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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**GEORGIA HOUSING AND FINANCE AUTHORITY
ECONOMIC DEVELOPMENT FINANCING, INC.**

JUNE 30, 2012 AND 2011

Georgia Housing and Finance Authority Economic Development Financing, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Georgia Housing and Finance Authority Economic Development Financing, Inc.

We have audited the accompanying statements of net assets of the Georgia Housing and Finance Authority Economic Development Financing, Inc. (EDF), as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of EDF. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EDF as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report on pages 16 through 17 dated September 27, 2012 on our consideration of EDF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 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.

Reznick Group, P.C.

Atlanta, Georgia
September 27, 2012

This section of the Georgia Housing and Finance Authority Economic Development Financing, Inc's (EDF) annual financial report presents the analysis of EDF's performance as of and for the years ended June 30, 2012 and 2011. Please read it in conjunction with the financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial statement consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. The financial statements of EDF report information using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about EDF's overall financial status.

REQUIRED FINANCIAL STATEMENTS

The *Statements of Net Assets* presents information on all of EDF's assets and liabilities, with the difference between the two reported as net assets. This statement provides information about the nature and amounts of investments in resources (assets) and the obligations to EDF creditors (liabilities). It provides one way to measure the financial health of EDF by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility. However, one will need to consider other nonfinancial factors such as changes in economic conditions and new or changed government legislation.

All of the current year's revenue and expenses are accounted for in the *Statements of Revenue, Expenses, and Changes in Net Assets*. This statement measures the success of EDF's operations over the past two years and can be used to determine whether EDF has successfully recovered its costs as well as assessing creditworthiness.

The final required financial statement is the *Statements of Cash Flows*. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, and investing and financing activities. The statement provides answers to such questions as "where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF EDF

Loans for Rural Industry Program (LFRI)

EDF administers the Loans for Rural Industry (LFRI) program, which offers low-cost, medium-term financing to businesses located or expanding into Georgia's smaller populated communities.

State Small Business Credit Initiative (SSBCI)

Under the Small Business Jobs Act of 2010, EDF administers the Georgia State Small Business Credit Initiative (SSBCI) program. SSBCI's purpose is to serve small businesses by issuing loans to fund costs such as business establishment and fixed assets.

The following table summarizes the changes in net assets between fiscal years 2012 and 2011.

	(In thousands)		FY 2011-FY 2012	
	6/30/2012	6/30/2011	Inc/(Dec)	Inc/(Dec)
Current assets	$ 15,782	$ 126	$ 15,657	12462.0%
Noncurrent assets	-	-	-	0.0%
Total assets	15,782	126	15,657	12462.0%
Liabilities	15,783	127	15,656	12362.9%
Total net assets	(1)	(1)	1	99.1%

The following table summarizes the changes in net operating revenue between fiscal years 2012 and 2011.

	(In thousands)		FY 2011-FY 2012	
	6/30/2012	6/30/2011	Inc/(Dec)	Inc/(Dec)
Operating revenue	$ 301	$ 30	$ 271	918.0%
Expenses	300	30	270	915.1%
Changes in net assets	1	-	1	1833.1%
Beginning net assets	(1)	(1)	-	0.0%
Ending net assets	(0)	(1)	1	1833.1%

Operating revenue increased due to an increase in grant income for the SSBCI program. Expenses increased due to the increase in grant administrative and loan expenses for the SSBCI program.

CONTACTING EDF'S FINANCIAL MANAGEMENT

This financial report is designed to provide EDF's clients, investors and creditors with a general overview of EDF's finances and to demonstrate EDF's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Georgia Housing and Finance Authority Economic Development Financing, Inc.
Attn: Finance Division
60 Executive Park South, NE
Atlanta, Georgia 30329

Georgia Housing and Finance Authority Economic Development Financing, Inc.

STATEMENTS OF NET ASSETS

	June 30, 2012	June 30, 2011
ASSETS		
Cash	$ 15,656,799	$ -
Due from affiliate	125,636	125,636
Total assets	15,782,435	125,636
LIABILITIES		
Deferred revenue	15,603,867	125,636
Due to affiliate	178,694	1,000
Total liabilities	15,782,561	126,636
NET ASSETS		
Unrestricted	$ (126)	$ (1,000)

See accompanying notes to financial statements

Georgia Housing and Finance Authority Economic Development Financing, Inc.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years ended June 30, 2012	Years ended June 30, 2011
Operating revenues:		
Grant income		
Loans	$ 122,000	$ -
Administrative	177,963	29,551
Other income	875	-
Total operating revenues	300,838	29,551
Grant expenses		
Loans	122,000	-
Administrative	177,964	29,551
Total operating expenses	299,964	29,551
Changes in net assets	874	-
Net assets at beginning of year	(1,000)	(1,000)
Net assets at end of year	$ (126)	$ (1,000)

See accompanying notes to financial statements

Georgia Housing and Finance Authority Economic Development Financing, Inc.

STATEMENTS OF CASH FLOWS

	Years ended June 30, 2012	2011
Cash flows from operating activities:		
Grant proceeds	$ 15,778,194	$ -
Grant expenditures	(122,270)	-
Other income	875	-
Net cash provided by (used in) operating activities	15,656,799	-
Net increase (decrease) in cash	15,656,799	-
Cash at beginning of year	-	-
Cash at end of year	$ 15,656,799	$ -
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	$ 874	$ -
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Decrease (increase) in due from affiliate	-	29,551
Increase (decrease) in deferred revenue	15,478,231	(29,551)
Increase (decrease) in due to affiliate	177,694	-
Total adjustments	15,655,925	-
Net cash provided by operating activities	$ 15,656,799	$ -

See accompanying notes to financial statements

NOTE 1 - AUTHORIZING LEGISLATION AND ACTIVITIES

The Georgia Housing and Finance Authority Economic Development Financing, Inc. EDF was organized to act as an instrumentality of the State of Georgia and the Georgia Housing and Finance Authority (GHFA) on April 25, 1994. EDF commenced its planned operations on July 1, 1994. EDF's financial statements are included in the financial statements of GHFA. Effective July 1, 1996, the administration of GHFA was included under the State Department of Community Affairs (DCA). GHFA has remained intact and its existing staff has been transferred to State employment as employees of DCA.

The powers of EDF are vested in a board of directors, which consists of the same 18 members, who constitute the board of directors of DCA. The board of directors may, by a proper resolution, provide for the method of signing checks, notes, drafts, bills of exchange, or other instruments for the payment of money; for the transfer and sale of property; for the endorsement and registration of securities; for the assumption of liabilities; and for the execution of all other legal documents. Funds may also be distributed from EDF to pay expenses of the board of directors, to pay any operating expenses, and to pay for professional, technical and clerical services provided to the board of directors.

LFRI Program

Under its enabling resolution, EDF administered the Loans For Rural Industry (LFRI) Program, which offers low-cost, medium-term financing to businesses located or expanding into Georgia's smaller populated communities. LFRI loans may be made to businesses engaged in manufacturing, production, warehousing or distribution. Loan proceeds may be used for a variety of purposes including building acquisition or expansion, leasehold improvements, or equipment purchases. The loans can range in size from $10,000 to $150,000 and cannot exceed 50 percent of the total project costs. Loan terms will range from one to ten years with an interest rate fixed at the time of closing that will usually be 2 percent below the prime rate. Job creation and retention is the central focus of the LFRI program. Capital for this revolving loan program is provided by Rural Economic and Community Development, a division of the United States Department of Agriculture. There were no outstanding loans under the LFRI program at June 30, 2012 or 2011.

SSBCI Program

SSBCI is a small business loan program created by the Small Business Jobs Act of 2010. The State of Georgia was allocated $47,808,507 in federal funds to increase access to capital for small businesses in Georgia. Following is a list of the three Georgia SSBCI programs and the dollar amounts allocated to each: 1) Georgia Capital Access Program (GCAP), a portfolio insurance program - $10 million; 2) Georgia Small Business Credit Guarantee (SBCG), a loan guarantee program with a conversion option to a risk reserve pool - $17,808,507; and, 3) Georgia Funding for CDFIs, a loan participation program which provides financing to underserved businesses through Community Development Financial Institutions (CDFIs).

All participating lenders in the Georgia SSBCI program must submit an application to be vetted and approved, prior to enrolling loans in the program. Approved lenders then sign a Program Participation Agreement. Although eligibility requirements vary slightly between the three programs, the Georgia SSBCI is primarily designed to serve businesses with 500 or fewer employees, and the target participation amount for SSBCI funds is $500,000 or less. Eligible loan uses include start-up costs, working capital, business acquisition and expansions; franchise financing; equipment; inventory financing; commercial real estate acquisitions, etc.

SSBCI program activity began during the year ended June 30, 2012, and was the only active program during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of EDF conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Basis of Accounting

EDF is considered a special purpose government engaged in business-type activities and as such follows the accounting for proprietary funds. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus emphasizes the determination of changes in net assets. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

In accordance with Governmental Accounting Standards Board (GASB) No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, EDF has applied all Financial Accounting Standards Board

(FASB) pronouncements issued prior to December 1, 1989, that are not inconsistent with GASB pronouncements. Subsequent to this date, EDF accounts for its proprietary funds as required by GASB.

Cash Concentration Risk

EDF maintains its cash in a bank deposit account that, at times, may exceed federally insured limits. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2012 and 2011, EDF has not experienced any losses associated with these deposits.

Income Taxes

EDF is exempt from income taxes under Internal Revenue Code Section 115.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Program Revenues and Expenses

Unexpended grant funds received under grant awards from the Treasury are deferred until the related program expenditures are incurred.

Grant Recognition

Grant funding is deferred until the related program expenditure is incurred.

Net Assets

Net assets are classified and displayed in three categories in the financial statements.

Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

EDF's net assets are classified into only one category, which is unrestricted.

NOTE 3 – DEPOSITS

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, EDF's deposits may not be returned. As of June 30, 2012 and 2011, all of EDF's deposits were either covered by federal depository insurance or covered by collateral held in the pledging bank's trust department in EDF's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is minimized due to the fact that all deposits are highly liquid with no fixed maturity and therefore do not expose EDF to interest rate risk.

NOTE 4 - DEFERRED REVENUE

On June 25, 2010, EDF entered into an agreement with DCA whereby in consideration for EDF facilitating economic and community development activities, DCA disbursed to the Authority a sum of $100,000. The term of the agreement shall be five years commencing on June 25, 2010 and ending on June 24, 2015, unless earlier terminated. Disbursements from the grant are made at the direction of DCA. As of June 30, 2012, EDF has not incurred any costs associated with facilitating economic development activities, and no amounts have been recognized as revenue. As of June 30, 2012 and 2011, EDF has deferred revenue related to its agreement with DCA in the amount of $100,000 and $100,000, respectively, and is included in deferred revenue.

EDF entered into an intergovernmental agreement with DCA on June 29, 2010, in which DCA agreed to compensate EDF in a one-time payment of $55,187 for costs of providing professional, technical and clerical services necessary or required in order to provide community and economic development policy implementation and management support. As of June 30, 2012, EDF has incurred $29,551 of costs associated with providing the required services of the agreement, and has recognized $29,551 as revenue. As of June 30, 2012 and 2011, EDF has deferred revenue related to its payment from DCA in the amount of $25,636 and $25,636, respectively, and is included in deferred revenue.

On December 13, 2011, DCA was allocated $47,808,507 by the US Department of the Treasury as part of the State Small Business Credit Initiative (SSBCI). The allocation was then assigned to EDF. The purpose of the allocation is to assist in increasing the amount of capital made available by private lenders to small businesses through the Georgia Capital Access Program, the Georgia Funding for CDFIs, and the Georgia Small Business Credit Guarantee Program. As of June 30, 2012, EDF has received $15,776,813, incurred administrative and program costs totaling $299,964, and has recognized $299,963 as revenue. As of June 30, 2012 and 2011, EDF has deferred revenue related to the allocation in the amount of $15,476,850, and $-, respectively, and is included in deferred revenue.

As of June 30, 2012, EDF has deferred revenue related to interest earned in the amount of $1,381, and $-, respectively, and is included in deferred revenue.

NOTE 5 - RELATED PARTY TRANSACTIONS

Due from affiliate

During the year ended June 30, 2010, the Partnership had entered into an agreement with DCA to provide funds for facilitating economic and community development activities. As of June 30, 2012 and 2011, funds in the amount of $125,636 and $125,636, respectively, are due from GHFA.

Due to affiliate

During the year ended June 30, 2004, the Partnership was advanced funds from GHFA, an affiliate, in the amount of $1,000. This advance does not bear interest and is payable on demand. As of June 30, 2012 and 2011, the amount remaining payable is $1,000 and $1,000, respectively, and is included in due to affiliate.

During the year ended June 30, 2012, administrative expenses related to the SSBCI were paid by DCA on behalf of EDF, and are to be reimbursed using funds from the SSBCI allocation. As of June 30, 2012 and 2011, $168,441 and $- remains payable to DCA, respectively, and is included in due to affiliate.

During the year ended June 30, 2012, administrative expenses related to the SSBCI were paid by GHFA on behalf of EDF, and are to be reimbursed using funds from the SSBCI allocation. As of June 30, 2012 and 2011, $9,253 and $- remains payable to GHFA, respectively, and is included in due to affiliate.

NOTE 6 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date 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 balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through September 27, 2012 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Georgia Housing and Finance Authority Economic Development Financing, Inc.

We have audited the financial statements of Georgia Housing and Finance Authority Economic Development Financing, Inc. (EDF) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered EDF's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

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

Reznick Group, P.C.

Atlanta, Georgia
September 27, 2012