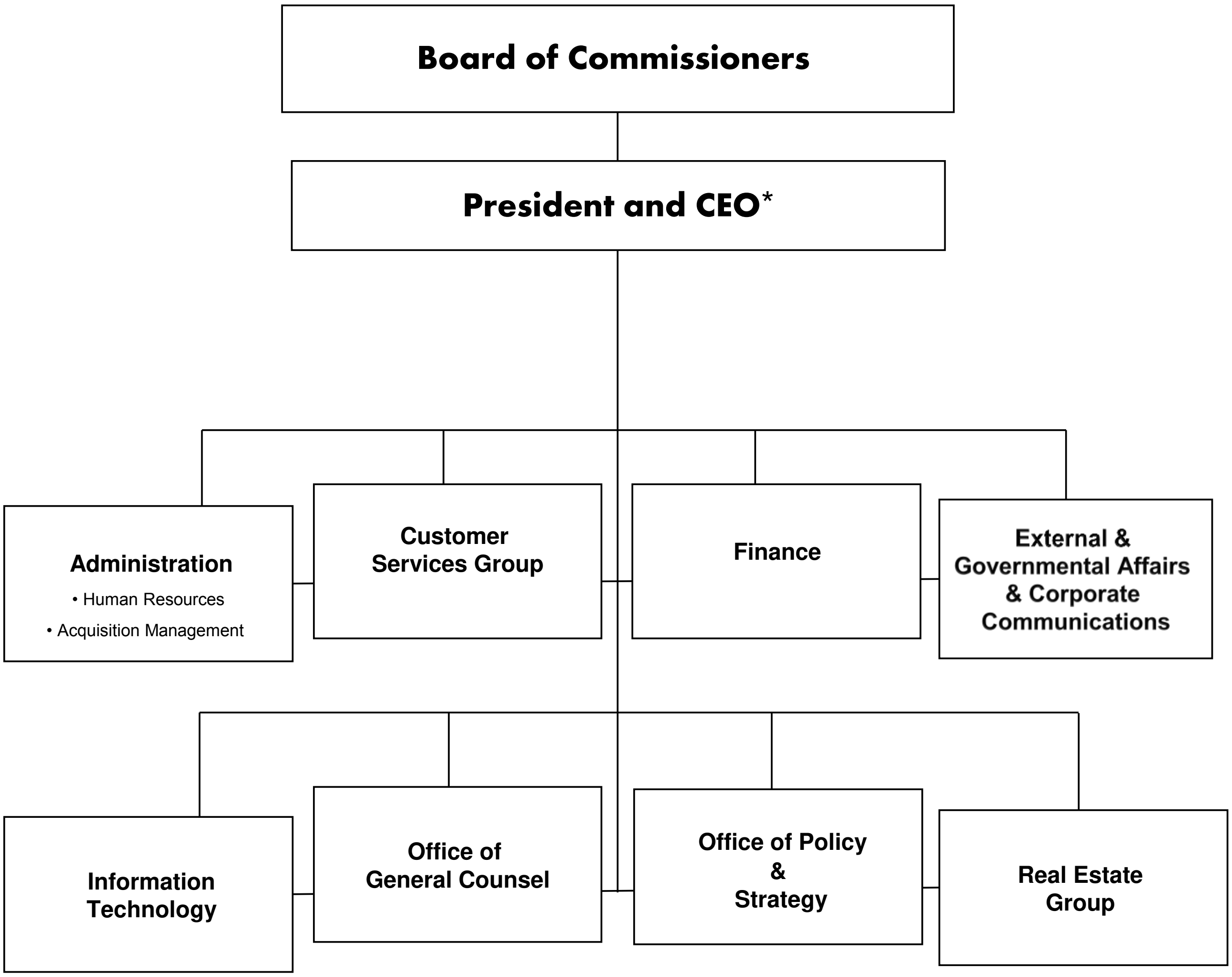
AHA's Board of Commissioners



As of June 30, 2014

* Subsequent to June 30, 2014, Mr. Phillips resigned and Dr. Christopher Edwards joined the Board.

AHA's Organizational Structure



As of June 30, 2014

* An Interim President and CEO currently serves in this role.

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FINANCIAL SECTION

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Independent Auditors' Report

To the Board of Commissioners
The Housing Authority of the City of Atlanta, Georgia
Report on the Financial Statements

We have audited the accompanying financial statements of The Housing Authority of the City of Atlanta, Georgia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise The Housing Authority of the City of Atlanta, Georgia's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Housing Authority of the City of Atlanta, Georgia as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of The Housing Authority of the City of Atlanta, Georgia as of June 30, 2013, were audited by other auditors whose report dated November 20, 2013, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 to 42 and the Schedule of Pension Funding Progress on page 79 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory section, HUD Financial Data Schedule and notes thereto, Schedules of Related-Party Loans and Fees Receivable, Schedules of Related-Party Transactions, Schedule of HUD-Funded Grants, and Schedules of RHF Program Completion Costs and Advances Program Certification are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The HUD Financial Data Schedule, Schedules of Related-Party Loans and Fees Receivable, Schedules of Related-Party Transactions, Schedule of HUD-Funded Grants, and Schedules of RHF Program Completion Costs and Advances Program Certification are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the HUD Financial Data Schedule, Schedules of Related-Party Loans and Fees Receivable, Schedules of Related-Party Transactions, Schedule of HUD-Funded Grants, and Schedules of RHF Program Completion Costs and Advances Program Certification are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, on our consideration of The Housing Authority of the City of Atlanta, Georgia'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* in considering The Housing Authority of the City of Atlanta, Georgia's internal control over financial reporting and compliance.

CohnReznick LLP

Charlotte, North Carolina
November 13, 2014

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The management of The Housing Authority of the City of Atlanta, Georgia (referred to as AHA or the Authority) is providing this Management's Discussion and Analysis (MD&A) as an analytical overview of AHA's financial performance for the fiscal years ended June 30, 2014 (FY 2014) and June 30, 2013 (FY 2013). This document should be read in conjunction with the Letter of Transmittal, AHA's Financial Statements and accompanying Notes.

OVERVIEW OF FINANCIAL STATEMENTS

AHA is pleased to present its Financial Statements for the fiscal years ended June 30, 2014 and June 30, 2013, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as applied to governmental entities. GAAP requires the inclusion of three basic financial statements: the statement of net position (balance sheet); statement of revenues, expenses and changes in net position; and statement of cash flows. In addition, GAAP requires the inclusion of this MD&A as required supplementary information.

The financial statements provide both short- and long-term information about the Authority's financial condition. The financial statements also include notes that provide additional information, including a summary of significant accounting policies applied consistently in the preparation of the financial statements (see Note B). As provided under GAAP, the Authority uses the accrual basis of accounting to prepare its financial statements, except as described in Note B. Under this basis of accounting, revenue is recognized in the period in which it is earned, and expense, including depreciation and amortization, is recognized in the period in which it is incurred. All assets and liabilities associated with the operations of the Authority are included in the statements of net position.

AHA's results of operations are presented in the statements of revenues, expenses and changes in net position, where activities are categorized between operating and non-operating items. AHA defines its operating revenues as income derived from operating funds received from HUD, tenant dwelling revenue, Section 8 portability revenue and fees earned in conjunction with development activities under its Revitalization Program as well as fees earned from National Housing Compliance, Inc. Operating expenses for proprietary funds include the cost of providing services, revitalization, demolition and remediation, relocation expense, administrative expense and depreciation on capital assets. Non-operating items represent interest and investment income, gain and loss on sale of assets, adjustments to valuation allowances and interest expense. Capital contributions include reimbursements of capitalized expenditures under capital grants for modernization and revitalization activities as well as MTW funds used for capitalized expenditures. (See Note B.14 for further information.)

FY 2014 OPERATION HIGHLIGHTS

Advancing Affordable Housing Opportunities

AHA continued to advance and facilitate quality affordable housing opportunities in a variety of healthy mixed-income communities for low-income families as follows:

Tenant-based Housing Choice Voucher Program (HCVP)

Under HCVP, AHA supported 9,595 households at the end of FY 2014, including in-jurisdiction participants, as well as participants who: (a) moved from AHA's service area to a residence outside of AHA's service area; (b) moved into AHA's service area from other public housing agencies' service areas; or (c) received mortgage assistance toward the purchase of their homes in AHA's service area. Significant FY 2014 accomplishments include:

- Provided a total of **$91.2 million** in payments under this program.
- Entered into Housing Choice Rental Agreements with owners/landlords for 366 households pulled from AHA's HCVP waiting list, increasing in-jurisdiction participation (net of attrition) from 7,043 to 7,292 households.
- Increased veterans assisted by AHA's VASH program from 23 to 95.
- Provided financial housing support to 2,303 participants at the end of FY 2014 who have moved outside AHA's service area under HUD's Portability Program compared to 2,265 at the end of FY 2013.
- Began the absorption of those households who ported into AHA's service area, with the 215 remaining port-ins at the end of FY 2014 scheduled for absorption in July 2014.
- Continued to make Housing Choice mortgage assistance payments for 59 families at the end of FY 2014.

Project Based Rental Assistance (PBRA) Program

At the end of FY 2014, 4,427 households were supported under AHA's PBRA program, which included payments to related Owner Entities of AHA-Sponsored master-planned communities, unrelated private-sector owners of mixed-income developments and unrelated owners of Supportive Housing. Significant FY 2014 accomplishments include:

- Provided a total of **$33.4 million** in payments under this program.
- Provided rental assistance to 3,040 households in PBRA mixed-income developments under PBRA agreements with private property owners compared to 2,949 at the end of FY 2013.
- Provided 1,387 PBRA units for households at six AHA-Sponsored mixed-income, master-planned communities under PBRA agreements with Owner Entities.
- Provided 90 new PBRA units at the historic Commons at Imperial Hotel to deliver housing for homeless adults who need specialized social services.
- Approved a new PBRA commitment for 95 PBRA units at Commons at Nelms.

FY 2014 OPERATION HIGHLIGHTS — continued

Operating Subsidy Provided to Owner Entities of AHA-Sponsored Master-Planned Communities

AHA continued to serve 2,522 families in public-housing-assisted units in AHA-Sponsored mixed-income, mixed-finance rental communities, by providing **$15.0 million** in operating subsidy to Owner Entities, in accordance with regulatory and operating agreements with them, to cover the operating costs of AHA-assisted units in mixed-income communities not covered by tenant rents.

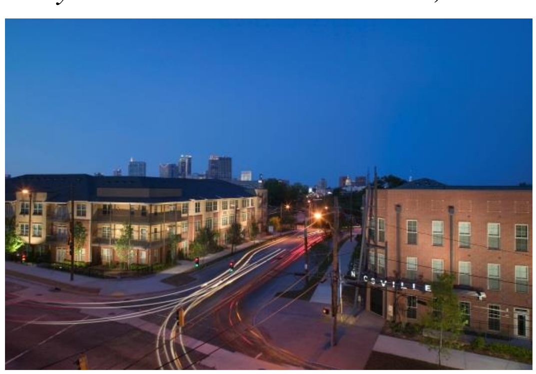
Operating Expense and Capital Improvements at AHA-Owned Residential Communities

AHA continued to serve households in two small-family communities and advance the strategic goals of independent living and improving the quality of life for elderly and disabled persons *"Aging Well"* at the 11 senior high-rises as follows:

- Funded **$10.8 million** in operating expenses not covered by tenant rents including human development services, to support 1,942 households.
- Invested an additional **$1.8 million** for modernization and renovation construction projects designed to improve the quality of life at senior high-rises.
- Continued to realize substantial benefits from the energy and efficiency improvements constructed during the last two years and funded under the Energy Performance Contract (EPC) capital lease secured during FY 2012.



Achieving our Vision: Healthy Mixed-Income Communities; Healthy Self-Sufficient Families



FY 2014 OPERATION HIGHLIGHTS — continued

Revitalization Activities

AHA funded close to **$9.5 million** for revitalization activities during FY 2014 as AHA and its private-sector development partners continued to advance the Master Plans for the mixed-use, mixed-income communities.

Significant accomplishments during FY 2014 include:

Auburn Pointe — Grady Homes Revitalization

- Construction was completed on the new mixed-income, multi-family property Ashley at Auburn Pointe II in FY 2014 and the property was leased-up. Fifty-one of the rental units are leased to AHA-assisted families, 39 units are leased to unassisted tax credit-eligible families and 60 units are leased to market-rate families. This phase completes the final phase of rental construction on the former Grady Homes footprint.
- Work on refreshing the Master Plan started in FY 2014 and has been expanded to include the development of recreational amenities in partnership with the City of Atlanta.

Capitol Gateway — Capitol Homes Revitalization

- Structures on parcels (303 Oakland Street, 361 Memorial Drive and 381 Memorial Drive) that AHA previously acquired were demolished in FY 2014. Remediation will continue throughout FY 2015.
- In partnership with the City of Atlanta, the Georgia Department of Transportation and the Atlanta Regional Commission, work was completed on the Livable Centers Initiative to enhance the streetscape and connectivity on Memorial Drive in front of Capitol Gateway.

Centennial Place — Techwood/Clark Howell Homes Revitalization

- Centennial Place Phase I received an allocation of Low Income Housing Tax Credits in FY 2014. Closing is anticipated to occur in FY 2015, at which time the ownership of the structures will transfer to an Owner-Entity affiliate of the master developer, and subsidy for assisted units transition from Section 9 to Section 8 (Project Based Rental Assistance), making it possible to begin substantial rehabilitation.
- AHA is working in partnership with Atlanta Public Schools (APS) and the Georgia Institute of Technology (Georgia Tech) to expand Centennial Academy (formerly Centennial Place School) to a K–8 school, having received approval from APS in FY 2014 to operate as a charter school.

FY 2014 OPERATION HIGHLIGHTS — continued

Mechanicsville — McDaniel Glenn Revitalization

- AHA's development partner has been engaged in pre-development activities for the development of 75 scattered-site rental units that will be affordable through the Low Income Housing Tax Credit program for a 15-year period as part of a lease-to-own program promoting neighborhood stabilization. Twenty-five of these units will be on AHA property under the terms of a ground-lease that will provide an option for sale at the end of the 15-year compliance period. AHA anticipates a closing in FY 2015, pending approval of the disposition from HUD's Special Application Center (SAC).
- Work on refreshing the Master Plan was substantially completed in FY 2014.
- AHA continues to work to acquire parcels as part of an assemblage of land known as Block 85. The development of these parcels is included in the Revitalization Plan for McDaniel Glenn, and will be carried out pending real estate and financial market conditions in this submarket.

Scholars Landing — University Homes Revitalization

- The leasing of the newly constructed 100-unit affordable independent living senior building, Veranda at Scholars Landing, was completed in FY 2014. AHA has provided PBRA assistance for all the units.
- In December 2013, AHA and its development partner closed on the development of a 60-unit affordable-assisted-living community, Oasis at Scholars Landing. Site remediation and public improvements started in FY 2014, and AHA expects construction will be completed in FY 2015.
- Negotiations are ongoing with Clark/Atlanta University regarding a potential land swap.
- Scholars Landing is part of the larger revitalization initiative known as Choice Neighborhoods. AHA continues to work with the City of Atlanta and Invest Atlanta to develop a comprehensive strategy for land acquisition in the Choice Neighborhoods area.

Villages at Carver — Carver Homes Revitalization

- A vacant parcel (1463 Pryor Road) was sold to Fulton County on May 12, 2014, to develop a regional library on the site that will provide an important amenity to families in the revitalized community.
- AHA and its development partner completed an initial assessment of market opportunities for development of its sites planned for retail. Development is on hold pending an improvement in real estate and financial market conditions in this submarket.

West Highlands at Heman Perry Boulevard — Perry Homes Revitalization

- Public improvements are currently underway to fulfill the next phase of public improvements for production of homes. Work will be completed in FY 2015.
- In FY 2014, 44 homes were built and sold by AHA's development partner at West Highlands, providing 31 market-rate homes and 13 for-sale affordable homes for families at 80% of Area Median Income.

FY 2014 OPERATION HIGHLIGHTS — continued

- In partnership with AHA's master developer and AHA, the Westside Atlanta Charter School began operation in the basement of a rental building at West Highlands in FY 2014 and is quickly becoming an integral part of the West Highlands community. The school will expand to include grades K–3 in FY 2015. AHA ground-leased 1.04 acres for a five-year period for the construction of temporary educational modules to allow for the expansion of the school.

Land Transactions

In September 2013, AHA completed the sale of the Roosevelt Highrise property at fair market value to the Georgia Board of Regents (the governing and management authority of public higher education in Georgia) for the benefit of Georgia Tech.

On April 4, 2014, AHA acquired a property with a vacant structure located at 311 North Avenue. In FY 2015, AHA will demolish the newly acquired structure in anticipation of future development pending appropriate real estate and financial conditions. This property is adjacent to an AHA-Owned Residential Community, Cosby Spear Highrise, which provides affordable housing for seniors.

Homeownership Down Payment Assistance

Using its MTW flexibility, AHA partnered with the City of Atlanta, Atlanta Development Authority, AHA's master development partners, and local lenders to provide additional down payment assistance to 37 low-to-moderate income and first-time homebuyers purchasing homes throughout the City of Atlanta.

Fulfilling our Mission to provide quality affordable housing in amenity-rich, mixed-income communities for the betterment of the community.

FY 2014 FINANCIAL HIGHLIGHTS

AHA's financial position remained strong with a Net Position (*formerly referred to as Net Assets*) of **$440.0 million** at June 30, 2014.

- Total assets exceeded total liabilities at June 30, 2014 by $440.0 million (Net Position), basically at the same level as at the end of FY 2013. Unrestricted net position of $73.3 million at the end of FY 2014 represents primarily unrestricted cash available for MTW-authorized activities as well as a working capital reserve to support liquidity for AHA operations.

- Despite remaining at the same level as prior year, AHA's net position was favorably impacted by $6.4 million in capital contributions and non-operating revenues of $1.8 million (net of non-operating expenses), primarily from gain on the sale of property. These increases in net position were, however, offset by a net operating loss of $8.2 million due primarily to $5.9 million in accelerated depreciation on certain capital assets resulting from a comprehensive capital asset review conducted during FY 2013 and a $1.5 million non-recurring contribution to the pension plan.

- AHA's current ratio that measures AHA's liquidity has increased from 5.1 to 6.9 during FY 2014. Current assets increased by $27.8 million as a result of higher cash on-hand from the collection of receivables further described below and sales of property. Current liabilities decreased by $1.2 million primarily due to lower accounts payable from timing of payments.

- Capital assets decreased from $158.4 million to $151.0 million or by $7.4 million during FY 2014 due primarily to accelerated depreciation on certain capital assets referred to above.

- Other non-current assets decreased from $34.8 million to $15.2 million or by $19.6 million, during the current fiscal year primarily due to the collection of $21.4 million of prior year public improvements reimbursed from the Perry Bolton Tax Allocation District (TAD) bond issuance.

- Other non-current liabilities increased by $1.0 million during FY 2014 following the deferral of unrealized gain on sale of land.

FINANCIAL ANALYSIS

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *

Years ended June 30,

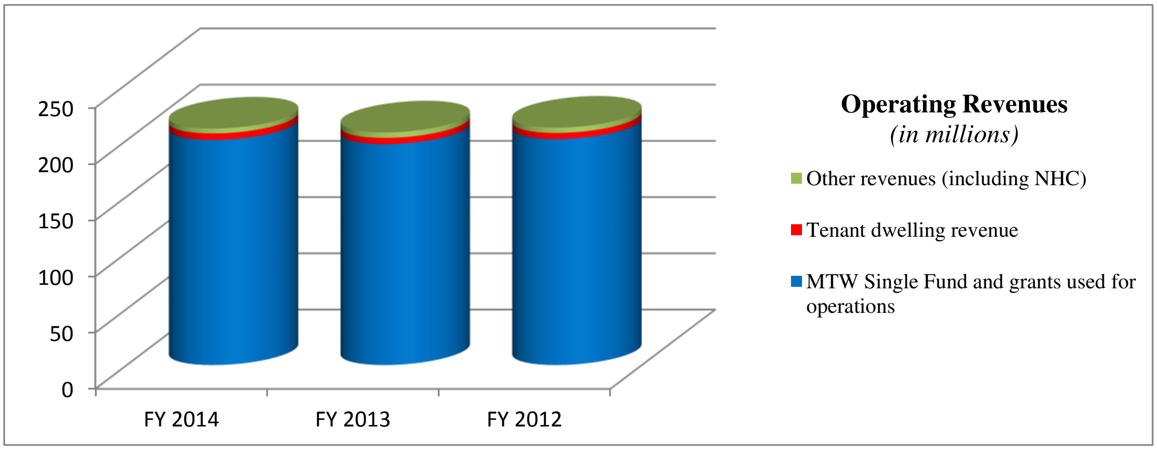
(in millions)

	2014	2013	2012	2014 vs. 2013 Increase/ (Decrease)	2013 vs. 2012 Increase/ (Decrease)
OPERATING REVENUES					
MTW Single Fund and grants used for operations	$ 200.2	$ 196.4	$ 201.0	$ 3.8	$ (4.6)
Tenant dwelling revenue	5.8	5.6	5.4	0.2	0.2
Other revenues (including NHC)	4.3	4.9	4.7	(0.6)	0.2
Total operating revenues	210.3	206.9	211.1	3.4	(4.2)
OPERATING EXPENSES					
Housing assistance and operating subsidy payments	139.6	138.9	141.9	0.7	(3.0)
Utilities, maintenance and protective services	13.0	13.1	13.8	(0.1)	(0.7)
Resident and participant services	2.9	3.6	4.0	(0.7)	(0.4)
General and administrative, including direct operating division expense	46.5	50.5	48.9	(4.0)	1.6
Revitalization, demolition and remediation	1.7	1.0	3.1	0.8	(2.1)
Depreciation and amortization	14.8	11.3	7.7	3.5	3.6
Total operating expenses	218.5	218.4	219.4	0.2	(1.0)
NET OPERATING INCOME (LOSS)	(8.2)	(11.5)	(8.3)	3.2	(3.2)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment income	0.5	0.7	1.2	(0.2)	(0.5)
Gain (loss) on sale of assets	3.1	(0.0)	-	3.2	(0.0)
Valuation allowance	(1.3)	(0.4)	(0.9)	(0.9)	0.5
Interest expense	(0.5)	(0.2)	(0.7)	(0.3)	0.5
Total non-operating revenues (expenses)	1.8	0.1	(0.4)	1.8	0.4
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(6.5)	(11.4)	(8.6)	5.0	(2.8)
CAPITAL CONTRIBUTIONS					
MTW Single Fund used for modernization of AHA-owned properties and revitalization capital expenditures	4.5	12.2	4.5	(7.6)	7.7
Development grants used for revitalization capital expenditures	1.8	6.0	1.6	(4.2)	4.4
Total capital contributions	6.4	18.2	6.1	(11.8)	12.1
INCREASE (DECREASE) IN NET POSITION	-	6.8	(2.6)	(6.8)	9.4
NET POSITION — beginning of year	440.0	433.2	435.8	6.8	(2.6)
NET POSITION — end of year	$ 440.0	$ 440.1	$ 433.2	$ (0.1)	$ 6.8

** As a result of rounding, the sum of individual line items may deviate slightly from the actual total.*

FINANCIAL ANALYSIS — continued

Operating Revenues



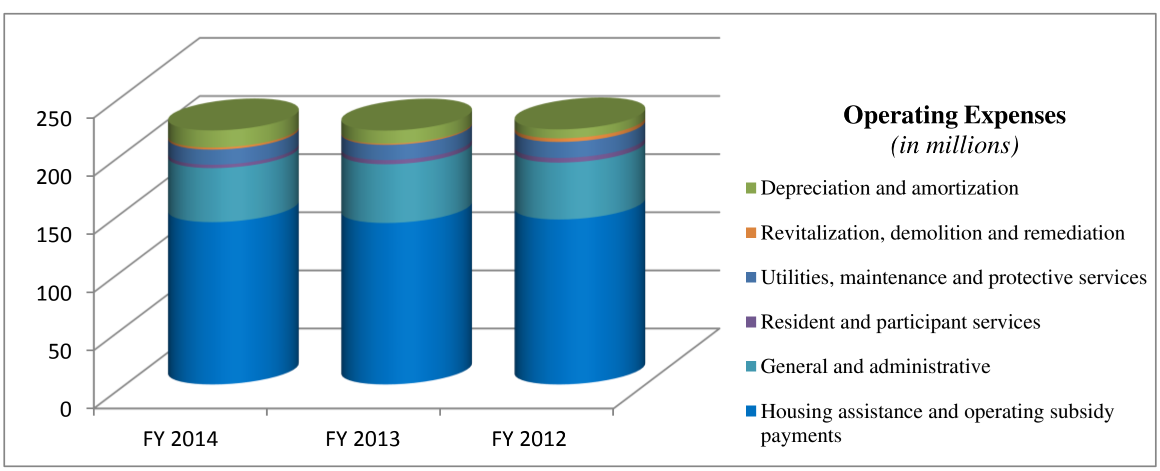
FY 2014 vs. FY 2013

Total operating revenues increased by **$3.4 million** year-over-year primarily due to differences in the timing of draws of ***MTW Single Fund and grants used for operations*** from HUD based on AHA's cash management strategy representing an increase of $3.8 million. Other revenues (including NHC) decreased by $0.6 million year-over-year primarily due to lower development transaction fees.

FY 2013 vs. FY 2012

Total operating revenues decreased by **$4.2 million** year-over-year primarily due to differences in the timing of draws of ***MTW Single Fund and grants used for operations*** from HUD based on AHA's cash management strategy.

Operating Expenses



FINANCIAL ANALYSIS, Operating Expenses — continued

FY 2014 vs. FY 2013

Total operating expenses remained relatively consistent between years, with significant offsetting changes addressed below:

- ***Housing Assistance and Operating Subsidy Payments*** consists of payments to landlords, tenants and partners under the Tenant-based Housing Choice Voucher Program, rental assistance paid to unrelated private-sector owners and related Owner Entities under the PBRA program, and operating subsidy paid to related Owner Entities of the mixed-income, mixed-finance (MIMF) rental communities. In aggregate, those payments increased by a net of **$0.7 million** year-over-year as presented below:

Housing Assistance and Operating Subsidy Payments	FY 2014	FY 2013 (*in millions*)	FY 2012	2014 vs. 2013 Increase/ (Decrease)	2013 vs. 2012 Increase/ (Decrease)
Tenant-based Housing Choice Vouchers	$ 91.2	$ 91.0	$ 96.2	$ 0.2	$ (5.2)
Project Based Rental Assistance (PBRA)	33.4	33.3	31.6	0.1	1.7
MIMF Operating Subsidy	15.0	14.6	14.1	0.4	0.5
Total	$ 139.6	$ 138.9	$ 141.9	$ 0.7	$ (3.0)

  - ***Tenant-based Housing Choice Voucher (HAP)*** payments to landlords and tenants remained relatively constant year-over-year.
  - ***Project Based Rental Assistance (PBRA)*** paid to Owner Entities of AHA-Sponsored master-planned communities, private-sector owners of mixed-income developments and owners of Supportive Housing remained relatively constant year-over-year.
  - ***Mixed-Income, Mixed-Finance (MIMF) Operating Subsidy*** for public-housing-assisted units in AHA-Sponsored mixed-income, mixed-finance rental communities increased by **$0.4 million** year-over-year. This net increase was primarily due to the lease up of Ashley Auburn Point II during FY 2014 and adjustments for prior years.

- ***Utilities, maintenance and protective services*** remained relatively constant on a year-over-year basis as higher maintenance expense of $0.3 million was partially offset by $0.2 million lower utility cost due to the full-year benefit of the EPC improvements implemented in FY 2013.

- ***Resident and participant services*** decreased by **$0.7 million** year-over-year primarily as a result of a reduction in staffing costs due to the full-year benefit of the reorganization of the function initiated in prior year as part of AHA's business transformation.

FINANCIAL ANALYSIS, Operating Expenses — continued

- ***General and administrative, including direct operating division expense*** decreased by **$4.0 million** year-over-year primarily due to a $5.4 million decrease resulting from a $4.4 million reduction in consulting, professional and outside services from the use of internal as opposed to external resources as well as a decrease in professional services and other staff augmentation associated with the business transformation and implementation of the integrated ERP solution, a $1.0 million decrease in salary and benefit expense, net of merit increases, due to position elimination and deferral in hiring. These decreases were partially offset by a $1.5 million increase in pension contribution to the defined benefit pension plan to lower the net pension obligations (NPO).
- ***Revitalization, demolition and remediation*** expense increased by **$0.8 million** due to increased remediation and demolition activity during FY 2014 compared to prior year.
- ***Depreciation and amortization*** increased by **$3.5 million** year-over-year primarily due to accelerated depreciation taken on certain capital assets following the comprehensive capital asset review initiated in FY 2013 and, to a lesser degree, an increase in depreciation expense in FY 2014 due to an overall increase in capital spending.

FY 2013 vs. FY 2012

Total operating expenses decreased by **$1.0 million** year-over-year with significant offsetting changes addressed below:

- ***Housing Assistance and Operating Subsidy Payments*** decreased by **$3.0 million** year-over-year due to the following offsetting changes:
  - ***Tenant-based Housing Choice Voucher (HAP)*** payments decreased by **$5.2 million** year-over-year. Although AHA entered into Housing Choice Rental Agreements with 357 households pulled from the HCVP waiting list during FY 2013, the number of families served at the end of FY 2013 versus FY 2012 remained relatively constant. The decrease in HAP expense was primarily due to a full year's impact of the attrition which occurred during FY 2012 and normal attrition during FY 2013, combined with a reduction in the average cost per voucher as a result of AHA's rent reasonableness process.
  - ***Project Based Rental Assistance (PBRA)*** paid to Owner Entities of AHA-Sponsored master-planned communities, private-sector owners of mixed-income developments and owners of Supportive Housing increased by **$1.7 million** year-over-year. The increase was primarily due to new units coming on-line during FY 2013 and full-year funding for units that came on-line during FY 2012.
  - ***Mixed-Income, Mixed-Finance (MIMF) Operating Subsidy*** for public housing-assisted units in AHA-Sponsored mixed-income, mixed-finance rental communities increased by **$0.5 million** year-over-year. This increase was primarily due to a combination of slightly higher operating expense at the communities and the full-year impact of 47 units that came on-line during FY 2012.

FINANCIAL ANALYSIS, Operating Expenses — continued

- ***Utilities, maintenance and protective services*** decreased by **$0.7 million** year-over-year primarily as a result of $0.9 million in lower utility expenses at the AHA-Owned Residential Communities resulting from savings from EPC improvements, lower utility rates and milder weather. This decrease was partially offset by slight increases in maintenance and protective services.
- ***Resident and participant services*** decreased by **$0.4 million** year-over-year primarily as a result of a reduction in staffing costs due to department reorganization as part of AHA's business transformation.
- ***General and administrative, including direct operating division expense*** increased by **$1.6 million** year-over-year primarily due to a $1.1 million increase in salaries and related benefits due to merit increases and temporary resources required for the business transformation; a $0.7 million increase in severance expense primarily due to reorganization of various departments as part of the business transformation; and a $0.6 million increase in professional services/staff augmentation costs associated with business transformation, including support for the implementation of the integrated ERP solution. These increases were offset by a combined $0.8 million decrease in various other general and administrative line items due to cost-reduction initiatives.
- ***Revitalization, demolition and remediation*** decreased by **$2.1 million** year-over-year due to completion of remediation projects during FY 2012 partially offset by a one-time $0.8 million expenditure in revitalization of a city-owned park as part of the Master Plan for Auburn Pointe, formerly Grady Homes.
- ***Depreciation and amortization*** increased by **$3.6 million** year-over-year primarily due to write-offs and accelerated depreciation taken on capital assets following a comprehensive capital asset review conducted during the fiscal year, including removal of certain AHA-Owned Residential Communities capital improvements dating back to the mid-'90s which were replaced by the new EPC improvements and, to a lesser degree, an increase in depreciation expense in FY 2013 due to overall increase in capital spending and a change in the mix of assets acquired (shorter lives).

Non-Operating Revenues (Expenses)

FY 2014 vs. FY 2013

Total non-operating revenues (expenses) increased by **$1.8 million** year-over-year, primarily due to the following offsetting changes:

- ***Interest and investment income*** decreased by **$0.2 million** year-over-year primarily due to higher interest income received from related-party construction/development loans during FY 2014 compared to prior year. Interest payments on loans are based on cash flow and are therefore unpredictable.

FINANCIAL ANALYSIS, Non-Operating Revenues (Expenses) — continued

- ***Gain (loss) on sale of assets*** increased by **$3.2 million** year-over-year primarily due to the sale of Roosevelt property which resulted in a gain of $2.7 million and the sale of a parcel of land to Fulton County for a regional library translating into a gain of $0.2 million, as well as various asset sales.
- ***Valuation allowance*** increased by **$0.9 million** year-over-year primarily due to higher down payment assistance, which is fully reserved as payments are made to participants, as well as adjustments to various reserves based on management's evaluation of the collectability of outstanding loans and receivables.
- ***Interest expense*** increased by **$0.3 million** year-over-year primarily due to an increase in interest expense on the EPC capital lease as interest stopped being capitalized in capital assets mid-FY 2013.

FY 2013 vs. FY 2012

Total non-operating revenues (expenses) increased by **$0.4 million** year-over-year primarily due to the following offsetting changes:

- ***Interest and investment income*** decreased by **$0.5 million** year-over-year primarily due to income recognized in related-party construction loan conversion during FY 2012 that did not occur during FY 2013.
- ***Valuation allowance*** decreased by **$0.5 million** year-over-year primarily due to adjustments in various reserves based on management's evaluation of the collectability of outstanding receivables.
- ***Interest expense*** decreased by **$0.5 million** year-over-year primarily due to the payoff of the loan on the AHA headquarters building during FY 2012.

Capital Contributions

Capital contributions consist of reimbursements of capital expenditures under capital grants, primarily Capital Fund Program (CFP) and Replacement Housing Factor (RHF) funds, for modernization and revitalization activities. They also include MTW funds used for capitalized expenditures. Capital contributions do not include HUD funds used to provide loans associated with development and revitalization activity which are presented as operating revenues.

FY 2014 vs. FY 2013

Capital contributions overall decreased by **$11.8 million** year-over-year primarily due to the following:

FINANCIAL ANALYSIS, Capital Contributions — continued

- ***MTW Single Fund used for modernization of AHA-Owned properties and revitalization capital expenditures*** decreased by **$7.6 million** year-over-year primarily due to lower capital expenditures at AHA-Owned Residential Communities during the transition of newly appointed property managers as they assessed capital needs as well as lower capital expenditures at AHA headquarters from continued spending containment initiatives.
- ***Development grants used for revitalization capital expenditures*** decreased by **$4.2 million** year-over-year primarily due to decreased revitalization activity during FY 2014 as compared to the prior year.

FY 2013 vs. FY 2012

Capital contributions overall increased by **$12.1 million** year-over-year primarily due to the following:

- ***MTW Single Fund used for modernization of AHA-Owned properties and revitalization capital expenditures*** increased by **$7.7 million** year-over-year primarily due to increased modernization activity at AHA-Owned properties associated with unit upgrades as well as the fact that modernization was substantially funded by EPC capital lease proceeds during FY 2012 as opposed to MTW funds in FY 2013.
- ***Development grants used for revitalization capital expenditures*** increased by **$4.4 million** year-over-year primarily due to increased revitalization activity.

FINANCIAL ANALYSIS — continued

CONDENSED STATEMENTS OF NET POSITION *
As of June 30,

(in millions)

	2014	2013	2012	2014 vs. 2013 Increase/ (Decrease)	2013 vs. 2012 Increase/ (Decrease)
ASSETS					
Current assets	$ 130.3	$ 102.5	$ 110.4	$ 27.8	$ (7.9)
Related-party development loans, receivables and investments in partnerships, net of allowance	173.6	174.9	167.9	(1.3)	7.0
Capital assets, net of accumulated depreciation	151.0	158.4	151.1	(7.4)	7.3
Other non-current assets	15.2	34.8	34.4	(19.6)	0.4
Total non-current assets	339.8	368.1	353.4	(28.2)	14.7
TOTAL ASSETS	$ 470.1	$ 470.6	$ 463.8	$ (0.5)	$ 6.8
LIABILITIES					
Current liabilities	$ 18.9	$ 20.1	$ 20.0	$ (1.2)	$ 0.1
Long-term debt, net of current portion	8.8	9.0	9.3	(0.2)	(0.3)
Other non-current liabilities	2.5	1.5	1.3	1.0	0.2
Total liabilities	30.2	30.5	30.6	(0.4)	(0.0)
NET POSITION					
Invested in capital assets, net of related debt	142.0	149.0	141.8	(7.0)	7.2
Restricted–expendable	224.6	215.8	214.9	8.8	0.9
Unrestricted	73.3	75.3	76.5	(2.0)	(1.2)
Total net position	440.0	440.1	433.2	(0.1)	6.8
TOTAL LIABILITIES AND NET POSITION	$ 470.1	$ 470.6	$ 463.8	$ (0.5)	$ 6.8

** As a result of rounding, the sum of individual line items may deviate slightly from the actual total.*

FINANCIAL ANALYSIS — continued

Total Assets

June 30, 2014 vs. June 30, 2013

Total assets remained relatively consistent year-over-year reflecting balances of **$470.1** and **$470.6 million,** at June 30, 2014 and June 30, 2013, respectively. Changes by category are as follows:

- ***Current assets*** increased by **$27.8 million** year-over-year primarily due to an increase in cash of $28.6 million resulting from the collection of $21.4 million of prior year public improvement receivable (see non-current assets section below) and the proceeds from sale of land and property totaling $3.7 million. See Statements of Cash Flows for additional items impacting cash. These increases were offset by a decrease in various receivables totaling $0.9 million primarily due to timing in collection of grants receivable from HUD.
- ***Non-current assets*** decreased by **$28.2 million** year-over-year primarily due to the following:
  - A decrease in ***Related-party development and other loans*** of **$1.3 million** which was primarily associated with repayments of loans and receivables totaling $3.2 million, including $1.8 million satisfied by the receipt of a title of property, offset by additional loans issued for construction activity at Ashley Auburn Pointe II and Oasis at Scholars Landing, master-planned, mixed-income communities, during FY 2014;
  - A decrease in ***Capital assets, net of accumulated depreciation*** of **$7.4 million**, resulting from capital expenditures of $7.0 million primarily associated with acquisition of land totaling $4.5 million, including a transaction in which AHA received a title of property in satisfaction of an outstanding promissory money note as referenced in the Related-party development and other loans section above; various renovation construction projects at AHA-Owned communities, including expenditures to complete the EPC project; and site improvements and related revitalization activity at Veranda at Scholars Landing. All these increases were partially offset by $0.8 million in land and other asset dispositions during FY 2014. Capital expenditures net of dispositions were further increased by recognition of $1.1 million of unrealized gain previously eliminated at the consolidation level. These net increases in capital assets were more than offset by accelerated depreciation resulting from a comprehensive analysis performed on AHA's capital assets during FY 2013, which translated into additional reduction of capital assets of $24.9 million and associated accumulated depreciation of $19.0 million, for a net reduction of $5.9 million in FY 2014. Additionally, accumulated depreciation increased by $8.9 million from current year depreciation expense (see Note H for additional details); and

FINANCIAL ANALYSIS, Total Assets — continued

- A decrease in ***Other non-current assets*** of **$19.6 million** primarily due to the collection of $21.4 million of prior year public improvement receivables reimbursed from the City of Atlanta and other related entities following the Perry Bolton Tax Allocation District (TAD) bond issuance during FY 2014 which was offset by a $1.8 million increase in receivables due to additional public improvement advances incurred during the current year.

June 30, 2013 vs. June 30, 2012

Total assets amounted to **$470.6** and **$463.8 million** at June 30, 2013 and June 30, 2012, respectively, an increase of **$6.8 million** year-over-year. Changes by category are as follows:

- ***Current assets*** decreased by **$7.9 million** year-over-year primarily due to a decrease in cash of $2.8 million, a decrease in investments of $2.4 million which reflected the unspent proceeds of the EPC capital lease held in escrow at the end of FY 2012, a decrease in various receivables totaling $1.4 million and a decrease in prepaid expenses of $1.3 million primarily due to the processing of the July (FY 2013) subsidy payments in June (FY 2012).
- ***Non-current assets*** increased by **$14.7 million** year-over-year primarily due to:
  - An increase in ***Related-party development and other loans*** activity of **$7.0 million** which was primarily associated with increased construction activity at various master-planned, mixed-income communities during FY 2013;
  - An increase in ***Capital assets, net of accumulated depreciation*** of **$7.3 million** resulting from capital expenditures of $20.0 million (including capitalized interest) primarily associated with renovation construction projects designed to improve the quality of life at senior high-rises, as well as site improvements and land acquisitions related to revitalization activities partially offset by a $1.5 million land and other asset sale during FY 2013. The increase resulting from capital expenditures was offset by various write-offs during FY 2013 following a comprehensive analysis performed on AHA's capital assets which translated into a reduction of capital assets of $19.3 million and associated accumulated depreciation of $18.5 million, for a net reduction of $0.8 million in FY 2013. Additionally, accumulated depreciation increased by $10.4 million from current year depreciation; and
  - An increase in ***Other non-current assets*** of **$0.4 million** primarily due to an increase in the Perry Bolton Tax Allocation District (TAD) receivable from public improvement work.

FINANCIAL ANALYSIS — continued

Total Liabilities

June 30, 2014 vs. June 30, 2013

Total liabilities remained basically at the same level as the prior year reflecting balances of **$30.2** and **$30.5 million** at June 30, 2014 and June 30, 2013, respectively. Changes by category are as follows:

- ***Current liabilities*** decreased by **$1.2 million** year-over-year primarily due to a $0.7 million decrease in wages and benefits accrual corresponding to a lower number of payroll days accrued as well as a $0.4 million decrease in contract retention liability due to lower contract activity following the completion of the EPC project.
- ***Non-current liabilities***, including ***Long-term debt, net of current portion*** and ***Other non-current liabilities*** totaled **$11.3** and **$10.5 million** at June 30, 2014 and June 30, 2013, respectively, an increase of $0.8 million year-over-year primarily due to an increase of $1.0 million in deferred gain on land sale.

June 30, 2013 vs. June 30, 2012

Total liabilities remained basically at the same level as the prior year reflecting balances of **$30.5** and **$30.6 million** at June 30, 2013 and June 30, 2012, respectively.

- ***Current liabilities*** remained consistent year-over-year reflecting balances of **$20.1** and **$20.0 million** at June 30, 2013 and June 30, 2012, respectively.
- ***Non-current liabilities***, including ***Long-term debt, net of current portion*** and ***Other non-current liabilities*** remained consistent year-over-year reflecting balances of **$10.5** and **$10.6 million** at June 30, 2013 and June 30, 2012, respectively.

Total Net Position

June 30, 2014 vs. June 30, 2013

Total net position (formerly referred to as *Net Assets*) at **$440.0 million** at June 30, 2014 remained consistent year-over-year. Changes by category are as follows:

- ***Invested in capital assets, net of related debt*** includes land, buildings, improvements and equipment less the related debt. The majority of these assets have restricted-use covenants tied to AHA's ownership and cannot be used to liquidate liabilities. AHA generally uses these assets to provide affordable housing to qualified income-eligible families. The **$7.0 million** decrease year-over-year reflects a net decrease of $7.4 million in capital assets net of depreciation, partially offset by a decrease of $0.4 million in related debt. See additional information under **Total assets** year-over-year analysis on page 36.

FINANCIAL ANALYSIS, Total Net Position — continued

- ***Restricted–expendable*** net position, subject to both internal and external constraints, is calculated at the carrying value of restricted assets less related liabilities. This net position is restricted by time and/or purpose. Restricted–expendable net position includes cash subject to restrictions for HUD-funded programs, related-party development and other loans, and operating reserves required in conjunction with the AHA-Sponsored mixed-income, mixed-finance rental development transactions. These assets cannot be used, pledged or mortgaged to a third party or seized, foreclosed upon or sold in the case of a default, ahead of any HUD lien or interest without HUD approval. This net position increased by **$8.8 million** year-over-year primarily as the result of a $10.3 million increase in restricted cash partially offset by a $1.3 million decrease in related-party development loan advances net of principal payments.
- ***Unrestricted*** net position, although referred to as unrestricted, remains subject to varying degrees of restrictions. HUD approval is required, with some limited exceptions, to use or deploy these assets outside of the ordinary course of AHA's business. AHA's eligible business activities are set forth in its HUD-approved MTW Business Plan, as amended from time to time, by its MTW Annual Implementation Plans. In all cases, AHA's assets are subject to the limitations of AHA's charter and the Housing Authorities Laws of the State of Georgia. Unrestricted net position decreased by **$2.0 million** year-over-year.

June 30, 2013 vs. June 30, 2012

Total Net Position (formerly referred to as *Net Assets*) was **$440.1 million** and **$433.2 million,** respectively, at June 30, 2013 and June 30, 2012, reflecting a **$6.8 million** increase year-over-year. Changes by category are as follows:

- ***Invested in capital assets, net of related debt*** increased by **$7.2 million** year-over-year reflecting a net increase of $7.3 million in capital assets net of depreciation, partially offset by an increase of $0.1 million in related debt. See additional information under **Total assets** year-over-year analysis on page 37.
- ***Restricted–expendable*** net position increased by **$0.9 million** primarily due to a $7.0 million increase in related-party development loan advances net of principal payments partially offset by $6.1 million decrease in restricted cash. AHA's related-party development and other loans are not considered available to satisfy AHA's obligations due to their long-term, contingent nature.
- ***Unrestricted*** net position decreased by **$1.2 million** year-over-year.

ECONOMIC FACTORS

Future HUD Funding — Subsidies and Multi-year Grant Awards

Funding for AHA's Fiscal Year 2015 (FY 2015) is uncertain as subsidies and other resources from HUD for the last six months of the fiscal year will be funded by HUD Federal Fiscal Year 2015 (FFY 2015) appropriations which have not yet been finalized by Congress. On October 17, 2014, the President signed into law H.R. 2775, the "Continuing Appropriations Act, 2015," which provides fiscal year 2015 appropriations for projects and activities of the federal government at FFY 2014 sequestration spending levels through Wednesday, January 15, 2015.

Congress must still pass and the President must sign an appropriations bill or continuing resolution(s) which will fund the federal government through September 30, 2015. Based on the contentiousness which surrounded the passage of H.R. 2775, it is uncertain when such action will occur and whether Congress will continue funding at sequestration levels.

AHA has sufficient cash balances and reserves to maintain current operations during FY 2015 in the event Congress applies sequestration to FFY 2015 funding, but would have to adjust its plans for future years if funding reductions continue and no new sources of funding are identified.

The overall foreclosure rate in the metropolitan-Atlanta area, currently slightly lower than the national average, continues to trend downward. Notwithstanding these improving conditions, there is still a large inventory of bank-owned properties, including a number of owner-occupied properties with mortgages that are underwater with respect to debt and value. The foreclosure or short sale of these properties continues to have an adverse impact on AHA's Housing Choice Voucher Program. In response to these challenges, AHA has strengthened its due diligence process. Such process improvements, coupled with new regulations (e.g., the "Protecting Tenants at Foreclosure Act of 2009"), have helped to mitigate the adverse impact such foreclosures have had on Housing Choice participants. Nonetheless, foreclosures, whenever they occur, still disrupt the lives of participants and result in higher AHA program expenditures.

AHA-Sponsored development activities, in partnership with private-sector developers, rely on private investment and the conditions in the real estate and the financial markets. During FY 2014, the metropolitan-Atlanta real estate market began to strengthen, especially in the multi-family rental market. AHA expects that our real estate development activities will continue to pick up as those markets improve and investors continue to return to the market. During FY 2014, there has also been steady improvement in the sales prices of single-family homes with the sustained reduction in excess inventory.

Despite AHA's financial preservation strategy, however, there have been indications from HUD in recent months that it is seeking to change the terms applicable to the funding and expenditure authority of the MTW agencies. Should HUD successfully impose such changes, AHA's financial position may be impacted.

RECENT ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has released new pronouncements which will be implemented by the Authority starting in fiscal year 2015 where applicable: GASB 68, *"Accounting and Financial Reporting for Pensions"*; GASB 69, *"Government Combinations and Disposals of Government Operations";* GASB 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"; and* GASB 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68."* See Note U to the Financial Statements for further information.

CONTACTING AHA'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of AHA's financial position and to demonstrate AHA's accountability for the assets it manages to interested persons, including citizens of our local jurisdiction, creditors and other interested parties. If you have questions about this report or wish to request additional financial information, contact the Senior Vice President of Finance at The Housing Authority of the City of Atlanta, Georgia, 230 John Wesley Dobbs Avenue, N.E., Atlanta, Georgia 30303, telephone number (404) 817-7398.

FINANCIAL STATEMENTS

The Housing Authority of the City of Atlanta, Georgia

STATEMENTS OF NET POSITION

As of June 30, 2014 and 2013

	2014	2013	Note
CURRENT ASSETS			
Cash			
Unrestricted	$ 75,430,713	$ 57,173,407	C
Restricted	51,739,171	41,376,473	C
Total cash	127,169,884	98,549,880	
Receivables, net of allowance	2,025,560	2,943,202	D
Prepaid expense	1,072,733	988,049	
Total current assets	130,268,177	102,481,131	
NON-CURRENT ASSETS			
Investments, restricted	9,328,012	9,341,052	E
Related-party development and other loans, development receivables and investments in partnerships, net of allowances	173,640,209	174,908,333	F
Capital assets, net of accumulated depreciation	151,038,298	158,435,819	H
Other non-current assets, net of allowance	5,838,576	25,409,850	I
Total non-current assets	339,845,095	368,095,054	
TOTAL ASSETS	$ 470,113,272	$ 470,576,185	

The accompanying notes are an integral part of these statements.

	2014	2013	Note
CURRENT LIABILITIES			
Accounts payable	$ 684,617	$ 3,395,211	
Accrued liabilities	9,923,312	8,212,829	J
Other current liabilities	8,058,007	7,989,674	K
Current portion of long-term debt	198,878	463,396	L
Total current liabilities	18,864,814	20,061,110	
NON-CURRENT LIABILITIES			
Long-term debt, net of current portion	8,789,725	8,988,602	L
Other non-current liabilities	2,506,290	1,489,305	M
Total non-current liabilities	11,296,015	10,477,907	
TOTAL LIABILITIES	30,160,829	30,539,017	
NET POSITION			T
Invested in capital assets, net of related debt	142,049,695	148,983,821	
Restricted–expendable	224,622,010	215,762,032	
Unrestricted	73,280,738	75,291,315	
Total net position	439,952,443	440,037,168	
TOTAL LIABILITIES AND NET POSITION	$ 470,113,272	$ 470,576,185	

The accompanying notes are an integral part of these statements.

The Housing Authority of the City of Atlanta, Georgia

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
MTW Single Fund used for operations	$ 198,835,971	$ 194,538,496
Tenant dwelling revenue	5,794,940	5,595,112
Development grants used for operating expense	1,360,826	1,871,668
Fees earned from National Housing Compliance	845,317	820,022
Other operating revenues	3,486,292	4,068,455
Total operating revenues	210,323,346	206,893,753
OPERATING EXPENSES		
Housing assistance and operating subsidy payments	139,600,411	138,884,767
Administration including direct operating division	44,045,926	49,021,007
Utilities, maintenance and protective services	13,005,844	13,095,127
Resident and participant services	2,888,452	3,614,930
Revitalization, demolition and remediation	1,743,722	1,005,036
General expense	2,548,454	1,497,724
Depreciation and amortization	14,769,400	11,252,920
Total operating expenses	218,602,209	218,371,511
NET OPERATING INCOME (LOSS)	(8,278,863)	(11,477,758)
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment income	516,285	685,019
Gain (loss) on sale of assets	3,073,744	(22,645)
Valuation allowance	(1,310,053)	(367,413)
Interest expense	(461,699)	(232,730)
Total non-operating revenues (expenses)	1,818,277	62,232
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(6,460,586)	(11,415,526)
CAPITAL CONTRIBUTIONS		
MTW Single Fund used for modernization of AHA-owned properties and revitalization capital expenditures	4,537,078	12,186,023
Development grants used for revitalization capital expenditures	1,838,783	6,026,678
Total capital contributions	6,375,861	18,212,701
INCREASE (DECREASE) IN NET POSITION	(84,725)	6,797,175
NET POSITION — beginning of year	440,037,168	433,239,993
NET POSITION — end of year	$ 439,952,443	$ 440,037,168

The accompanying notes are an integral part of these statements.

The Housing Authority of the City of Atlanta, Georgia

STATEMENTS OF CASH FLOWS

Years ended June 30, 2014 and 2013

	2014	2013
Increase (decrease) in cash		
Cash flows from operating activities		
HUD funds used for non-capitalized expense	$ 200,196,798	$ 196,410,164
Receipts from residents	5,758,962	5,573,876
Payments to landlords, tenants and partners	(139,561,869)	(138,929,561)
Payments to suppliers	(35,513,325)	(38,257,025)
Payments for employees	(29,560,377)	(28,562,312)
Other receipts	3,588,159	4,539,593
Net cash provided by operating activities	4,908,348	774,735
Cash flows from non-capital financing activities		
Repayments by local government of public improvements	21,358,764	1,230,718
Advances related to public improvements spending	(1,782,466)	(618,623)
Net cash provided by non-capital financing activities	19,576,298	612,095
Cash flows from capital and related financing activities		
Capital contributions from grants and MTW funds	7,816,204	16,999,211
Development and revitalization — capitalized expenditures	(3,371,698)	(7,042,567)
Acquisition and modernization — AHA-owned properties	(2,450,810)	(13,291,657)
Proceeeds from sale of fixed assets	3,679,556	17,982
Proceeds from capital lease	-	158,136
Payments on EPC capital lease, including interest	(932,378)	(304,699)
Net cash provided by (used in) capital and related financing activities	4,740,874	(3,463,594)
Cash flows from investing activities		
Related-party development and other loans, net	(1,218,863)	(3,816,130)
Interest income on notes receivable	582,410	684,718
Sales of investments, restricted	-	2,395,868
Interest income on investments, restricted	30,937	19,174
Net cash provided by (used in) investing activities	(605,516)	(716,370)
Net increase (decrease) in cash	28,620,004	(2,793,134)
Cash — beginning of the year	98,549,880	101,343,014
Cash — end of the year	$ 127,169,884	$ 98,549,880

The accompanying notes are an integral part of these statements.

The Housing Authority of the City of Atlanta, Georgia

STATEMENTS OF CASH FLOWS — continued

Years ended June 30, 2014 and 2013

	2014	2013
Reconciliation of net operating income (loss) to net cash provided by operating activities		
Net operating income (loss)	$ (8,278,863)	$ (11,477,758)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	14,769,400	11,252,920
Changes in assets and liabilities related to operating activities		
Decrease (increase) in receivables	(867,587)	463,417
Decrease (increase) in prepaid expenses	(84,684)	1,323,595
Increase (decrease) in accounts payable and accrued liabilities	(951,216)	(1,063,722)
Increase (decrease) in other current liabilities	388,753	226,654
Increase (decrease) in unearned revenue	(67,455)	49,629
Total adjustments	13,187,211	12,252,493
Net cash provided by operating activities	$ 4,908,348	$ 774,735

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE A — ORGANIZATION AND NATURE OF OPERATIONS

1. *Organization*

The Housing Authority of the City of Atlanta, Georgia (AHA or the Authority) is a public body corporate and politic created under the Housing Authorities Laws of the State of Georgia, and is a diversified real estate company, with a public mission and purpose. The primary purpose of AHA is to facilitate affordable housing opportunities for low-income, elderly and disabled persons in the City of Atlanta (City). AHA has broad corporate powers including, but not limited to, the power to acquire, manage, own, operate, develop and renovate housing; invest and lend money; create for-profit and not-for-profit entities; administer Housing Choice vouchers; issue bonds for affordable housing purposes; and acquire, own and develop commercial land, retail and market-rate properties that benefit affordable housing.

The governing body of AHA is its Board of Commissioners (the Board) which is comprised of seven members appointed by the Mayor of the City of Atlanta and includes two resident commissioners. The resident commissioners serve one-year terms and the five remaining members serve five-year staggered terms. The Board appoints the President and Chief Executive Officer to operate the business of AHA. The Board provides strategic guidance and oversight of AHA's operations; AHA is not considered a component unit of the City and is not included in the City's financial statements.

2. *Moving To Work (MTW) Agreement and MTW Single Fund*

AHA is an MTW agency under HUD's MTW Demonstration Program which provides certain "high-performing" agencies with substantial statutory and regulatory relief under the U.S. Housing Act of 1937, as amended (1937 Act), as reflected in an agreement between the selected agency and HUD. AHA negotiated and entered into its MTW Agreement with HUD on September 25, 2003 which was effective from July 1, 2003 through June 30, 2010. In response to HUD's decision to introduce a standard form of agreement and expand the MTW Demonstration Program, AHA successfully negotiated and executed an Amended and Restated MTW Agreement on November 13, 2008. On January 16, 2009, AHA and HUD executed a further amendment to the Amended and Restated MTW Agreement. AHA's MTW Agreement, as amended and restated, is referred to as the "MTW Agreement."

AHA's MTW Agreement incorporates its legacy authorizations from its initial MTW Agreement and clarifies AHA's ability to use MTW-eligible funds outside of Section 8 and Section 9 of the 1937 Act. AHA's MTW Agreement was extended until June 30, 2018, and may be automatically extended for additional 10-year periods, subject to HUD approval and AHA meeting certain agreed-upon conditions. AHA developed its base Business Plan in FY 2004, which lays out AHA's strategic goals and objectives during the term of its MTW Agreement. AHA's Business Plan and its subsequent annual MTW Implementation Plans on a cumulative basis outline AHA's priority projects, activities and initiatives to be implemented during each fiscal year.

As authorized under its MTW Agreement, AHA has combined its Housing Choice Voucher funds, Public Housing Operating Subsidy and Capital Fund Program grants into an MTW Single Fund which may be used for MTW-eligible activities that best meet local low-income housing needs. Although the programmatic restrictions for the use of each of these funding sources have

NOTE A — ORGANIZATION AND NATURE OF OPERATIONS — continued

been waived under AHA's MTW Agreement, the various funds that make up AHA's MTW Single Fund continue to have different expiration dates, obligations, expenditure deadlines and drawdown conditions.

HUD disburses Housing Choice funds based on a PHA's historical housing assistance payment spend rate and projected need, rather than in 12 equal installments of the full annual authorization. PHAs may request additional disbursements up to their annual authorization, but must expend all funds drawn or face further disbursement reductions in the future. With approximately 90% of AHA's FY 2014 HUD funding coming from Housing Choice Voucher funds, the recent change in HUD's disbursement approach has major implications to AHA's financial position and operations. In response to all of these factors, AHA adopted a cash management strategy designed to meet such funding requirements while preventing the forfeiture of funds as a result of expenditure deadlines. This strategy requires AHA to more carefully manage its draws from the three components of AHA's MTW Single Fund.

3. *Affiliate Entities/Component Units*

To manage its business and financial affairs more effectively, AHA has created affiliate entities to support its various ventures. While AHA, the parent entity, manages federal programs, the affiliate entities support the various functions necessary to meet AHA's mission of providing quality affordable housing and related services and amenities.

Certain of these affiliate entities are considered component units in accordance with generally accepted accounting principles. Because of the nature and significance of their operational or financial relationships with AHA, the component units are included in AHA's reporting entity. These blended component units, although legally separate entities, are, in substance, part of AHA's operations.

These blended component units do not issue separate financial statements. Financial information for each of the following blended component units is presented in Note B in **Other Supplementary Information**.

- <u>230 John Wesley Dobbs Boulevard Ventures, Inc. (JWD)</u> is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order to lessen the burdens of government by acquiring and holding title to real property and improvements, and by providing such real property and improvements to government agencies and tax-exempt organizations at cost.
- <u>Atlanta Affordable Housing for the Future, Inc. (AAHFI)</u> is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order to facilitate the revitalization of AHA-Owned distressed public housing projects. AAHFI participates in the revitalization of AHA-Sponsored communities by holding limited partnership interests in either the related development project partnership (Owner Entity) or an interest in the general partner of the related development project partnership of the various public/private partnerships that own the mixed-income, mixed-finance rental communities.

NOTE A — ORGANIZATION AND NATURE OF OPERATIONS — continued

- Special Housing and Homeownership, Inc. (SHHI) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order to develop, maintain and implement programs to assist income-eligible individuals in achieving the goal of homeownership.
- Renaissance Affordable Housing, Inc. (RAH) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order for AHA to participate in the acquisition and development of certain properties to support the overall revitalization program at or near AHA communities or other appropriate locations in metropolitan-Atlanta.
- Strategic Resource Development Corporation, Inc. (SRDC) is a Georgia not-for-profit corporation created at the direction of the AHA Board to solicit and accept charitable donations to fund AHA initiatives.
- Westside Affordable Housing, Inc. (WAH) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order for AHA to participate in the acquisition and development of certain properties to support the overall revitalization program at or near AHA communities or other appropriate locations in metropolitan-Atlanta.
- Atlanta Housing Investment Company, Inc. (AHICI) is a for-profit corporation created at the direction of the AHA Board in order to assist AHA in its revitalization efforts at or near AHA communities or other appropriate locations in metropolitan-Atlanta. AHICI participates in the revitalization of AHA-Sponsored communities by holding partnership and financial interests in various transactions.
- Atlanta Housing Development Corporation (AHDC) is a Georgia not-for-profit organization, organized solely to serve as an "instrumentality" of AHA for the purpose of issuing tax-exempt bonds for construction, acquisition and rehabilitation of low-income housing pursuant to Section 11(b) of the Housing Act of 1937, as amended (42 U.S.C. Section 1437i). This entity had no activity in recent years.

AHA has one affiliate, Atlanta Housing Opportunity, Inc. (AHOI) that is not a component unit. It is, however, considered a related entity. AHOI is a Georgia not-for-profit corporation created at the direction of the AHA Board in order to facilitate the Housing Opportunity Bond Program established by the City of Atlanta. The activities of AHOI are limited to participation in the Housing Opportunity Bond Program. Since the City of Atlanta is financially accountable and responsible for the debt of AHOI, the financial activity of AHOI is not included in AHA's financial statements but is included in the City's financial statements (see further disclosure in Note S).

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. *Basis of Presentation and Accounting*

The financial statements represent the combined net position and results of AHA and its blended component units, and have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. AHA and its blended component units maintain their accounts substantially in accordance with the chart of accounts prescribed by HUD and are organized utilizing the fund accounting model. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

AHA accounts for its operations in a single enterprise fund. Enterprise funds account for those operations financed and operated in a manner similar to private business or where AHA has decided that determination of revenue earned, costs incurred and net revenue over expense is necessary for management accountability.

Enterprise funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB No. 34, *"Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*." Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included in the Statements of Net Position. The Statements of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expense is recognized in the period in which the liability is incurred.

During FY 2014 and 2013, AHA has adopted the following GASB Standards:

GASB No. 61, "*The Financial Reporting Entity: Omnibus,"* an amendment of GASBs No. 14 and 34. This Standard modifies certain requirements for inclusion of component units in the financial reporting entity. The Authority identified no change to its reporting entity resulting from the adoption of GASB No. 61.

GASB No. 62, *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* This guidance incorporates the FASB, Accounting Principles Board (APB) Opinions and Accounting Research Bulletin (ARB) pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. GASB No. 62 supersedes GASB No. 20 that permitted enterprise funds and business-type activities to apply those FASB statements and interpretations that did not conflict with or contradict GASB pronouncements. GASB No. 62 updated previous guidance to recognize the effects of the governmental environment and needs of governmental users.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

GASB No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* This Standard amends the net asset reporting requirements in GASB No. 34, *"Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments"* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of this standard resulted in changes to captions in the basic financial statements. The Authority had no transactions that resulted in deferred outflows or inflows as a result of the implementation of GASB 63.

GASB No. 65, *"Items Previously Reported as Assets and Liabilities."* This Standard clarifies financial reporting by (1) classifying certain items that were previously reported as assets and liabilities as deferred outflows or deferred inflows of resources and (2) recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). AHA had no transactions that resulted in deferred outflows or inflows as a result of the implementation of GASB 65.

2. *Inter-company and Inter-program Receivables and Payables*

Inter-company and inter-program receivables and payables are the result of the use of a central fund as the common paymaster for shared costs of AHA. All inter-company and inter-program balances net to zero when combined and, hence, are eliminated for financial statement presentation. All programs aggregate into one single enterprise fund.

3. *Cash and Cash Equivalents*

Cash is stated at cost, which approximates fair value, and consists primarily of cash in checking accounts. All funds on deposits are FDIC-insured up to $250,000 per institution or are fully collateralized in accordance with guidance recommended by HUD. HUD requires Housing Authorities to invest excess HUD funds in obligations of the United States, certificates of deposit or any other federally insured investments.

4. *Fair Value of Financial Instruments*

The carrying amount of AHA's financial instruments at June 30, 2014 and 2013, which include cash, investments, accounts receivable, accounts payable and other current liabilities, approximates fair value due to the relatively short maturity of these instruments.

5. *Inventories*

AHA maintains no inventory. All supplies are expensed when purchased. Supplies on hand are nominal.

6. *Prepaid Expense*

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid expense. Prepaid expense at June 30, 2014 and 2013 consisted primarily of prepaid insurance premiums and service contracts.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

7. *Restricted Assets*

Certain assets may be classified as restricted assets on the Statements of Net Position because their use is restricted by time or specific purpose. AHA's practice is to expend restricted assets prior to utilizing unrestricted assets if allowable for the intended purpose.

8. *Valuation and Other Allowances*

Management regularly evaluates the loans and certain other receivables for collectability and records a valuation allowance for loans and other receivables it determines may not be fully collectible. AHA adjusts the valuation allowance when appropriate.

Under AHA's Down Payment Assistance (DPA) program, homeownership mortgage down payment loans are made to first-time homebuyers. These loans are fully reserved at closing. The homeowner is subject to AHA's recapture policy as part of the terms and conditions of the DPA program. The term of the subsidy loan is for ten years and can be forgiven based on the following: 100 percent recapture is in effect during the first five years of the loan; and the loan amount begins to burn off at 20 percent increments yearly, starting in year six through year ten.

AHA establishes an allowance for all unpaid balances from tenants for accounts receivable aged past 60 days.

9. *Capital Assets*

Capital assets include land, land improvements, buildings, equipment and modernization in process for improvements to land and buildings. Capital assets are defined by AHA as assets with an initial cost of more than $5,000 and an estimated useful life of greater than one year.

Such assets are recorded at cost or fair value at the time of purchase or donation, respectively. Improvements and other capital activities are recorded as modernization in process until they are completed and placed in service.

The costs of normal and extraordinary maintenance and repairs that do not add value to the asset or extend the useful life of the asset are expensed as incurred. Generally, demolition costs, land preparation, soil remediation and other site improvement costs that do not add value are expensed as operating items.

Depreciation is calculated using the straight-line method assuming the following useful lives:

Buildings	20–40 years
Building improvements	10–30 years
Building equipment	10–15 years
Land improvements	15 years
Equipment	3–10 years

Long-lived assets are reviewed annually for impairment under the provisions and in accordance with GASB No. 42, *"Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."*

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

AHA owns several paintings of historical significance which are being preserved for future educational and exhibition purposes. These works of art, commissioned in the 1940s at minimal cost, have an appraised value in excess of $800,000, but have not been recorded on AHA's books pursuant to the guidance of GASB No. 34.

10. Income and Property Taxes

Income received or generated by AHA is not generally subject to federal income tax, pursuant to Section 115 of the Internal Revenue Code (IRC). Although exempt from state and local property taxes, AHA makes payments in lieu of taxes (PILOT), pursuant to agreements with the City of Atlanta and DeKalb and Fulton counties.

11. Accrued Compensated Absences

A liability for compensated absences (vacation) is accrued as employees earn the right to receive the benefit. The accrued liability is classified under current liabilities, as vacation is expected to be taken in the ensuing year.

12. Pension Plan

AHA accounts for its defined benefit pension plan on a cash basis. Under that accounting basis, AHA pension expense corresponds to funding contributions and the net pension liability is not included in AHA's Statements of Net Position. AHA intends to adopt GASB 68 in FY 2015 (see Note U for additional information).

13. Fee and Interest Income Recognition on Related-Party Development and Other Loans

In connection with its Revitalization Program, AHA earns developer and other fees in its role as sponsor and co-developer. Developer and other fees are recorded as earned. Collection of developer fees are generally tied to equity payments from the tax credit investors.

Interest on the related-party development loans is subordinated and contingent on cash flows from the property. Recognition of interest income does not occur until payments are received or are reasonably expected to be received.

14. Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. AHA defines its operating revenues mainly as income derived from operating funds received from HUD, tenant dwelling revenue, Section 8 portability revenue and fees earned in conjunction with development activities under its Revitalization Program. When grant funds are used for operations, AHA recognizes operating revenues at the time such costs are incurred, pursuant to a draw-down process on a reimbursement basis.

Operating expenses for proprietary funds include the cost of providing services, revitalization, demolition and remediation, relocation expense, administrative expense and depreciation on capital assets.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

Non-operating revenues and expenses include interest and investment income, gain and loss from the sale of assets, adjustments to valuation allowances and interest expense.

Capital contributions include reimbursements of capitalized expenditures under capital grants received or earned from HUD, primarily Capital Fund Program (CFP) and Replacement Housing Factor (RHF) funds, for modernization and revitalization activities. They also include MTW funds used for capitalized expenditures. Capital contributions do not include HUD funds used to provide loans associated with development and revitalization activity which are presented as operating revenue.

When AHA completes capital improvements to be paid with grants, AHA's right to be reimbursed by HUD is perfected, and AHA records the asset and corresponding capital grant revenue as the work progresses. The unexpended portions of the grants held by HUD for AHA's account remain available for AHA's use, subject to the terms of the grant agreements and other agreements with HUD. The unexpended portions of the grants held by HUD are not reflected in AHA's financial statements.

15. Unearned Revenue

Unearned revenue consists primarily of payments received from non-HUD sources that have not been earned as of June 30, 2014 and 2013.

16. Self-insurance and Litigation Losses

AHA recognizes estimated losses related to self-insured workers' compensation claims and litigation claims in the period in which the event giving rise to the loss occurred when the loss is probable and reasonably estimable (see further disclosure in Note N).

17. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts. Accounting estimates for such items as depreciation, valuation of related-party development and other loans, other operating receivables, operating expense accruals and contingent liabilities are reflected in AHA's financial statements and disclosed in the notes thereto. Actual results could differ from those estimates.

18. Risk Management

AHA is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. AHA carries commercial insurance and certain reserves deemed sufficient to cover potential uninsured losses.

19. Budgets

On an annual basis, AHA submits its Comprehensive Operating and Capital Budget to the Board of Commissioners for approval. Throughout the fiscal year, the Budget is used as a management tool to plan, control and evaluate spending for major activities and programs. Budgets are not required for financial statement presentation.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

20. Change in Presentation

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications had no effect on total net position.

NOTE C — CASH AND CASH EQUIVALENTS

Cash consists primarily of cash in checking accounts. Cash is classified as "Unrestricted" and "Restricted" for financial presentation purposes based on HUD guidance:

- *Cash — Unrestricted* includes cash available for program purposes including current operations working capital and reserves. Because the funds are not tied to a certain program or property, they are classified as unrestricted. They remain subject, however, to varying degrees of restrictions. For example, HUD approval is required, with some limited exceptions, to use or deploy these funds strategically outside of the ordinary course of AHA's business under the MTW Agreement. In all cases, AHA's assets are subject to the limitations of AHA's charter and the Housing Authorities Laws of the State of Georgia.
- *Cash — Restricted* includes cash to be expended for specific purposes based on the source of the money. AHA's restricted cash generally includes: proceeds from the sale of property acquired with grant or development funds; program income from specific grants; income generated from development activities; resident security deposits; and public improvement funds.

Cash at June 30, 2014 and 2013 consisted of the following:

	2014	**2013**
Unrestricted cash		
MTW cash	$ 40,155,419	$ 42,826,688
MTW program income	2,984,803	3,192,616
National Housing Compliance	8,308,144	8,463,658
Perry Bolton TAD program income	21,358,764	-
Component units	2,623,583	2,690,445
	75,430,713	57,173,407
Restricted cash		
Development-related program income	31,426,273	23,694,111
Public improvement funds	6,752,447	7,150,243
Proceeds from disposition activity	10,505,955	5,864,822
Perry program income	1,254,602	1,457,627
Harris program income	1,196,193	1,542,767
Resident security deposits	337,996	337,328
Other restricted cash	265,705	1,329,574
	51,739,171	41,376,473
Total cash	$ 127,169,884	$ 98,549,880

NOTE C — CASH AND CASH EQUIVALENTS — continued

All funds on deposits are FDIC-insured up to $250,000 per institution or are fully collateralized in accordance with guidance recommended by HUD. At June 30, 2014 and 2013, the market value of collateral held by a third party on behalf of AHA to cover deposits exceeding the FDIC-insured funds amounted to $125,296,143 and $104,995,486, respectively.

NOTE D — RECEIVABLES

Current receivables at June 30, 2014 and 2013 consisted of the following:

	2014	2013
HUD grants receivable	$ 527,955	$ 1,968,297
Other receivables (net of allowance of $217,792 and $26,371 in 2014 and 2013, respectively)	1,382,776	268,757
Predevelopment loans	-	197,118
Development and other fees receivable — current portion	52,804	468,385
Tenant dwelling rents (net of allowance of $2,515 and $7,492 in 2014 and 2013, respectively)	14,625	10,045
Public improvement advances	47,400	30,600
	$ 2,025,560	$ 2,943,202

HUD grants receivable consists primarily of capital costs associated with Replacement Housing Factor (RHF) grants that had been expended by AHA but not yet reimbursed by HUD.

Other receivables consist primarily of operating subsidy overpayments due by Owner Entities of mixed-income, mixed-finance rental communities as a result of true-ups, receivables from other housing authorities for Section 8 portability payments and administration fees due from National Housing Compliance, Inc.

NOTE E — INVESTMENTS, RESTRICTED

Investments, restricted include operating reserves that are held by escrow agents at various bank institutions for the benefit of investors and Owner Entities of the mixed-income, mixed-finance rental communities. These reserves are restricted in accordance with agreements entered into in conjunction with the development of these properties. These reserves cannot be readily liquidated due to such restrictions.

As the restriction on these investments is not dictated by the source of funds, they are presented as other assets on the Financial Data Schedule of Combining Net Position provided as Other Supplementary Information. These investments consisted primarily of deposits in money market funds and amounted to $9,328,012 and $9,341,052 at June 30, 2014 and 2013, respectively.

NOTE F — RELATED-PARTY DEVELOPMENT AND OTHER LOANS, DEVELOPMENT RECEIVABLES AND INVESTMENTS IN PARTNERSHIPS

GAAP defines "related parties" as those parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties. Related-party development and other loans, development receivables and investments in partnerships at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Development loans (net of allowance of $30,760,489 in 2014 and $30,262,101 in 2013)	$ 162,205,779	$ 162,656,937
Other loans (net of allowance of $3,371,032 in 2014 and 2013)	9,425,255	10,322,769
Development and other fees receivable (net of allowance of $122,472 in 2014 and 2013)	2,009,175	1,928,627
Investments in partnerships (net of allowance of $414,493 in 2014 and 2013)	-	-
	$ 173,640,209	$ 174,908,333

Development loans

AHA makes subordinated development loans (construction and permanent) to the Owner Entities (private-sector owners) in conjunction with financing arrangements related to the development of the AHA-Sponsored mixed-income, mixed-finance rental communities. These subordinated loans are fully obligated to the Owner Entities at the financial closing and represent AHA's share of the development budget for AHA-assisted Annual Contribution Contract (ACC) units. During FY 2014, loan advances were funded from Replacement Housing Factor (RHF) funds and MTW funds. Prior to FY 2014, the loan advances were funded using MTW funds, HOPE VI grants, public-housing-development funds and/or RHF funds. The loans are amortized over periods generally up to 55 years and bear interest at various rates, as agreed to by AHA and individual Owner Entities, and approved by HUD. The respective loan agreements provide that these loans will be repaid by the Owner Entity to AHA from net cash flow, net project proceeds and/or condemnation proceeds for such phases to the extent such amounts are available.

For most of these development projects, AHA owns the land and enters into a long-term ground-lease agreement with the Owner Entity. At the end of the ground-lease, the land and improvements revert to AHA.

Other loans

Other loans that support AHA's mission are comprised of various financing arrangements and include: (i) loans to the Owner Entities of mixed-income, mixed-finance rental communities for acquisitions and site improvements; (ii) loans to private sector development partners, representing the value of the lots supporting the financing and construction of single-family homes as a component of the AHA-Sponsored master-planned communities; (iii) a financing arrangement with a related Owner Entity of a mixed-income, mixed-finance rental community related to a land sale; (iv) loans to the

NOTE F — RELATED-PARTY DEVELOPMENT AND OTHER LOANS, DEVELOPMENT RECEIVABLES AND INVESTMENTS IN PARTNERSHIPS — continued

Owner Entities of mixed-income, mixed-finance rental communities in order to meet federal statutory requirements (these loans are fully reserved); (v) predevelopment loans to development partners (typically an affiliate of the Owner Entity) prior to the financial closing to facilitate development of the site; and (vi) gap financing to facilitate the construction of properties with up to a 15-year renewable PBRA agreement with private owners.

Development and other fees receivable

AHA earns development and other fees associated with the construction and revitalization activities at the mixed-income, mixed-finance rental communities and from certain properties with Project Based Rental Assistance (PBRA) agreements. As a component of the AHA-Sponsored Master-planned communities, AHA may also earn homeownership participation profit from private sector development partners in the financing and construction of single-family homes.

Related-party development income and expense

Related-party development income and expense for the years ended June 30, 2014 and 2013 consisted of the following:

	2014	2013
Type of income (expense):		
Interest income	$ 563,150	$ 536,927
Developer and other fee income	$ 1,337,407	$ 1,782,067
Housing assistance payments to Owner Entities of the mixed-income communities	$ (15,035,892)	$ (14,622,550)
Housing assistance payments to private owners/ Owner Entities where AHA has a PBRA agreement and has advanced a loan	$ (10,493,310)	$ (11,010,866)

Other Related-Party Information

Owner Entity financial statements are audited by independent accounting firms hired by the managing general partner of each respective Owner Entity. See Note B.14 and **Other Supplementary Information** for further related-party information.

NOTE G — OTHER RELATED-PARTY TRANSACTIONS

National Housing Compliance, Inc.

National Housing Compliance, Inc. (NHC) was formed in August 1999 as a 501(c)(4) not-for-profit corporation pursuant to the laws of the State of Georgia for the purpose of administering Housing Assistance Payments Contracts between HUD and private owners of multi-family housing with project-based rental assistance. NHC, headquartered in Atlanta, Georgia, is comprised of 11 member

NOTE G — OTHER RELATED-PARTY TRANSACTIONS — continued

organizations, including AHA (Members). NHC earns fees for contract administration services as HUD's Performance Based Contract Administrator (PBCA) for the states of Illinois and Georgia. NHC makes periodic contributions to Members based on NHC's earned PBCA revenue in excess of NHC's operating expenses. As a Member, AHA received unrestricted contributions (operating revenue) of $845,317 and $820,022 for the years ended June 30, 2014 and 2013, respectively, from NHC activities in Illinois and Georgia.

NOTE H — CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2014 consisted of the following:

	Balance at June 30, 2013	Additions and reclasses	Deletions and reclasses	Balance at June 30, 2014
Land*	$ 62,264,559	$ 5,830,750	$ (710,180)	$ 67,385,129
Land improvements	24,505,186	8,577	(2,191)	24,511,572
Buildings and improvements	146,255,547	40,477	(24,949,956)	121,346,068
Equipment	32,116,732	3,815,676	(95,444)	35,836,964
Modernization in process*	2,388,919	2,265,558	(3,876,788)	777,689
	267,530,943	11,961,038	(29,634,559)	249,857,422
Less accumulated depreciation				
Land improvements	(11,012,831)	(1,733,034)	-	(12,745,865)
Buildings and improvements	(82,382,766)	(10,238,026)	24,949,956	(67,670,836)
Equipment	(15,699,527)	(2,798,340)	95,444	(18,402,423)
	(109,095,124)	(14,769,400)	25,045,400	(98,819,124)
Total capital assets, net	$ 158,435,819	$ (2,808,362)	$ (4,589,159)	$ 151,038,298

** Non-depreciable assets*

Changes in capital assets for the year ended June 30, 2013 consisted of the following:

	Balance at June 30, 2012	**Additions and reclasses**	**Deletions and reclasses**	**Balance at June 30, 2013**
Land*	$ 57,417,056	$ 6,247,130	$ (1,399,627)	$ 62,264,559
Land improvements	23,593,003	1,859,099	(946,916)	24,505,186
Buildings and improvements	143,562,067	17,305,334	(14,611,854)	146,255,547
Equipment	30,583,910	5,340,570	(3,807,748)	32,116,732
Modernization in process*	13,115,819	14,792,916	(25,519,816)	2,388,919
	268,271,855	45,545,049	(46,285,961)	267,530,943
Less accumulated depreciation				
Land improvements	(10,347,100)	(1,612,647)	946,916	(11,012,831)
Buildings and improvements	(89,974,516)	(7,020,104)	14,611,854	(82,382,766)
Equipment	(16,858,080)	(2,611,515)	3,770,068	(15,699,527)
	(117,179,696)	(11,244,266)	19,328,838	(109,095,124)
Total capital assets, net	$ 151,092,159	$ 34,300,783	$ (26,957,123)	$ 158,435,819

** Non-depreciable assets*

NOTE H — CAPITAL ASSETS — continued

The cost and accumulated depreciation of AHA assets financed under an Energy Performance Contract (EPC) capital lease at June 30, 2014 and 2013 were as follows:

	2014	2013
Building Improvements	$ 5,488,996	$ 5,477,122
Equipment	6,440,908	3,016,925
Modernization in process*	-	1,909,996
	11,929,904	10,404,043
Accumulated Depreciation	(1,645,806)	(371,566)
	$ 10,284,098	$ 10,032,477

** Non-depreciable assets*

During FY 2013, interest in the amount of $575,935 was capitalized in capital assets financed under the EPC capital lease. No interest was capitalized during FY 2014 as the project was substantially completed in the prior fiscal year.

NOTE I — OTHER NON-CURRENT ASSETS

Other non-current assets at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Public improvement advances due from the City of Atlanta and related entities	$ 5,838,576	$ 25,409,850
Homeownership down payment assistance loans (net of allowance of $5,285,679 and $4,720,267 in 2014 and 2013, respectively)	-	-
	$ 5,838,576	$ 25,409,850

During the fiscal year ended June 30, 2014, AHA received a cash amount of $21,358,764 in repayment of prior year public improvements from the Perry Bolton Tax Allocation District (TAD) bond issuance.

Under its Down Payment Assistance (DPA) program, AHA issued payments of $717,000 and $539,900 during the years ended June 30, 2014 and 2013, respectively. As described in Note B.8 — Valuation and Other Allowances, these loans are fully reserved at closings.

NOTE J — ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Accrued expense	$ 6,320,755	$ 3,583,545
Wages and benefits	1,653,106	2,387,636
Compensated absences	883,025	1,022,971
Contract retention	469,306	853,163
Insurance, claims and litigation (Note N)	447,500	208,611
Interest payable	149,620	156,903
	$ 9,923,312	$ 8,212,829

Compensated absences at June 30, 2014 consisted of the following:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014
Compensated absences	$ 1,022,971	88,723	(228,669)	$ 883,025

Compensated absences at June 30, 2013 consisted of the following:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013
Compensated absences	$ 1,353,952	1,054,804	(1,385,785)	$ 1,022,971

NOTE K — OTHER CURRENT LIABILITIES

Other current liabilities at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Public improvement advances received from the City of Atlanta and related entities	$ 6,750,722	$ 6,728,898
Resident security deposits	337,996	337,328
Other	969,289	923,448
	$ 8,058,007	$ 7,989,674

NOTE L — LONG-TERM DEBT

Long-term debt at June 30, 2014 consisted of the following:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Non-current	Current
EPC Capital Lease	$ 9,451,998	-	(463,396)	$ 8,988,602	$ 8,789,725	$ 198,878

Long-term debt at June 30, 2013 consisted of the following:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Non-current	Current
EPC Capital Lease	$ 9,293,862	158,136	-	$ 9,451,998	$ 8,988,602	$ 463,396

Interest expense incurred in connection with the EPC capital lease was $461,699 and $465,459 for the years ended June 30, 2014 and 2013, respectively. As explained in Note H — Capital Assets, interest was capitalized during construction as part of the cost of the assets during FY 2013.

EPC Capital Lease

An Energy Performance Contract (EPC) is part of a HUD-sponsored program designed to incent local housing authorities to undertake energy-saving improvements at their properties. HUD allows such agencies to freeze the consumption base used to determine their utility funding at an agreed pre-constructed level for up to 20 years, so that the savings from such improvements can be used to finance the cost of water and energy conservation improvements. The EPC structure facilitates financing for the improvements to be repaid through future energy savings resulting from the improvements.

During FY 2012, AHA consummated an EPC which combined an EPC capital lease of $9,104,935 with MTW funds to fund capital improvements for energy conservation and efficiency solutions at the AHA-Owned Residential Communities. During FY 2013 and FY 2012, accrued interest of $158,136 and $188,927 was capitalized into the amount due under the capital lease; no interest was capitalized during FY 2014.

At June 30, 2014, the work under this project was completed at a total cost of $11,929,904, including capitalized interest. MTW funds of $2,249,034 were used to supplement the proceeds from the EPC capital lease.

NOTE L — LONG-TERM DEBT — continued

Aggregate long-term debt by year

Aggregate long-term debt service payments under the EPC capital lease scheduled for the next five fiscal years and thereafter are as follows:

	Principal	Interest	Total
2015	$ 198,878	$ 447,632	$ 646,510
2016	223,177	437,728	660,905
2017	254,268	426,614	680,882
2018	287,507	413,952	701,459
2019	323,019	399,634	722,653
Thereafter	7,701,754	3,377,171	11,078,925
	$ 8,988,603	$ 5,502,731	$ 14,491,334

NOTE M — OTHER NON-CURRENT LIABILITIES

Other non-current liabilities at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Deferred gain on land sale	$ 2,281,440	$ 1,197,000
Unearned rooftop satellite lease revenue	224,850	292,305
	$ 2,506,290	$ 1,489,305

In accordance with GAAP requirements for non-monetary transactions, the gain on the sale of land was deferred due to the non-cash consideration received in exchange, thereby not meeting the revenue recognition criteria.

NOTE N — INSURANCE, CLAIMS AND LITIGATION

AHA is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. AHA carries commercial insurance and certain reserves deemed sufficient to cover potential uninsured losses.

NOTE N — INSURANCE, CLAIMS AND LITIGATION — continued

Self-insurance plan — workers' compensation

AHA is self-insured for workers' compensation claims and has purchased excess insurance for its workers' compensation self-insurance plan, which limits its liability to $400,000 per accident. AHA has a system in place to identify incidents which might give rise to workers' compensation claims. It uses this information to compute an estimate of loss due to claims asserted and incidents that have been incurred but not reported. Settled claims have not exceeded the self-insured retention in any part of the past five years. AHA has recorded an estimated liability of $60,000 as of June 30, 2014 and 2013, respectively.

Litigation and claims

AHA is party to legal actions arising in the ordinary course of business. Certain actions are in various stages of the litigation process and their ultimate outcome cannot be determined currently. Accordingly, potential liabilities in excess of insurance coverage may not be reflected in the accompanying financial statements. The financial statements include estimated liabilities in the amount of $387,500 and $148,611 as of June 30, 2014 and 2013, respectively.

NOTE O — CONTINGENCIES AND UNCERTAINTIES

Easements, liens and other contractual obligations

Generally, real property owned by AHA under the public housing program or purchased using public housing development funds is subject to a HUD declaration of trust and most have various customary easements (e.g., utility rights-of-way). From time to time, mechanics' liens or other such liens may be recorded against AHA-Owned property. Notwithstanding any such liens, under Georgia law, all real property owned by AHA is exempt from levy and sale by virtue of execution, other judicial process or judgment. Additionally, real property owned by AHA affiliate entities and leasehold interests in AHA real property (ground-leased to Owner Entities in connection with mixed-income rental communities) may be subject to mortgage liens and other contractual obligations.

Valuation of related-party development loans

The multi-family rental housing market is affected by a number of factors such as overall economic conditions, unemployment rates, mortgage interest rates, supply and demand, changes in neighborhood demographics and growth of the metropolitan Atlanta area. Because related-party development loans to Owner Entities of the mixed-income, mixed-finance multi-family rental communities are subordinated and payable from net cash flows, local market conditions could impact the value of those receivables as reflected on AHA's books. AHA's strategy is to monitor the performance of the properties and local market conditions.

NOTE P — DEFINED BENEFIT PENSION PLAN

Plan description

AHA's Retirement Plan (the Plan) is a single-employer, non-contributory defined benefit pension plan under a group annuity contract with Massachusetts Mutual Life Insurance Company, an insurance carrier, which maintains custody of Plan assets, administers the Plan and invests all funds through a General Investment account and a separate Money Market account. AHA is not required to provide a separate audited GAAP-basis pension plan report. Assets of the Plan represent less than one percent of the insurance carrier's total assets. None of the Plan's investments is the property of AHA. The Plan provides retirement, disability and death benefits to the participants and their beneficiaries.

The AHA Board froze the Plan as of December 31, 2007. No employees hired or rehired on or after January 1, 2008, may be added to or accrue additional benefits under the Plan. The Board also froze benefit accruals under the Plan for all current participants, except certain vested employees whose age plus years of service equaled 60 at December 31, 2007 and who elected to continue accruals under the Plan (grandfathered employees) and who elected to take the lump-sum cash payments. In FY 2009, AHA offered and made lump sum cash payments to those plan participants who were no longer employed with AHA, had vested in a retirement benefit but who had not retired nor been certificated by the Plan administrator. AHA is no longer liable to fund future retirement benefits for those 304 participants who elected to take their retirement benefit under the lump sum option. The Plan document received a favorable determination letter from the IRS on June 3, 2011.

Funding policy

AHA's funding policy is to contribute an amount equal to or greater than the minimum required contribution. The Actuarial Standard of Practice recommends the use of best-estimate range for each assumption, based on past experience, future expectations and application of professional judgment. The recommended contributions were computed as part of the actuarial valuations performed as of January 1, 2014, 2013 and 2012, respectively. Beginning June 1996, AHA's contributions were determined under the Projected Unit Credit Actuarial Cost method (pay-related benefit formula). See the multi-year pension trend information presented in the Schedule of Pension Funding Progress immediately following the **Notes to the Financial Statements**, which presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

Annual pension costs and annual required contribution

For the fiscal year ended June 30, 2014 and 2013, AHA funded pension payments of $2,500,000 and $1,000,000, respectively. Such payments were greater than AHA's minimum annual required contributions under Georgia State Code 47-20-10 for the respective years.

NOTE P — DEFINED BENEFIT PENSION PLAN — continued

For the years ended June 30, 2014 and 2013, AHA's annual pension costs were as follows:

	2014	2013
Annual required contribution	$ (161,692)	$ (204,920)
Amortization of unfunded actuarial accrued liability	(359,215)	(287,588)
Interest	(25,525)	(24,133)
Annual pension costs	(546,432)	(516,641)
Contributions made	2,500,000	1,000,000
Decrease in net pension obligation (NPO)	1,953,568	483,359
NPO at beginning of year	(1,986,267)	(2,469,626)
Increase in NPO due to assumption change	(1,667,932)	-
Unfunded NOP at end of year	$ (1,700,631)	$ (1,986,267)

Three-year trend information is as follows:

	January 1, 2014	January 1, 2013	January 1, 2012
Market value of assets	$ 39,085,575	$ 39,270,758	$ 39,048,208
Actuarial accrued liability (AAL)	$ 43,286,206	$ 42,257,025	$ 42,610,612
Unfunded AAL	$ (4,200,631)	$ (2,986,267)	$ (3,562,404)
Covered payroll	$ 7,826,041	$ 9,599,723	$ 9,401,000
AAL as a % of covered payroll	-53.68%	-31.11%	-37.89%
Funded ratio	90.30%	92.93%	91.64%
Annual pension cost (APC)	$ 546,432	$ 516,641	$ 575,285
Actual contributions during fiscal year	$ 2,500,000	$ 1,000,000	$ 1,500,000
Percentage of APC contributed	458%	193.56%	260.74%
Unfunded net pension obligations after employer contributions	$ (1,700,631)	$ (1,986,267)	$ (2,469,626)

* Based on level equivalent discount rates of 4.9%, 5.5% and 5.25% for 2014, 2013 and 2012, respectively

Significant actuarial assumptions used to compute the annual contribution requirement as of the January 1, 2014 valuation date are as follows: 1) the valuation uses the Projected Unit Credit Actuarial Cost method; 2) the Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at January 1, 2014 is 13 to 30 years; 3) the Actuarial Value of plan assets is equal to the market value at the date of valuation; 4) the assumed average investment rate of return is 5.5 percent for participants without certificates and 4.25 percent for participants with certificates, for a level equivalent rate of 4.9 percent compounded annually; 5) mortality rates, used to calculate the actuarial accrued liability (AAL) were based upon IRC Section 430 tables at January 1, 2014 which changed from the RP 2000 tables used for prior years and resulted in an additional NPO of $1,667,932 as presented above; and 6) projected salary increases are four percent per year.

NOTE Q — DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

AHA offers its employees a deferred compensation plan created in accordance with IRC Section 457 (the 457 Plan). The 457 Plan is available to all full-time eligible employees and permits participants to defer a portion of their salary until future years. Effective February 1, 2008, all eligible employees had the option to participate in the 457 Plan with a deferral rate of two percent. Employees may change their deferral rates at any time. Employee contributions of $914,044 and $895,729 were made to the plan in FY 2014 and FY 2013, respectively.

In conjunction with changes made to the Defined Benefit Plan, effective February 1, 2008, AHA's Board also approved the creation of the new Defined Contribution Plan under IRC Section 401(a) (the 401(a) Plan), for all eligible employees. The 401(a) Plan provides an employer-matching contribution on amounts that employees defer into the 457 Plan, equal to 100 percent of the first two percent deferred by the participant. Additional matching contributions are made based on the participant's years of service with AHA as well as position level. In addition, further contributions can be made at the discretion of management. The employer contribution to the 401(a) Plan was $604,570 and $700,031 during FY 2014 and FY 2013, respectively. Subject to a three-year vesting period, amounts from these plans are available to participants at the time of termination, retirement, and death or emergency. As required by federal regulations, the funds are held in trust for the exclusive benefit of participants and their beneficiaries.

Both of the plans are administered by Wells Fargo. AHA has no ownership of the plans. Accordingly, the plans' assets are not reported in AHA's financial statements. Upon receipt of appropriate approval, AHA may amend, modify or terminate the plans.

NOTE R — LEASES

AHA is party to lease agreements as lessor whereby it receives revenue for tenant dwellings leased in AHA-Owned public-housing-assisted residential properties. These leases are for a one-year period (which may or may not be renewed depending upon tenant eligibility and desire) and are considered operating leases for accounting purposes.

AHA is the ground-lessor to Owner Entities of most of the mixed-income, mixed-finance rental communities, as discussed further in Note F. Revenue derived from these leases is nominal.

NOTE R — LEASES — continued

The cost and accumulated depreciation of AHA-Owned capital assets used in leasing activities as of June 30, 2014 and 2013 were as follows:

	2014	2013
Land	$ 26,070,156	$ 26,070,156
Land improvements	24,398,094	24,391,707
Buildings and improvements	104,695,097	129,633,180
Equipment	24,786,896	21,233,128
Modernization in process	633,071	1,909,996
	180,583,314	203,238,167
Less accumulated depreciation	(82,254,325)	(93,837,523)
	$ 98,328,989	$ 109,400,644

AHA is party to operating lease agreements as a lessee for office equipment used in the normal course of business. Estimated calendar year disbursements over the remaining terms of these lease agreements are as follows:

Years ending June 30,	Amount
2015	$ 206,648
2016	218,365
2017	140,605
2018	152,322
	$ 717,940

Lease expense was $240,158 and $251,374 for the years ended June 30, 2014 and 2013, respectively.

NOTE S — CONDUIT DEBT

The following bonds, issued by AHA as conduit issuer, do not represent a debt or pledge of the full faith and credit of AHA and, accordingly, have not been reported in the accompanying financial statements. AHA has no responsibility for this conduit debt beyond any resources provided by the related loans.

Taxable mortgage revenue refunding bonds

Taxable mortgage revenue refunding bonds were issued by AHA, as the conduit issuer, on September 25, 1995, and are related to various properties.

NOTE S — CONDUIT DEBT — continued

Taxable revenue bonds (Housing Opportunity Program)

Atlanta Housing Opportunity, Inc. (AHOI) is a Georgia not-for-profit corporation created at the direction of the AHA Board for the sole purpose of facilitating the Housing Opportunity Program for the City of Atlanta. AHOI has no other programs or purpose (see further disclosure in Note A.3).

The Urban Residential Finance Authority of the City of Atlanta, Georgia (URFA) is authorized to issue Housing Opportunity Bonds (conduit debt) and loan the proceeds to AHOI, up to a maximum principal amount not to exceed $75 million. URFA issued the first bond series of $35 million Series 2007 A bonds and loaned the proceeds to AHOI in FY 2007. The City of Atlanta has the absolute and unconditional obligation to make the debt payments. In addition to the debt payments, the City of Atlanta pays the administrative and corporate governance costs of AHOI. URFA serves as the program administrator for the Housing Opportunity Program. The City of Atlanta's program oversight role includes establishing the program, directing the activities, and establishing or revising the budget for the Housing Opportunity Program. As such, AHOI is considered a component unit of the City of Atlanta.

Multi-family housing revenue bonds

In order to provide a portion of the funds for the construction of three AHA-Sponsored mixed-income, mixed-finance communities, multi-family housing revenue bonds were issued by AHA, as the conduit issuer, on May 1, 1999, July 1, 1999, and December 7, 2006, respectively. AHA has no responsibility for this conduit debt beyond any resources provided by the related loans.

NOTE T — NET POSITION

Net position is comprised of three components: 1) capital assets, net of related debt; 2) restricted–expendable; and 3) unrestricted.

Capital assets, net of related debt, represents the net book value of capital assets, net of outstanding debt used to acquire or lease those assets.

Restricted–expendable net position, subject to both internal and external constraints, is calculated at the carrying value of restricted assets less related liabilities. This net position is restricted by time and/or purpose. Restricted–expendable net position includes cash subject to restrictions for HUD-funded programs, related development and other loans, and related-party development operating reserves required in conjunction with the AHA-Sponsored mixed-income, mixed-finance rental development transactions. These assets cannot be used, pledged or mortgaged to a third party or seized, foreclosed upon or sold in the case of a default, ahead of any HUD lien or interest without HUD approval. In addition, the related-party development and other loans are not available to satisfy AHA's obligations due to the long-term, contingent nature of the underlying notes (see further disclosure in Note F, Note O and **Other Supplementary Information**).

NOTE T — NET POSITION — continued

Unrestricted net position, although referred to as unrestricted, remains subject to varying degrees of limitations. HUD approval is required, with some limited exceptions, to use or deploy these assets strategically outside of the ordinary course of AHA's business. AHA's eligible business activities are set forth in its HUD-approved Business Plan, as amended from time to time, by its MTW Annual Implementation Plans. In all cases, AHA's assets are subject to the limitations of AHA's charter and the Housing Authorities Laws of the State of Georgia.

NOTE U — RECENT ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued new pronouncements which will be implemented by the Authority starting in fiscal year 2015 where applicable: GASB 68, *"Accounting and Financial Reporting for Pensions"*; GASB 69, *"Government Combinations and Disposals of Government Operations";* GASB 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees";* and GASB 71*, "Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68."*

GASB 68 will bring public pension accounting more in line with the private sector rules. Under the new standards, the financial statements will contain a liability which is the amount of the unfunded pension liability, referred to in the new standards as the net pension liability (NPL). The NPL is the total pension liability (TPL) less the plan's fiduciary net position (PFNP). The PFNP represents the fair value of plan assets which are available to pay the pension benefits. The NPL is measured as of a date no earlier than the end of the employer's prior fiscal year (measurement date). This Statement is effective for reporting periods beginning after June 15, 2014. AHA intends to adopt this Statement within its next fiscal year and it is expected to have a material impact on AHA's financial statements.

GASB 69 establishes accounting and financial reporting standards related to governmental combinations and disposals of governmental operations (in this statement, the term "combination" refers to mergers, acquisitions and transfers of operations). The distinction between a government merger and a government acquisition is based on whether an exchange of significant consideration is present within the transaction. Mergers are combinations without the exchange of significant consideration; mergers would require the use of carrying values to measure the assets and liabilities in the merger. Acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration; acquisitions would require a measurement of assets acquired and liabilities assumed to be based upon their acquisition values. This Statement is effective for reporting periods beginning after December 15, 2013 and is not expected to have a material impact on AHA's financial statements.

NOTE U — RECENT ACCOUNTING PRONOUNCEMENTS — continued

GASB 70 defines a non-exchange financial guarantee as a financial guarantee extended for the obligations of another government, not-for-profit entity or a private entity, without receiving equal or approximately equal value in exchange. The Statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is likely that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of future cash outflows related to the guarantee. The Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation to recognize a liability until legally released as an obligor. The Statement further provides additional guidelines for intra-entity non-exchange financial guarantees involving blended component units. This Statement is effective for reporting periods beginning after June 15, 2013 and is not expected to have a material impact on AHA's financial statements.

GASB 71 improves the accounting and financial reporting by addressing an issue in the application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement is effective for reporting periods beginning after June 15, 2014.

NOTE V — SUBSEQUENT EVENTS

Events that occur after the date of the statement of net position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of net position are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the date of the statement of net position, require disclosure in the accompanying notes.

Management has evaluated subsequent events through November 13, 2014, the date on which the financial statements were available to be issued. During this period no material subsequent events have occurred which would require recognition or disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

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SCHEDULE OF PENSION FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL	Funded Ratio	Covered Payroll	Overfunded (Unfunded) AAL as a % of Covered Payroll
January 1, 2005	$ 34,586,113	$ 34,195,565	$ 390,548	101.14%	$ 14,243,999	2.74%
January 1, 2006	$ 36,301,044	$ 43,272,475	$ (6,971,431)	83.89%	$ 13,150,498	-53.01%
January 1, 2007	$ 39,878,195	$ 44,672,523	$ (4,794,328)	89.27%	$ 11,253,960	-42.60%
January 1, 2008	$ 38,728,718	$ 45,673,452	$ (6,944,734)	84.79%	$ 13,822,948	-50.24%
January 1, 2009	$ 49,447,193	$ 46,407,109	$ 3,040,084	106.55%	$ 13,877,719	21.91%
January 1, 2010	$ 42,249,247	$ 42,121,920	$ 127,327	100.30%	$ 12,695,948	1.00%
January 1, 2011	$ 40,673,163	$ 40,720,186	$ (47,023)	99.88%	$ 10,983,388	-0.43%
January 1, 2012	$ 39,048,208	$ 42,610,612	$ (3,562,404)	91.64%	$ 9,401,000	-37.89%
January 1, 2013	$ 39,270,758	$ 42,257,025	$ (2,986,267)	92.93%	$ 9,599,723	-31.11%
January 1, 2014	$ 39,085,575	$ 43,286,206	$ (4,200,631)	90.30%	$ 7,826,041	-53.68%

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OTHER SUPPLEMENTARY INFORMATION

The Housing Authority of the City of Atlanta, Georgia

FINANCIAL DATA SCHEDULE OF COMBINING NET POSITION

As of June 30, 2014

	Project Total	Moving To Work Demonstration Program	Housing Choice Vouchers	Mainstream Vouchers	Revitalization of Severely Distressed Public Housing	Choice Neighborhoods Planning Grant	Component Units
CURRENT ASSETS							
Cash							
Unrestricted	$ 618,715	$ 39,093,076	$ -	$ -	$ -	$ -	$ 2,856,247
Restricted	601,999	-	-	-	-	-	-
Total cash	1,220,715	39,093,076	-	-	-	-	2,856,247
Receivables, net of allowance	1,498,652	235,761	-	24,726	-	-	62,402
Prepaid expenses and other assets	51,672	1,018,730	-	-	-	-	2,331
Interprogram — due from	55,720	663,220	2,632	1,727	58,875	-	-
Total current assets	2,826,758	41,010,787	2,632	26,453	58,875	-	2,920,980
NON-CURRENT ASSETS							
Capital Assets, net of accumulated depreciation	101,073,157	1,059,729	-	-	-	-	47,147,836
Notes, Loans and Mortgages Receivable — Non-Current	-	48,468	-	-	-	-	2,460,000
Grants Receivable — Non-Current	487,266	2,146,907	-	-	2,451,489	-	-
Other Assets	-	-	-	-	-	-	-
Total non-current assets	101,560,423	3,255,104	-	-	2,451,489	-	49,607,836
TOTAL ASSETS	$ 104,387,181	$ 44,265,891	$ 2,632	$ 26,453	$ 2,510,364	$ -	$ 52,528,816
CURRENT LIABILITIES							
Accounts payable	$ 326,490	$ 95,845.06	$ -	$ -	$ -	$ -	$ 262,282
Accrued liabilities	4,552,405	1,564,134	-	-	-	-	117,681
Other current liabilities	1,027,945	3,187,986	-	-	-	-	-
Current portion of long-term debt	198,878	-	-	-	-	-	-
Interprogram — due to	692,767	89,407	-	-	191	-	-
Total current liabilities	6,798,485	4,937,372	-	-	191	-	379,963
NON-CURRENT LIABILITIES							
Long-term debt, net of current portion	8,789,725	-	-	-	-	-	1,263,000
Other non-current liabilities	224,850	-	-	-	-	-	1,512,000
Total non-current liabilities	9,014,575	-	-	-	-	-	2,775,000
TOTAL LIABILITIES	15,813,060	4,937,372	-	-	191	-	3,154,963
NET POSITION							
Invested in capital assets, net of related debt	92,084,554	1,059,729	-	-	-	-	47,147,836
Restricted Net Position	264,004	54,798	-	-	-	-	948,000
Unrestricted Net Position	(3,774,436)	38,213,992	2,632	26,453	2,510,173	-	1,278,017
TOTAL NET POSITION	88,574,121	39,328,519	2,632	26,453	2,510,173	-	49,373,853
TOTAL LIABILITIES AND NET POSITION	$ 104,387,181	$ 44,265,891	$ 2,632	$ 26,453	$ 2,510,364	$ -	$ 52,528,816

Other Federal Program	State/Local	Business Activities	MTW Demonstration Program for Low Rent	MTW Demonstration Program for Capital Fund	MTW Demonstration Program for HCV program	Total Pre-Eliminations	Eliminations	Total Post-Eliminations
$ -	$ 2,303	$ 32,860,372	$ -	$ -	$ -	$ 75,430,713	$ -	$ 75,430,713
26,124	6,752,447	44,358,599	-	-	-	51,739,170	-	51,739,170
26,124	6,754,751	77,218,971	-	-	-	127,169,884	-	127,169,884
-	45,982	158,037	-	-	-	2,025,560	-	2,025,560
-	-	-	-	-	-	1,072,733	-	1,072,733
191	-	-	-	-	-	782,365	(782,365)	-
26,315	6,800,733	77,377,008	-	-	-	131,050,542	(782,365)	130,268,177
-	-	1,757,577	-	-	-	151,038,299	-	151,038,299
-	-	172,394,741	-	-	-	174,903,209	(1,263,000)	173,640,209
-	-	752,914	-	-	-	5,838,576	-	5,838,576
-	-	9,328,012	-	-	-	9,328,012	-	9,328,012
-	-	184,233,244	-	-	-	341,108,095	(1,263,000)	339,845,096
$ 26,315	$ 6,800,733	$ 261,610,252	$ -	$ -	$ -	$ 472,158,637	$ (2,045,365)	$ 470,113,272
$ -	$ -	$ -	$ -	$ -	$ -	$ 684,618	$ -	$ 684,618
-	-	7,314	-	-	-	6,241,535	-	6,241,535
-	6,751,030	772,823	-	-	-	11,739,784	-	11,739,784
-	-	-	-	-	-	198,878	-	198,878
-	-	-	-	-	-	782,365	(782,365)	-
-	6,751,030	780,137	-	-	-	19,647,179	(782,365)	18,864,814
-	-	-	-	-	-	10,052,725	(1,263,000)	8,789,725
-	-	769,440	-	-	-	2,506,290	-	2,506,290
-	-	769,440	-	-	-	12,559,015	(1,263,000)	11,296,015
-	6,751,030	1,549,577	-	-	-	32,206,194	(2,045,365)	30,160,829
-	-	1,757,576	-	-	-	142,049,695	-	142,049,695
26,315	-	223,328,893	-	-	-	224,622,010	-	224,622,010
-	49,703	34,974,205	-	-	-	73,280,738	-	73,280,738
26,315	49,703	260,060,674	-	-	-	439,952,443	-	439,952,443
$ 26,315	$ 6,800,733	$ 261,610,252	$ -	$ -	$ -	$ 472,158,637	$ (2,045,365)	$ 470,113,272

The Housing Authority of the City of Atlanta, Georgia

FINANCIAL DATA SCHEDULE OF COMBINING PROGRAM REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2014

	Project Total	Moving To Work Demonstration Program	Housing Choice Vouchers	Mainstream Vouchers	Revitalization of Severely Distressed Public Housing	Choice Neighborhoods Planning Grant	Component Units
Tenant Revenue	$ 5,794,940	$ -	$ -	$ -	$ -	$ -	$ -
HUD PHA Operating Grants	1,316,238	86,074	6,910,891	642,735	-	44,588	-
Capital Grants	1,838,783	-	-	-	-	-	-
Other Fees	-	1,494,998	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	-	-
Other Revenues	261,435	1,698,588	-	-	709	-	1,725,014
Gain (loss) on Sale of Capital Assets	2,828,062	12,412	-	-	-	-	233,270
TOTAL REVENUES	12,039,458	3,292,072	6,910,891	642,735	709	44,588	1,958,284
Administrative	5,004,673	41,430,816	427,161	61,833	-	44,588	378,309
Tenant Services	1,333,115	1,560,537	-	-	-	-	-
Utilities, maintenance and protective services	11,474,599	410,018	-	-	-	-	1,337,369
General expense	16,015,337	1,258,216	5,089	-	33,389	-	88,122
Interest expense	461,699	-	-	-	-	-	-
Extraordinary Maintenance	202,529	1,536,130	-	-	-	-	-
Housing Assistance Payments	-	116,882,900	7,027,963	653,656	-	-	-
Depreciation Expense	13,594,116	412,518	-	-	-	-	762,766
TOTAL EXPENSES	48,086,067	163,491,135	7,460,213	715,489	33,389	44,588	2,566,567
Operating Transfer In	43,855,095	448,558,476	7,719,781	772,365	973,902	67,042	5,184,677
Operating Transfer Out	(22,038,626)	(281,415,207)	(7,167,827)	(696,267)	(6,478,751)	(77,537)	(3,398,919)
Operating Transfers from/to Component Unit	(4,100)	(2,719,543)	-	-	-	-	-
Total Other financing sources (uses)	21,812,369	164,423,726	551,954	76,098	(5,504,849)	(10,495)	1,785,758
Change in net position	(14,234,240)	4,224,663	2,632	3,344	(5,537,529)	(10,495)	1,177,475
NET POSITION — beginning of year	106,198,241	38,911,686	-	23,109	8,047,702	10,495	48,511,378
Prior Period Adjustments, Equity Transfers and Correction of Errors	(3,389,879)	(3,807,830)	-	-	-	-	(315,000)
NET POSITION — end of year	$ 88,574,121	$ 39,328,519	$ 2,632	$ 26,453	$ 2,510,173	$ -	$ 49,373,853

Other Federal Program	State/Local	Business Activities	MTW Demonstration Program for Low Rent	MTW Demonstration Program for Capital Fund	MTW Demonstration Program for HCV program	Total Pre-Eliminations	Eliminations	Total Post-Eliminations
$ -	$ -	$ -	$ -	$ -	$ -	$ 5,794,940	$ -	$ 5,794,940
-	-	-	12,375,540	4,877,056	178,480,753	204,733,876	-	204,733,876
-	-	-	-	-	-	1,838,783	-	1,838,783
-	-	-	-	-	-	1,494,998	(1,494,998)	-
-	-	-	-	-	-	-	-	-
-	-	2,859,919	-	-	-	6,545,665	(1,681,848)	4,863,817
-	-	-	-	-	-	3,073,744	-	3,073,744
-	-	2,859,919	12,375,540	4,877,056	178,480,753	223,482,006	(3,176,846)	220,305,160
-	-	61,519	-	-	-	47,408,899	(3,176,846)	44,232,053
-	-	-	-	-	-	2,893,652	-	2,893,652
-	-	-	-	-	-	13,221,986	-	13,221,986
-	-	1,107,762	-	-	-	18,507,915	-	18,507,915
-	-	-	-	-	-	461,699	-	461,699
-	-	-	-	-	-	1,738,659	-	1,738,659
-	-	-	-	-	-	124,564,519	-	124,564,519
-	-	-	-	-	-	14,769,400	-	14,769,400
-	-	1,169,281	-	-	-	223,566,730	(3,176,846)	220,389,884
189	2,634,229	24,731,322	745,349	747,234	54,453,988	590,443,649	-	590,443,649
-	(8,837,181)	(6,867,655)	(13,120,889)	(5,624,290)	(232,934,741)	(588,657,890)	-	(588,657,890)
-	-	937,884	-	-	-	(1,785,759)	-	(1,785,759)
189	(6,202,952)	18,801,551	(12,375,540)	(4,877,056)	(178,480,753)	-	-	-
189	(6,202,952)	20,492,189	-	-	-	(84,725)	-	(84,725)
26,126	4,680,875	234,685,536	-	-	-	441,095,148	(1,057,980)	440,037,168
-	1,571,780	4,882,949	-	-	-	(1,057,980)	1,057,980	-
$ 26,315	$ 49,703	$ 260,060,674	$ -	$ -	$ -	$ 439,952,443	$ -	$ 439,952,443

NOTE A — BASIS OF PRESENTATION

The accompanying Schedule of Combining Statement of Program Revenues, Expenses and Changes in Net Position and Schedule of Combining Statement of Net Position have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center (REAC), as modified in accordance with the provisions, policies and requirements contained in the MTW Agreement.

REAC requires certain items on the Schedule of Combining Statement of Net Position to be classified entirely as short- or long-term. These items, however, are allocated between short- and long-term in the financial statements prepared in accordance with GAAP. Also, REAC does not provide for presenting items on the Schedule of Combining Statement of Program Revenues, Expenses and Changes in Net Position as operating or non-operating. Accordingly, there are differences in classifications and presentation between these schedules and the financial statements. Total assets, liabilities, net position and changes in net position reported in these schedules, however, agree with the financial statements prepared in accordance with GAAP.

NOTE B — COMBINING SCHEDULE OF BLENDED COMPONENT UNITS

AHA's blended component units are created at the direction of the AHA Board to assist the Authority with development and other acquisition activities in support of affordable housing. Under GASBs Nos. 14 and 34, these blended component units are presented within the reporting entity of AHA and are identified within the Financial Data Schedules. See Note A.3 of the Notes to the Financial Statements for additional information on AHA's component units. Balances and activity for FY 2014 were as follows:

Combining Statement of Net Position

As of June 30, 2014

	JWD	AAHFI	SHHI	RAH	SRDC	WAH	AHICI	Total Component Units
ASSETS								
Current and non-current assets	$ 822,724	$ 189,326	$ 1,121,769	$ 156,243	$ -	$ 2,950,677	$ 140,241	$ 5,380,980
Capital assets, net	11,349,675	-	-	-	-	35,798,161	-	47,147,836
TOTAL ASSETS	$ 12,172,399	$ 189,326	$ 1,121,769	$ 156,243	$ -	$ 38,748,838	$ 140,241	$ 52,528,816
LIABILITIES AND NET POSITION								
Current and non-current liabilities	$ 378,906	$ -	$ -	$ -	$ -	$ 1,513,057	$ -	$ 1,891,963
Long-term notes payable	-	-	-	-	-	1,263,000	-	1,263,000
Total liabilities	378,906	-	-	-	-	2,776,057	-	3,154,963
Invested in capital assets, net of debt	11,349,675	-	-	-	-	35,798,161	-	47,147,836
Restricted	-	-	-	-	-	948,000	-	948,000
Unrestricted	443,819	189,326	1,121,769	156,243	-	(773,380)	140,241	1,278,017
Total net position	11,793,493	189,326	1,121,769	156,243	-	35,972,781	140,241	49,373,853
TOTAL LIABILITIES AND NET POSITION	$ 12,172,399	$ 189,326	$ 1,121,769	$ 156,243	$ -	$ 38,748,838	$ 140,241	$ 52,528,816

Combining Statement of Program Revenues, Expenses and Changes in Net Position

Year ended June 30, 2014

	JWD	AAHFI	SHHI	RAH	SRDC	WAH	AHICI	Total Component Units
REVENUES								
Operating revenues	$ 1,690,170	$ 333	$ 29,567	$ 141	$ -	$ 4,655	$ 148	$ 1,725,014
EXPENSES								
Operating expenses	(2,461,719)	(50)	(20)	(20)	(465)	(62,558)	(34,552)	(2,559,383)
Gain on Sale of Capital Assets	-	-	-	-	-	226,086	-	226,086
Operating transfers in (out)	(12,464)	25	6,841	40	(485)	(1,782,157)	2,443	(1,785,758)
Total expenses	(2,449,255)	(75)	(6,861)	(60)	20	1,945,686	(36,994)	(773,625)
Increase (decrease) in net position	(759,085)	258	22,706	81	20	1,950,341	(36,846)	1,177,475
Net position — beginning of year	12,552,578	189,068	1,099,063	156,163	(20)	34,337,440	177,087	48,511,378
Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	(315,000)	-	(315,000)
Net position — end of year	$ 11,793,493	$ 189,326	$ 1,121,769	$ 156,243	$ -	$ 35,972,780	$ 140,241	$ 49,373,853

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF RELATED-PARTY LOANS AND FEES RECEIVABLE

As of June 30, 2014

Owner Entity:	Development Loans	Other Loans	Investment In Partnership	Developer and Other Fees Long Term	Developer and Other Fees Current
Construction/Permanent Financing Loans:					
Adamsville Green, L.P.	$ -	$ 1,958,970	$ -	$ -	$ -
Campbell Stone, L.P.	-	1,500,000	-	-	-
Capitol Gateway Partnership I, L.P.	10,084,861	181,236	-	-	-
Capitol Gateway Partnership II, L.P.	3,907,350	-	-	-	-
Carver Redevelopment Partnership I, L.P.	9,074,250	225,792	-	-	-
Carver Redevelopment Partnership II, L.P.	740,000	-	-	52,448	-
Carver Redevelopment Partnership III, L.P.	8,430,000	111,500	-	-	-
Carver Redevelopment Partnership V, L.P.	6,240,000	-	-	185,836	-
Carver Senior Building, L.P.	-	-	-	78,813	-
CCH John Eagan I Homes, L.P.	5,896,000	46,565	-	-	-
CCH John Eagan II Homes, L.P.	4,536,000	-	-	122,472	-
Centennial Park North, LLC	-	2,460,000	-	-	-
Columbia at Mechanicsville Apartments, L.P.	5,115,000	-	-	22,690	-
Columbia Commons, L.P.	3,425,221	-	82,580	-	-
Columbia Creste, L.P.	5,246,290	148,009	-	61,496	-
Columbia Estates, L.P.	4,566,413	168,791	-	48,653	10,935
Columbia Grove, L.P.	4,466,669	227,999	-	37,978	10,233
Columbia Park Citi Residences, L.P.	4,828,164	117,687	-	53,286	12,073
Columbia Senior Residences at Edgewood, L.P.	-	1,084,908	-	-	-
Columbia Senior Residences at Mechanicsville, L.P.	4,273,628	-	-	-	5,874
Columbia Village, L.P.	2,250,000	-	111,914	-	-
East Lake Redevelopment II, L.P.	11,903,505	318,728	-	42,275	-
East Lake Redevelopment, L.P.	5,824,000	197,702	-	-	-
Gates Park Crossing HFOP Apartments, L.P.	-	1,203,535	-	220,054	-
Gates Park Crossing HFS Apartments, L.P.	-	1,074,078	-	227,375	-
Grady Multifamily II, L.P.	5,500,000	-	-	262,500	-
Grady Redevelopment Partnership I, L.P.	2,803,668	-	-	-	-
Grady Redevelopment Partnership II, L.P.	7,418,510	-	-	-	-
Grady Senior Partnership II, L.P.	2,849,413	-	-	-	-
Harris Redevelopment Partnership I, L.P.	7,925,000	351,060	-	89,636	-
Harris Redevelopment Partnership II, L.P.	-	97,544	-	-	-
Harris Redevelopment Partnership Phase V, L.P.	9,194,426	-	-	-	-
John Hope Community Partnership I, L.P.	4,620,000	-	-	-	-
John Hope Community Partnership II, L.P.	7,980,000	-	-	-	-
Kimberly Associates I, L.P.	2,605,000	152,484	-	-	-
Kimberly Associates II, L.P.	1,507,000	70,335	-	7,833	-
Kimberly Associates III, L.P.	1,305,000	22,080	-	91,241	-
Legacy Partnership I, L.P.	3,520,000	43,382	-	-	-
Legacy Partnership II, L.P.	3,445,000	116,560	-	-	-
Legacy Partnership III, L.P.	3,774,000	391,289	-	-	-
Legacy Partnership IV, L.P.	3,920,000	284,483	-	-	-
Mechanicsville Apartments Phase 3, L.P.	5,965,395	-	-	-	1,712
Mechanicsville Apartments Phase 4, L.P.	5,494,000	-	-	96,712	-
Mechanicsville Apartments Phase 6, L.P.	5,164,398	-	-	63,141	-
Mercy Housing Georgia VI, L.P.	5,600,000	111,296	-	-	-
UH Senior Partnership II, L.P.	269,707	-	-	-	-
West End Phase III Redevelopment Partnership, L.P.	1,298,400	97,805	-	-	-
Other Loans:					
Brock Built Homes, LLC	-	24,000	-	-	-
Columbia Colony Senior	-	-	-	40,000	-
Columbia Heritage Senior Residences, L.P.	-	-	-	307,898	11,977
Harris Redevelopment Partnership VI, L.P.	-	-	220,000	19,311	-
Other	-	8,468	-	-	-
	192,966,268	12,796,287	414,494	2,131,647	52,804
Valuation allowance	(30,760,489)	(3,371,032)	(414,494)	(122,472)	-
	$ 162,205,779	**$ 9,425,255**	**$ -**	**$ 2,009,175**	**$ 52,804**

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF RELATED-PARTY LOANS AND FEES RECEIVABLE

As of June 30, 2013

Owner Entity:	Development Loans	Other Loans	Investment In Partnership	Developer and Other Fees Long Term	Developer and Other Fees Current	Predevelopment Loans Current
Predevelopment Loans:						
Grady Multifamily II, L.P.	$ -	$ -	$ -	$ -	$ -	$ -
Harris Redevelopment, LLC	-	-	-	-	-	8,468
UH Senior Partnership II, L.P.	-	-	-	-	-	188,650
Construction/Permanent Financing Loans:						
Adamsville Green, L.P.	-	2,024,724	-	-	9,954	-
Campbell Stone, L.P.	-	1,500,000	-	-	-	-
Capitol Gateway Partnership I, L.P.	10,084,861	181,236	-	-	-	-
Capitol Gateway Partnership II, L.P.	3,946,821	-	-	-	-	-
Carver Redevelopment Partnership I, L.P.	9,074,250	225,792	-	-	-	-
Carver Redevelopment Partnership II, L.P.	740,000	-	-	52,448	-	-
Carver Redevelopment Partnership III, L.P.	8,430,000	111,500	-	-	-	-
Carver Redevelopment Partnership V, L.P.	6,240,000	-	-	185,836	7,781	-
Carver Senior Building, L.P.	-	-	-	125,291	-	-
CCH John Eagan I Homes, L.P.	5,896,000	46,565	-	-	-	-
CCH John Eagan II Homes, L.P.	4,536,000	-	-	122,472	-	-
Centennial Park North, LLC	-	-	-	-	-	-
Centennial Place Holdings	-	2,460,000	-	-	-	-
Columbia at Mechanicsville Apartments, L.P.	5,115,000	-	-	19,152	3,539	-
Columbia Commons, L.P.	3,425,221	-	82,580	-	-	-
Columbia Creste, L.P.	5,246,290	148,009	-	47,838	13,658	-
Columbia Estates, L.P.	4,566,413	168,791	-	47,675	11,913	-
Columbia Grove, L.P.	4,466,669	227,999	-	37,978	10,233	-
Columbia Park Citi Residences, L.P.	4,828,164	117,687	-	73,062	13,838	-
Columbia Senior Residences at Edgewood, L.P.	1,084,908	-	-	1,024	-	-
Columbia Senior Residences at Mechanicsville, L.P.	4,273,628	-	-	15,179	11,917	-
Columbia Village, L.P.	2,250,000	-	111,914	42,197	-	-
East Lake Redevelopment II, L.P.	11,903,505	318,728	-	-	42,275	-
East Lake Redevelopment, L.P.	5,824,000	197,702	-	-	-	-
Gates Park Crossing HFOP Apartments, L.P.	-	1,203,535	-	182,554	37,500	-
Gates Park Crossing HFS Apartments, L.P.	-	1,074,078	-	45,270	182,105	-
Grady Multifamily II, L.P.	4,521,176	-	-	262,500	-	-
Grady Redevelopment Partnership I, L.P.	2,830,213	-	-	-	-	-
Grady Redevelopment Partnership II, L.P.	7,451,027	-	-	-	-	-
Grady Senior Partnership II, L.P.	2,860,098	-	-	-	-	-
Harris Redevelopment Partnership I, L.P.	7,925,000	351,060	-	89,636	-	-
Harris Redevelopment Partnership II, L.P.	-	97,544	-	-	-	-
Harris Redevelopment Partnership Phase V, L.P.	9,196,000	-	-	-	-	-
John Hope Community Partnership I, L.P.	4,620,000	-	-	-	-	-
John Hope Community Partnership II, L.P.	7,980,000	-	-	-	-	-
Kimberly Associates I, L.P.	2,605,000	152,484	-	-	-	-
Kimberly Associates II, L.P.	1,507,000	70,335	-	7,833	-	-
Kimberly Associates III, L.P.	1,305,000	22,080	-	91,241	-	-
Legacy Partnership I, L.P.	3,520,000	43,382	-	-	-	-
Legacy Partnership II, L.P.	3,445,000	116,560	-	-	-	-
Legacy Partnership III, L.P.	3,774,000	391,289	-	-	-	-
Legacy Partnership IV, L.P.	3,920,000	284,483	-	-	-	-
Mechanicsville Apartments Phase 3, L.P.	5,965,395	-	-	1,565	16,031	-
Mechanicsville Apartments Phase 4, L.P.	5,494,000	-	-	90,305	15,970	-
Mechanicsville Apartments Phase 6, L.P.	5,170,000	-	-	63,141	530	-
Mercy Housing Georgia VI, L.P.	5,600,000	111,296	-	-	-	-
Veranda at Scholar's Landing	-	-	-	79,695	79,695	-
West End Phase III Redevelopment Partnership, L.P.	1,298,400	97,805	-	-	-	-
Other Loans:						
940 Cunningham Place, LLC	-	1,757,136	-	-	-	-
Brock Built Homes, LLC	-	192,000	-	-	-	-
Columbia Colony Senior	-	-	-	40,000	-	-
Columbia Heritage Senior Residences, L.P.	-	-	-	307,898	11,447	-
Harris Redevelopment Partnership VI, L.P.	-	-	220,000	19,311	-	-
	192,919,038	13,693,801	414,494	2,051,099	468,385	197,118
Valuation allowance	(30,262,101)	(3,371,032)	(414,494)	(122,472)	-	-
	$ 162,656,937	**$ 10,322,769**	**$ -**	**$ 1,928,627**	**$ 468,385**	**$ 197,118**

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF RELATED-PARTY TRANSACTIONS

Year Ended June 30, 2014

			Housing Assistance Payments	
Owner Entity:	**Income Received on Loans**	**Development-Related Income**	**Mixed-Income Communities**	**PBRA [1]**
Construction/Permanent Financing Loans:				
Campbell Stone, L.P.	$ -	$ -	$ -	$ 1,427,779
Capitol Gateway Partnership I, L.P.	-	49,577	426,025	17,233
Capitol Gateway Partnership II, L.P.	48,185	28,562	317,567	189,019
Carver Redevelopment Partnership I, L.P.	-	37,043	712,816	-
Carver Redevelopment Partnership II, L.P.	-	12,847	189,130	-
Carver Redevelopment Partnership III, L.P.	-	35,816	580,920	-
Carver Redevelopment Partnership V, L.P.	-	35,224	387,824	-
Carver Senior Building, L.P.	-	19,311	-	743,152
CCH John Eagan I Homes, L.P.	-	-	491,724	-
CCH John Eagan II Homes, L.P.	-	-	463,020	-
Centennial Park North, LLC	-	-	440,157	-
Columbia at Mechanicsville Apartments, L.P.	-	-	379,229	320,022
Columbia Commons, L.P.	-	-	329,517	98,532
Columbia Creste, L.P.	-	-	353,302	-
Columbia Estates, L.P.	-	-	349,385	-
Columbia Grove, L.P.	-	-	283,704	-
Columbia Senior Residences at Edgewood, L.P.	-	-	-	1,281,993
Columbia Senior Residences at Mechanicsville, L.P.	44,398	-	203,623	641,777
Columbia Village, L.P.	-	-	159,061	-
East Lake Redevelopment II, L.P.	-	12,550	1,373,648	-
East Lake Redevelopment, L.P.	-	-	899,269	-
Gates Park Crossing HFOP Apartments, L.P.	-	-	-	1,043,579
Gates Park Crossing HFS Apartments, L.P.	-	-	-	795,542
Grady Multifamily I, L.P.	37,152	29,977	-	-
Grady Multifamily II, L.P.	83,460	-	54,499	-
Grady Redevelopment Partnership I, L.P.	-	23,226	127,723	664,086
Grady Redevelopment Partnership II, L.P.	-	-	295,309	-
Grady Senior Partnership II, L.P.	112,479	21,414	-	-
Grady Senior Partnership III, L.P.	-	106,007	-	-
Harris Redevelopment Partnership I, L.P.	-	35,826	428,458	-
Harris Redevelopment Partnership II, L.P.	-	19,259	-	81,542
Harris Redevelopment Partnership Phase V, L.P.	81,364	33,219	389,533	-
John Hope Community Partnership I, L.P.	-	-	366,717	-
John Hope Community Partnership II, L.P.	-	-	369,352	-
Kimberly Associates I, L.P.	-	-	404,515	12,086
Kimberly Associates II, L.P.	-	-	248,648	10,208
Kimberly Associates III, L.P.	-	10,000	182,660	4,275
Legacy Partnership I, L.P.	-	-	539,198	-
Legacy Partnership II, L.P.	23,519	-	476,150	-
Legacy Partnership III, L.P.	31,970	-	454,032	-
Legacy Partnership IV, L.P.	-	-	391,346	-
Mechanicsville Apartments Phase 3, L.P.	56,375	-	424,149	274,768
Mechanicsville Apartments Phase 4, L.P.	-	-	420,900	345,423
Mechanicsville Apartments Phase 6, L.P.	-	5,602	396,180	-
Mercy Housing Georgia VI, L.P.	-	-	414,801	926,350
UH Senior Partnership II, L.P.	-	102,926	-	-
West End Phase III Redevelopment Partnership, L.P.	-	-	126,859	-
Other:				
Adamsville Green, L.P.	44,249	7,000	-	578,424
Brock Built Homes, LLC	-	605,697	-	-
Columbia Heritage Senior Residences, LP	-	-	-	1,037,520
Harris Redevelopment Partnership VI, L.P.	-	5,320	184,942	-
UH Senior Partnership I, L.P.	-	101,004	-	-
	$ 563,150	**$ 1,337,407**	**$ 15,035,892**	**$ 10,493,310**

[1] PBRA payments listed are related-party only and, as a result, are not all-inclusive.

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF RELATED-PARTY TRANSACTIONS

Year Ended June 30, 2013

Owner Entity:	Interest Income Received on Loans	Development-Related Income	Housing Assistance Payments: Mixed-Income Communities	Housing Assistance Payments: PBRA [1]
Construction/Permanent Financing Loans:				
Campbell Stone, L.P.	$ -	$ -	$ -	$1,425,040
Capitol Gateway Partnership I, L.P.	-	-	332,406	130,416
Capitol Gateway Partnership II, L.P.	19,393	-	240,532	181,960
Carver Redevelopment Partnership I, L.P.	-	19,206	933,422	24,336
Carver Redevelopment Partnership II, L.P.	-	5,632	252,463	-
Carver Redevelopment Partnership III, L.P.	-	-	553,003	11,739
Carver Redevelopment Partnership V, L.P.	-	7,781	405,663	8,738
Carver Senior Building, L.P.	-	70,366	-	736,215
CCH John Eagan I Homes, L.P.	-	-	491,724	-
CCH John Eagan II Homes, L.P.	-	-	463,020	-
Centennial Park North, LLC	-	-	392,486	-
Columbia at Mechanicsville Apartments, L.P.	106,004	16,997	417,551	353,329
Columbia Commons, L.P.	-	-	278,609	87,769
Columbia Creste, L.P.	-	13,658	388,125	-
Columbia Estates, L.P.	-	11,913	336,060	-
Columbia Grove, L.P.	-	10,233	276,956	-
Columbia Park Citi Residences, L.P.	-	13,838	-	-
Columbia Senior Residences at Edgewood, L.P.	66,678	143,513	-	1,271,952
Columbia Senior Residences at Mechanicsville, L.P.	60,250	11,917	242,638	632,138
Columbia Village, L.P.	-	-	153,150	-
East Lake Redevelopment II, L.P.	-	13,050	1,229,868	-
East Lake Redevelopment, L.P.	-	-	771,004	-
Gates Park Crossing HFOP Apartments, L.P.	-	-	-	1,026,385
Gates Park Crossing HFS Apartments, L.P.	-	-	-	844,469
Grady Multifamily I, L.P.	72,037	-	-	-
Grady Multifamily II, L.P.	53,507	749,924	-	-
Grady Redevelopment Partnership I, L.P.	-	-	182,600	684,683
Grady Redevelopment Partnership II, L.P.	-	-	320,773	-
Grady Senior Partnership II, L.P.	20,292	-	-	-
Grady Senior Partnership III, L.P.	-	83,120	-	-
Harris Redevelopment Partnership I, L.P.	-	-	357,764	-
Harris Redevelopment Partnership II, L.P.	-	46,608	-	92,120
Harris Redevelopment Partnership Phase V, L.P.	48,255	-	398,470	-
John Hope Community Partnership I, L.P.	-	-	631,251	-
John Hope Community Partnership II, L.P.	-	-	585,405	-
Kimberly Associates I, L.P.	-	-	352,572	126,909
Kimberly Associates II, L.P.	-	-	205,161	92,200
Kimberly Associates III, L.P.	-	-	148,183	79,155
Legacy Partnership I, L.P.	-	-	394,479	-
Legacy Partnership II, L.P.	27,848	-	311,260	-
Legacy Partnership III, L.P.	9,633	-	372,597	-
Legacy Partnership IV, L.P.	-	-	332,459	-
Mechanicsville Apartments Phase 3, L.P.	-	16,031	397,508	267,214
Mechanicsville Apartments Phase 4, L.P.	-	15,970	380,548	360,530
Mechanicsville Apartments Phase 6, L.P.	-	-	320,100	-
Mercy Housing Georgia VI, L.P.	46,661	45,912	445,008	935,254
West End Phase III Redevelopment Partnership, L.P.	-	-	140,566	-
Other:				
Adamsville Green, L.P.	6,370	-	-	581,255
Brock Built Homes, LLC	-	375,846	-	-
Carnegy Library, L.P.	-	27,264	-	-
Columbia Colony Senior	-	50,000	-	-
Columbia Heritage Senior Residences, L.P.	-	11,977	-	1,057,060
Harris Redevelopment Partnership VI, L.P.	-	-	187,165	-
Imperial Hotel	-	13,812	-	-
UH Senior Partnership II, L.P.	-	7,500	-	-
	$ 536,927	**$ 1,782,067**	**$ 14,622,550**	**$ 11,010,866**

[1] PBRA payments listed are related-party only and, as a result, are not all-inclusive.

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF HUD-FUNDED GRANTS

As of and Year Ended June 30, 2014

Program	Original Grant Award Authorized Amount	Grant Drawdown Cumulative as of June 30, 2013	Grant Drawdown Year ended June 30, 2014	Grant Drawdown Cumulative as of June 30, 2014	Expenditures Cumulative as of June 30, 2013	Expenditures Year ended June 30, 2014	Expenditures Cumulative as of June 30, 2014	HUD Receivable/ (Payable) Balance as of June 30, 2014	Remaining Grant Award Unexpended Balance as of June 30, 2014
Capital Fund Program Grants:									
GA06P006501-09 Capital Fund Program 2009	$ 12,535,836	$ 10,629,350	$ 1,906,486	$ 12,535,836	$ 10,631,236	$ 1,904,600	$ 12,535,836	-	-
GA06P006501-10 Capital Fund Program 2010	11,998,337	9,771,230	2,227,107	11,998,337	9,771,230	2,227,107	11,998,337	-	-
GA06P006501-11 Capital Fund Program 2011	9,426,542	-	-	-	-	-	-	-	9,426,542
GA06P006501-12 Capital Fund Program 2012	4,667,238	-	745,349	745,349	-	745,349	745,349	-	3,921,889
GA06P006501-13 Capital Fund Program 2013	3,885,905	-	-	-	-		-	-	3,885,905
GA06P006501-14 Capital Fund Program 2014	4,665,921	-	-	-	-		-	-	4,665,921
Total Capital Fund Program Grants	47,179,779	20,400,580	4,878,942	25,279,522	20,402,466	4,877,056	25,279,522	-	21,900,257
HOPE VI Grants:									
GA4APH006CN11 Choice Neighborhood Planning	250,000	198,027	51,973	250,000	205,411	44,589	250,000	-	-
Total HOPE VI Grants	250,000	198,027	51,973	250,000	205,411	44,589	250,000	-	-
Replacement Housing Factor Grants:									
GA06R006501-08 RHF 2008-1 *	1,461,675	1,461,675	-	1,461,675	1,461,675	-	1,461,675	-	-
GA06R006502-08 RHF 2008-2 *	5,472,872	5,472,872	-	5,472,872	5,472,872	-	5,472,872	-	-
GA06R006501-09 RHF 2009-1 *	3,112,679	3,112,679	-	3,112,679	3,112,679	-	3,112,679	-	-
GA06R006502-09 RHF 2009-2 *	4,838,507	4,838,507	-	4,838,507	4,838,507	-	4,838,507	-	-
GA06R006501-10 RHF 2010-1 *	2,347,162	2,347,162	-	2,347,162	2,347,162	-	2,347,162	-	-
GA06R006502-10 RHF 2010-2	3,958,066	3,780,457	177,609	3,958,066	3,780,457	177,609	3,958,066	-	-
GA06R006501-11 RHF 2011-1	2,534,662	-	2,534,662	2,534,662	1,943,302	591,360	2,534,662	-	-
GA06R006502-11 RHF 2011-2	2,136,846	-	1,875,439	1,875,439	-	2,136,846	2,136,846	261,407	261,407
GA06R006501-12 RHF 2012-1	6,618,731	-	-	-	-	253,205	253,205	253,205	6,112,321
GA06R006502-12 RHF 2012-2	1,429,204	-	-	-	-	-	-	-	1,429,204
GA06R006501-13 RHF 2013-1	5,803,172	-	-	-	-	-	-	-	5,803,172
GA06R006502-13 RHF 2013-2	2,672,813	-	-	-	-	-	-	-	2,672,813
GA06R006501-14 RHF 2014-1	5,536,616	-	-	-	-	-	-	-	5,536,616
GA06R006502-14 RHF 2014-2	2,629,657	-	-	-	-	-	-	-	2,629,657
Total Replacement Housing Factor Grants	50,552,662	21,013,352	4,587,710	25,601,062	22,956,654	3,159,020	26,115,674	514,612	24,951,600
Total HUD-Funded Grants	$ 97,982,441	$ 41,611,959	$ 9,518,625	$ 51,130,584	$ 43,564,531	$ 8,080,665	$ 51,645,196	$ 514,612	$ 46,851,857

* Grants completed in year ended June 30, 2013

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF CFP PROGRAM COMPLETION COSTS AND ADVANCES PROGRAM CERTIFICATION

Contract completed during the year ended June 30, 2014

GRANT NAME	CFP Year 2009
PROJECT NUMBER	GA06P006501-09
GRANT AWARD EFFECTIVE DATE*	September 15, 2009
CONTRACT COMPLETION DATE	September 14, 2013
BUDGET	$ 12,535,836
ADVANCES	$ 12,535,836
COSTS	12,535,836
EXCESS/(DEFICIENCY) OF ADVANCES DUE TO/(FROM) HUD	$ -
AMOUNT TO BE RECAPTURED BY HUD	$ -

*Represents the LOCCS effective date.

The actual CFRG Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF CFP PROGRAM COMPLETION
COSTS AND ADVANCES PROGRAM CERTIFICATION

Contract completed during the year ended June 30, 2014

GRANT NAME		CFP Year 2010
PROJECT NUMBER		GA06P006501-10
GRANT AWARD EFFECTIVE DATE*		July 15, 2010
CONTRACT COMPLETION DATE		June 30, 2014
BUDGET	$	11,998,337
ADVANCES	$	11,998,337
COSTS		11,998,337
EXCESS/(DEFICIENCY) OF ADVANCES DUE TO/(FROM) HUD	$	-
AMOUNT TO BE RECAPTURED BY HUD	$	-

*Represents the LOCCS effective date.

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All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF RHF PROGRAM COMPLETION
COSTS AND ADVANCES PROGRAM CERTIFICATION

Contract completed during the year ended June 30, 2014

GRANT NAME		RHF 2010-2
PROJECT NUMBER		GA06R006502-10
GRANT AWARD EFFECTIVE DATE*		July 15, 2010
CONTRACT COMPLETION DATE		June 30, 2014
BUDGET	$	3,958,066
ADVANCES	$	3,958,066
COSTS		3,958,066
EXCESS/(DEFICIENCY) OF ADVANCES DUE TO/(FROM) HUD	$	-
AMOUNT TO BE RECAPTURED BY HUD	$	-

*Represents the LOCCS effective date.

The actual CFRG Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF RHF PROGRAM COMPLETION COSTS AND ADVANCES PROGRAM CERTIFICATION

Contract completed during the year ended June 30, 2014

GRANT NAME		RHF 2011-1
PROJECT NUMBER		GA06R006501-11
GRANT AWARD EFFECTIVE DATE*		August 3, 2011
CONTRACT COMPLETION DATE		June 30, 2014
BUDGET	$	2,534,662
ADVANCES	$	2,534,662
COSTS		2,534,662
EXCESS/(DEFICIENCY) OF ADVANCES DUE TO/(FROM) HUD	$	-
AMOUNT TO BE RECAPTURED BY HUD	$	-

*Represents the LOCCS effective date.

The actual CFRG Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

The Housing Authority of the City of Atlanta, Georgia

SCHEDULE OF CNP PROGRAM COMPLETION COSTS AND ADVANCES PROGRAM CERTIFICATION

Contract completed during the year ended June 30, 2014

GRANT NAME	Choice Neighborhood Planning
PROJECT NUMBER	GA4APH006CNP110
GRANT AWARD EFFECTIVE DATE*	March 30, 2011
CONTRACT COMPLETION DATE	September 29, 2013
BUDGET	$ 250,000
ADVANCES	$ 250,000
COSTS	250,000
EXCESS/(DEFICIENCY) OF ADVANCES DUE TO/(FROM) HUD	$ -
AMOUNT TO BE RECAPTURED BY HUD	$ -

*Represents the LOCCS effective date.

The actual CFRG Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.