

**EDEN HOUSING, INC.**

*(A California Nonprofit Public Benefit Corporation)*

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2008**

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	Page
Independent Auditor's Report .....	1
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	8
Supplementary Information .....	21
Schedules of Financial Position – Owned Affordable Housing Projects .....	22
Schedules of Operations – Owned Affordable Housing Projects.....	23

\* \* \* \*



Board of Directors  
Eden Housing, Inc.  
Hayward, California

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  
ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  

---

CATHY L. HWANG  
RITA B. DELA CRUZ  
STANLEY WOO

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Eden Housing, Inc., a California nonprofit public benefit corporation, as of June 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Eden Housing, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Eden Housing, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eden Housing, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements of Eden Housing, Inc. have been prepared without combining the financial statements of related entities under common control. Combined financial statements will also be issued and those statements are the general-purpose financial statements of the primary reporting entity.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009 on our consideration of Eden Housing, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 22 and 23, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lindquist, von Husen and Joyce LLP*

January 16, 2009

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS

Current assets:	
Cash and cash equivalents	\$ 2,972,272
Grants receivables	50,000
Inclusionary housing fee receivable (Note 3)	1,300,000
Related-party receivables, net – current portion (Note 5)	6,663,989
Prepaid expenses and other receivables	127,408
Total current assets	11,113,669
Investments (Note 4)	921,268
Related-party receivables, net – net of current portion (Note 5)	10,192,260
Notes receivable (Note 7)	14,677,137
Tenant security deposits	12,662
Cash – restricted	317,141
Investments in partnerships and other companies (Note 6)	1,515,285
Development in progress (Note 8)	4,929,535
Property and equipment – net (Note 9)	6,114,560
Deferred costs – net	5,157
Total assets	\$ 49,798,674

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 673,287
Line of credit (Note 10)	1,343,096
Related-party payable – current portion (Note 5)	917,655
Interest payable – current portion (Note 11)	12,119
Notes payable – current portion (Note 11)	3,769,550
Total current liabilities	6,715,707
Related-party payable – net of current portion (Note 5)	1,009,818
Deferred revenue	92,928
Tenant security deposits	7,482
Interest payable – net of current portion (Note 11)	1,793,818
Notes payable – net of current portion (Note 11)	7,512,036
Payable to City of Hayward (Note 12)	217,358
Total liabilities	17,349,147
Net assets:	
Unrestricted	32,449,527
Total net assets	32,449,527
Total liabilities and net assets	\$ 49,798,674

*The accompanying notes are an integral part of these financial statements.*

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>
Support and revenue:	
Development fees, including accrued interest (Note 5)	\$ 4,343,877
Rental income – owned properties	674,441
Partnership management service contracts (Note 5)	502,500
Deferred ground leases, including accrued interest (Note 5)	572,222
Contributions	349,887
Interest and investment income	439,301
Net realized and unrealized gain (loss) on investments	(47,658)
Income (loss) from investment in partnerships and other companies	(178,721)
Other income	96,890
Total support and revenue	<u>6,752,739</u>
Expenses:	
Program services:	
Housing development	1,539,291
Rental operations	877,664
Supporting services:	
Management and general	795,116
Total expenses	<u>3,212,071</u>
Change in net assets before other income (expenses)	<u>3,540,668</u>
Other income (expenses):	
Capital grants	764,921
Gain on sale of property – Villa Springs (Note 7)	4,212,878
Contributions to related parties (Note 5)	<u>(1,926,973)</u>
Total other income (expenses)	<u>3,050,826</u>
Change in net assets	6,591,494
Net assets, beginning of year	<u>25,858,033</u>
Net assets, end of year	<u><u>\$ 32,449,527</u></u>

*The accompanying notes are an integral part of these financial statements.*

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2008

	<i>Program Services</i>		<i>Supporting Services</i>	<i>Total</i>
	<i>Housing Development</i>	<i>Rental Operations</i>	<i>Management and General</i>	
Salaries and wages	\$ 765,684	\$ 49,036	\$ 329,846	\$ 1,144,566
Payroll taxes and benefits	164,717	26,523	70,593	261,833
Office and maintenance costs	15,678	303,791	193,079	512,548
Occupancy costs	-	33,072	-	33,072
Professional services	159,110	51,952	152,945	364,007
Mortgage interest and carrying costs	33,393	183,903	20,000	237,296
Travel	27,583	-	-	27,583
Non-recoverable development costs	88,841	-	-	88,841
Scholarships	-	-	16,331	16,331
Other expenses	5,526	-	12,322	17,848
Expenses before other costs	1,260,532	648,277	795,116	2,703,925
Other costs:				
Interest – deferred notes	242,179	88,176	-	330,355
Depreciation and amortization	36,580	141,211	-	177,791
Total expenses	\$ 1,539,291	\$ 877,664	\$ 795,116	\$ 3,212,071

*The accompanying notes are an integral part of these financial statements.*

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008

Cash flows from operating activities:	
Change in net assets	\$ 6,591,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	177,791
Net realized and unrealized gain on investments	47,658
Gain on sale of property - Villa Springs	(4,212,878)
Loss from investment in partnerships and other companies	178,721
(Increase) decrease in assets:	
Grant receivables	(44,979)
Inclusionary housing fee receivables	500,000
Related-party receivables	(1,304,447)
Prepaid expenses and other receivables	16,846
Tenant security deposits	39,113
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(239,364)
Related-party payable	1,909,904
Deferred revenue	(1,892)
Tenant security deposits	(44,951)
Interest payable	285,802
	<u>3,898,818</u>
Net cash provided by operating activities	<u>3,898,818</u>
Cash flows from investing activities:	
Net decrease in restricted cash	539,822
Net increase in investments	(489,427)
Net increase in investment in partnerships and other companies	(527,527)
Net increase in notes receivable	(1,076,387)
Net increase in development in progress	(2,760,685)
Purchase of property and equipment	(2,364,735)
Proceeds from sale of property and equipment	95,514
	<u>(6,583,425)</u>
Net cash used in investing activities	<u>(6,583,425)</u>
Cash flows from financing activities:	
Proceeds from line of credit	662,907
Principal repayments – mortgages	(94,960)
Proceeds from long-term debt	2,623,137
	<u>3,191,084</u>
Net cash provided by financing activities	<u>3,191,084</u>
Net increase in cash and cash equivalents	506,477
Cash and cash equivalents, beginning of year	<u>2,465,795</u>
Cash and cash equivalents, end of year	<u>\$ 2,972,272</u>

*The accompanying notes are an integral part of these financial statements.*

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2008

Supplementary information:

Cash paid for interest (net of capitalized interest)	<u>\$ 281,849</u>
Noncash investing and financing activities:	
Note receivable from sale of Villa Springs	<u>\$ 1,466,128</u>
Property and equipment acquired with current liabilities	<u>\$ 435,942</u>
Transfers of fixed assets and development in progress to affiliates:	
Central Valley Senior Housing Corporation	<u>\$ 473,366</u>
San Leandro Senior	<u>\$ 232,909</u>
Villa Springs Apartments, L.P.	<u>\$ 4,469,649</u>
Transfers of debt to affiliates:	
Central Valley Senior Housing Corporation	<u>\$ 26,088</u>
San Leandro Senior	<u>\$ 223,972</u>
Villa Springs Apartments, L.P.	<u>\$ 3,008,260</u>

*The accompanying notes are an integral part of these financial statements.*

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Eden Housing, Inc. (EHI) was formed as a California nonprofit public benefit corporation in 1968. Its mission is to build and maintain high-quality, well-managed, service-enhanced affordable housing communities that meet the needs of lower income families, seniors and persons with disabilities. Affordable housing includes multi-family rental housing, co-ops, supportive housing and first-time homeownership housing.

In addition, EHI owns real properties 742 Harris Court and Groveway and 10<sup>th</sup>/D Street which provide housing for low- and moderate-income individuals and families. These real properties are included in these financial statements as directly owned properties.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method

EHI uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

EHI reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Affiliated Organizations

The board of directors of EHI also serves as the board of directors of Eden Housing Management, Inc. (EHMI), which provides property management services in connection with the operations of affordable housing and elderly housing projects, and Eden Housing Resident Services, Inc. (EHRSI), which develops and supports viable social services to the projects' residents. The board of directors of these corporations also serves as the board of directors of a number of other corporations. These corporations own affordable housing or are general partners of partnerships that own affordable housing. All board members serve without compensation. EHI's financial statements do not include the assets, liabilities, revenue or expenses of the related organizations.

EHI serves as the sole member in a number of limited liability companies (LLC's) and intends to transfer their interest in these LLC's to an affiliated nonprofit corporation. (See also Note 6).

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

Revenue Recognition

Contributions

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as unrestricted support.

Government Grants

Government grants or cost-reimbursement type contacts are generally deemed to be exchange transactions and, accordingly, are shown separately as government grants in the Statement of Activities.

Rental Income

Rental income for owned property is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Development Fees

Developer fees for development of multi-family rental projects that are in development or under construction are recognized under the percentage-of-completion method. Developer fees for projects that are in the predevelopment or preconstruction stage, are recognized as revenue on the cash basis of accounting.

For certain projects which total fee during development is reduced due to potential unforeseen events, developer fees are recognized up to a total amount reasonably estimated when the events occur.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash equivalents. Not included as cash and cash equivalents are funds restricted as to their use, regardless of liquidity, such as security deposits, replacement reserves, and operating reserves.

EHI occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurable limit. The uninsured cash balance, including restricted cash, was approximately \$2,500,000 as of June 30, 2008. EHI has not experienced any losses in such accounts.

Restricted Cash

Restricted cash includes cash earmarked for specific development activities, reserves for repairs and replacements, operating reserves, and tax and insurance impound accounts.

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

Allowance for Doubtful Collections

EHI records an allowance for doubtful collections based on a review of outstanding receivables, existing economic conditions or specific situations. The allowance for doubtful collections was \$443,805 as of June 30, 2008 (see Note 5). There was no increase in the allowance during 2008.

Investments

Investments are stated at fair value.

Investment in limited partnerships and other companies is accounted for using cost or equity method of accounting depending upon the level of control.

Developments in Progress

EHI incurs costs during the predevelopment phase of each affordable housing project undertaken. Such costs include governmental fees, legal and consulting fees, and supplies needed to investigate the feasibility and arrange for the financing of each project under construction, as well as construction costs. EHI records these costs as assets (development in progress) and the costs are usually recoverable from the project; either from loan proceeds, limited partner contributions or residual receipts generated by project operations.

Any funds expended on a project that do not pass beyond the development stage are recorded as expenses when further activity on the project ceases.

Property and Equipment

Property and equipment are stated at cost of acquisition or construction, or at fair value if donated. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is based on the straight-line method over the estimated useful lives of the assets. Construction in progress is not depreciated until the completion of the development.

The useful lives of the assets are estimated as follows:

Building and improvements	20 to 40 years
Furniture and fixtures	5 to 10 years

Deferred Costs

Loan fees associated with the refinancing of the Grove Way property debt are stated at cost and amortized over the respective loan terms.

Income Taxes

EHI is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

Functional Expense Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

EDEN HOUSING, INC.

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

**NOTE 3 – INCLUSIONARY HOUSING FEE RECEIVABLE**

Inclusionary housing programs are designed to increase the supply of affordable housing by requiring commercial developers to either make a percentage of housing units in new residential developments available to low and moderate-income households, or to provide a monetary subsidy (fee) to affordable housing developers to be used in project specific affordable housing developments. This subsidy is generally recognized as income when earned. In 2007, inclusionary housing fees of \$2,800,000 and \$2,000,000 were earned related to Saklan Avenue, Limited Partnership and Grand/C Limited Partnership, respectively. As of June 30, 2008, the receivable balance related to Saklan Avenue, Limited Partnership was \$1,300,000.

**NOTE 4 – INVESTMENTS**

Investments at June 30, 2008 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 128,575	\$ 127,305
Corporate bonds	144,883	140,492
Mutual funds	661,035	653,471
	<u>\$ 934,493</u>	<u>\$ 921,268</u>

**NOTE 5 – RELATED-PARTY TRANSACTIONS**

Related-party receivables and payables are summarized as follows:

Receivable:	
Developer fees	\$ 7,745,660
Partnership management fees	1,683,712
Ground leases	3,222,764
Advances for development costs	819,741
Advances to general partners	1,544,609
Operating advances to EHMI	197,439
Reserve funding fees	37,000
Accrued interest on developer fees	409,214
Accrued interest on ground leases	668,474
Accrued interest on notes receivable	841,028
Accrued interest – other	130,413
Total	<u>17,300,054</u>
Less: allowance for doubtful collections	(443,805)
	<u>16,856,249</u>
Less: current portion	(6,663,989)
Long-term portion	<u>\$ 10,192,260</u>

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

Payable:

Operating advances:		
Eden Baywood L.P.	\$	106,767
Eden Palms Associates		30,027
Monterey Road Supportive Housing		17,679
Other		1,549
Grants:		
Palo Alto Alma		63,875
Sara Conner Court L.P.		25,000
Richmond Nursery		764,921
Contribution:		
Eden Investments, Inc.		917,655
Total		1,927,473
Less: current portion		(917,655)
Long-term portion		\$ 1,009,818

Operating Advances to EHRSI

EHI provides operating advances to EHRSI to cover its overhead expense which are treated as contributions to related parties. In 2008, EHI made operating advances of \$201,895.

Other Fees and Reimbursements

EHI receives various fees and reimbursements from related parties. These include development fees for the development of affordable housing, project cost reimbursements for costs advanced during the predevelopment stage of affordable housing projects, fees pursuant to partnership agreements that affiliated organizations have entered into, and repayment of advances made to affiliates. EHMI and EHRSI receive reimbursement for payroll costs advanced and receive management and service fees from the rental properties owned or controlled by EHI. Developer fees earned, including accrued interest, from affiliated entities were \$4,343,877 for the year ended June 30, 2008.

Partnership Management Service Contracts

EHI entered into partnership management service contracts with various affiliates. These affiliates pay EHI for management and administrative fees and during the year ended June 30, 2008, EHI earned \$502,500 from these entities.

Leases

EHI leases land to affiliates upon which affordable housing projects are operated. Lease payments are generally deferred until some future date, but revenue earned and recognized, including accrued interest, was \$572,222 for the year ended June 30, 2008.

EHI leases additional office space from Glen Eden Associates, an affiliate. Rental payments were \$33,072 for the year ended June 30, 2008.

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

Contributions to Related Parties

Contributions to related parties are summarized as follows:

Eden Housing Resident Services, Inc.	\$ 201,895
Richmond Nursery	764,921
Eden Investments, Inc. (see Note 6)	917,655
Others	<u>42,502</u>
Total	<u>\$ 1,926,973</u>

**NOTE 6 – INVESTMENT IN PARTNERSHIPS AND OTHER COMPANIES**

EHI is a partner or member, and has financial interests in the following California limited partnerships and limited liability companies:

<u>Name of Entities</u>	<u>Financial Interest</u>
Baywood Associates	\$ 376,150
C.G.A. Associates	203,455
Sara Conner Court LLC <sup>(1)</sup>	138,277
Downtown River LLC <sup>(1)</sup>	114,778
Eden Baywood Apartments LLC <sup>(1)</sup>	68,707
Housing Partnership Securities, LLC	8,025
Chesley Avenue L.P.	10,000
Dublin Senior LLC <sup>(1)</sup>	(6,611)
Saklan Avenue LLC <sup>(1)</sup>	(542)
Brentwood Senior Housing LLC <sup>(1)</sup>	486,294
Grand/C LLC <sup>(1)</sup>	(820)
Villa Springs LLC <sup>(1)</sup>	117,472
Antioch Eden Rivertown, LLC <sup>(1)</sup>	<u>100</u>
	<u>\$ 1,515,285</u>

<sup>(1)</sup> EHI intends to transfer its membership interest in these single-member limited liability companies to an affiliate non-profit organization commonly-controlled by EHI's board of directors. Thus, the financial information of these companies, including the partnerships controlled by these companies, is not consolidated in the accompanying financial statements. The general purpose combined financial statements of EHI and affiliates will however, include the full consolidation of the partnerships and other companies controlled by EHI's affiliates.

In relation to the transfer of the EHI's interest to its affiliate, a contribution expense and corresponding liability equal to the combined value of EHI's investment in these entities amounting to \$917,655 was recorded as of June 30, 2008.

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

The financial position and activities of the limited partnerships and other companies are approximately as follows:

Total assets	\$ 151,129,000
Total liabilities	94,766,000
Partners' and member's equity	56,364,000
Total revenue	5,139,000
Total expenses	9,696,000
Results of operations	(4,557,000)

**NOTE 7 – NOTES RECEIVABLE**

Notes receivable are summarized as follows:

Related Parties

Eden Housing Management, Inc. for management and resident support services. The note is non-interest bearing, unsecured, and matures June 2013.	\$ 1,545,000
SPM Housing Associates, secured by a deed of trust, with interest at 4% per annum, and is due on June 1, 2043. Accrued interest receivable was \$140,544 at June 30, 2008.	350,000
Sycamore Square Housing Corporation, unsecured with interest at 3% per annum. Annual payments are required commencing November 2, 2002 to the extent of surplus cash, as defined, with principal and any unpaid interest due in full on November 30, 2031. Accrued interest receivable was \$22,412 at June 30, 2008.	207,037
Josephine Lum Lodge, L.P., unsecured with interest at 4.79% per annum. Annual payments are required commencing December 1, 2017 to the extent of surplus cash, as defined, with any unpaid principal and interest due in full on December 1, 2060. Accrued interest receivable was \$664,859 at June 30, 2008.	5,275,956
Josephine Lum Lodge, L.P., unsecured and bears no interest. Annual payments are required commencing July 1, 2025 to the extent of surplus cash, as defined, with any unpaid principal and interest due in full on November 1, 2060.	189,896
Saklan Avenue L.P., maximum amount of \$2,800,000, secured by a deed of trust, bears no interest, and is due and payable 55 years from the date of the permanent loan closing or December 31, 2009, if the permanent loan closing does not occur.	1,500,000
Grand/C L.P., maximum amount of \$507,000, secured by a deed of trust and bears simple interest at 3% per annum. Annual payments are required commencing July 1, 2010 to the extent of residual receipts, as defined. Any unpaid principal and interest shall be due and payable in full on February 1, 2062. Accrued interest receivable was \$6,213 at June 30, 2008.	497,000
Grand/C L.P., secured by a deed of trust and bears simple interest at 3% per annum. Annual payments are required commencing July 1, 2010 to the extent of residual receipts but only after the \$507,000 note above, as defined, has been repaid. Any unpaid principal and interest shall be due and payable in full on February 1, 2062. Accrued interest receivable was \$7,000 at June 30, 2008.	560,000
Villa Springs Apartments, L.P. secured by a deed of trust and bears interest at 4.46% compounded annually. Annual payments are required beginning in the year the Project is completed to the extent of residual receipts. Any unpaid principal and interest shall be due and payable in full on June 1, 2063. <sup>(1)</sup>	1,466,128

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

Notes receivable (for general partner capital contributions or other advances) from the following affiliates are non-interest bearing and unsecured. On December 31st annually, any unrestricted funds of the affiliates, less a reasonable amount for corporate expenses held by the affiliates, shall be paid against the notes:

Catalonia, Inc.	507,083
Eden Palms, Inc.	120,000
RVC Investment, Inc.	54,727
Stoney, Inc.	62,959
A Street, Inc.	54,956
Eden Investments, Inc.	137,780
Contra Costa County Housing Corporation	152,654

Notes receivable (for minimum capital investment advances on HUD properties) from the following affiliates are non-interest bearing and unsecured:

San Leandro Supportive Housing, Inc.	10,000
Central Valley Senior Housing Corporation	10,000
Gardella Plaza, Inc.	10,000
Monterey Road Supportive Housing Corporation	9,410
Total – related parties	12,770,586

Other Notes Receivable

Notes receivable from buyers of units in the La Solanita and La Solana projects, due only upon sale of the property to persons not qualifying as low-income families, with interest ranging from 8% to 10% per annum.

25,350

Notes receivable from buyers of units in the Tyrrell Gardens project, due only upon sale of the property to persons not qualifying as low-income families, with interest at 8% per annum (see Note 12).

60,200

Note receivable from Cal-Livermore, Inc., with interest at 5% per annum. Principal and interest repayable at some future date.

100,000

Note receivable from Richmond Community Redevelopment Agency, maximum amount \$1,778,219, unsecured, with interest at 8% per annum, interest only monthly payments commencing August 1, 2006, and due on the earlier of June 28, 2008 or upon sale or transfer to another entity.

1,771,001

Total – other notes receivable

1,956,551

Total notes receivable

\$ 14,677,137

<sup>(1)</sup> Included in other income for 2008 is \$4,212,878 of gain on sale of the Villa Springs property to Villa Springs Apartments, L.P. The gain is comprised of \$481,313 which arose from a real estate seller take-back note made by EHI to an affiliate, and \$3,731,565 in notes payable and applicable accrued interest payable that were forgiven as a condition to the sale. Since EHI as the seller is not the direct general partner of the acquiring limited partnership, EHI recognized the full amount of the gain from the sale.

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

**NOTE 8 – DEVELOPMENT IN PROGRESS**

Development in progress consists of the following:

Richmond Nursery	\$ 2,017,967
Lafayette	164,874
Arroyo Vista Housing	658,441
Ashland Village	736,202
Healdsburg	413,887
Palo Alto Family Housing	434,492
Fremont Senior Housing	214,987
Novato	134,044
Pittsburg - East Santa Fe	26,267
Refinancing costs (rehabilitation)	120,111
Others	<u>8,263</u>
Total development in progress	<u><u>\$ 4,929,535</u></u>

**NOTE 9 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

Land:	
Leased to affiliates	\$ 1,941,947
Owned housing projects	193,875
Corporate office	272,687
Building and improvements:	
Owned housing projects	797,232
Corporate office	812,214
New corporate office	2,574,659
Furniture and equipment	<u>248,032</u>
	<u>6,840,646</u>
Less accumulated depreciation:	
Buildings and improvements	680,244
Furniture and equipment	<u>45,842</u>
	<u>726,086</u>
Total property and equipment	<u><u>\$ 6,114,560</u></u>

**NOTE 10 – LINE OF CREDIT**

EHI has a \$2,500,000 unsecured revolving line of credit with Wells Fargo Bank, of which \$1,343,096 was outstanding at June 30, 2008. Bank advances on the credit line are payable in full by May 1, 2010 (maturity date) and bears interest determined in relation to LIBOR that may be continued by EHI at the end of the Fixed Rate Term applicable thereto so that all or a portion thereof bears interest determined in relation to the Prime Rate or to LIBOR for a new Fixed Rate term designated. As a sub feature of the line of credit, the bank agrees to issue standby letters of credit, where requested, not to exceed the aggregate of \$1,500,000. Any amount of undrawn letters of credit shall proportionately reduce the amount available to borrow on the line of credit.

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

**NOTE 11 – NOTES PAYABLE**

Notes payable, except demand notes payable, are secured by the property unless otherwise noted and are summarized as follows:

	<i>Interest Payable</i>	<i>Principal</i>
<u>742 Harris Court</u>		
Citicorp Mortgage, Inc., maximum amount of \$248,500, due July 1, 2029, bears interest at 7.18% per annum, and requires annual payments of \$1,683.	\$ 1,337	\$ 219,131
City of Hayward (HOME) for predevelopment costs, due January 10, 2054, bears interest at 4.69% per annum from January 1, 2001. Annual payments are required commencing July 1, 2001, to the extent of surplus cash, as defined.	50,311	165,000
<u>Grove Way/Tenth and D Streets</u>		
Citicorp Mortgage, Inc., due June 1, 2029, bears interest at 7.00% per annum and is payable in monthly installments of \$2,754.	2,119	363,312
<u>Stoney Creek Apartments</u>		
City of Livermore, bears compound interest at 3.00% per annum. The loan is to be repaid, to the extent EHI receives annual lease payments from the project.	436,346	813,114
<u>Washington Creek Apartments</u>		
City of Petaluma. The principal is due July 24, 2020, with any unpaid interest which accrues at 3.00% per annum.	172,800	320,000
<u>Richmond Nursery</u>		
City of Richmond, for acquisition and predevelopment costs, consisting of \$449,000 in CDBG funds and \$151,536 in HOME funds, bears simple interest at 3.00% per annum and due on September 22, 2008.	45,414	919,420
Opportunity Fund Northern California (formerly Lenders for Community Development), for the acquisition and development of affordable housing, maximum amount \$1,778,219, secured by general collateral assignment of non-real property assets, bears interest at 8.00% per annum, interest only monthly payments commencing August 1, 2006, and due on the earlier of June 28, 2008 or assignment to an affiliate. Repayment of the loan is guaranteed by the Richmond Community Redevelopment Agency.	-	1,771,001
<u>Grand/C L.P.</u>		
Redevelopment Agency of the City of Hayward, for the development of affordable rental housing, maximum amount \$507,000, bears simple interest at 5.10% per annum, interest only monthly payments commencing March 1, 2007, and due on the earliest of a transfer of the development or any portion thereof other than a transfer as permitted or approved by the Agency, or occurrence of a default, or February 1, 2022.	6,337	497,000
<u>E. Santa Fe Avenue</u>		
Redevelopment Agency of the City of Pittsburg, for the predevelopment of affordable rental housing, maximum amount of \$200,000, bears simple interest at 3% per annum, and due on August 6, 2009 or occurrence of a default.	156	24,971

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Cypress Glen</i></u> Redevelopment Agency of the City of Hayward, for predevelopment costs, bears simple interest at 3.00% per annum and due on December 11, 2062.	-	200,000
<u><i>Arroyo Vista</i></u> City of Dublin, for predevelopment costs, maximum amount of \$325,000, bears simple interest at 3.00% per annum and due on December 18, 2010.	-	141,683
Wells Fargo Community Development Corporation, bears simple interest at 2%, interest paid quarterly with principal and any interest due in July 2012.	2,500	500,000
<u><i>Lafayette</i></u> Redevelopment Agency of the City of Lafayette, for predevelopment costs, maximum amount of \$2,200,000, bears simple interest at 3.00% per annum and due on January 11, 2011.	506	102,405
<u><i>Peralta</i></u> City of Fremont, for predevelopment costs, maximum amount of \$250,000, bears simple interest at 3.00% per annum and due on September 9, 2009.	1,815	198,272
<u><i>Palo Alto</i></u> Opportunity Fund, for predevelopment costs, maximum amount of \$325,000, bears simple interest at 3.00% per annum and due on December 18, 2010.	-	116,102
<u><i>General</i></u> Wells Fargo Community Development Corporation, in an original amount of \$1,000,000. Bears simple interest at 2.00%, interest paid quarterly with principal and any unpaid interest due in full January 2013.	5,000	1,000,000
<u><i>New Corporate Office/Office Building</i></u> Wells Fargo Community Development Corporation, bears simple interest at 2%, interest paid quarterly with principal and any interest due in September 2011.	2,500	500,000
Wells Fargo Bank, N.A., for the construction of commercial office space at 22645 Grand Street, Hayward, maximum amount of \$704,519, secured by deed of trust, bears interest at 6.70% per annum (if conversion occurs on or before the mandatory conversion date) or 1.75% plus applicable LIBOR rate (if conversion does not occur by mandatory conversion date), and any unpaid principal and interest due and payable in full on June 20, 2008. The loan was extended and subsequently converted to a permanent loan on October 10, 2008.	-	642,886
<u><i>Corporate Office/Office Building</i></u> Bank of the West for acquisition of property for corporate office at 409 Jackson Street, Hayward, due in September 2007. Monthly installments are \$3,159, with interest at 5.00%. The loan was paid-off in September 2007 and was replaced by a new loan with maximum amount of \$410,000 with a maturity date of September 25, 2012.	-	398,790

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Demand Notes Payable</i></u>		
Payable to A Street, Inc., on demand or by December 31, 2051, with compound interest at 5.84% per annum.	- <sup>(1)</sup>	167,000
Payable to Catalonia, Inc., on demand or by December 31, 2053, with compound interest at 6.36% per annum.	338,706	290,000
Payable to Chynoweth Housing, Inc., on demand or by December 31, 2055, and is non-interest bearing.	-	250,000
Payable to Corona-Ely Ranch, Inc., on demand or by December 31, 2052, with compound interest at 7.69% per annum.	- <sup>(1)</sup>	286,000
Payable to Eden Investments, Inc., on demand or by December 31, 2055, and is non-interest bearing.	-	50,000
Payable to Eden Palms, Inc., on demand or by December 31, 2050, with compound interest at 6.36% per annum.	740,090	633,000
Payable to Ellis Lake Townhomes, on demand or by December 31, 2051, and is non-interest bearing.	-	79,000
Payable to Glen Berry, Inc., on demand or by December 31, 2052, with compound interest at 7.67% per annum.	- <sup>(1)</sup>	215,000
Payable to Stoney, Inc., on demand or by December 31, 2051, with compound interest at 6.75% per annum.	- <sup>(1)</sup>	305,000
Payable to Washington Creek, Inc., on demand or by December 31, 2051, with compound interest at 6.75% per annum.	- <sup>(1)</sup>	113,500
Total	1,805,937	11,281,586
Less: current portion	(12,119)	(3,769,550)
Long-term portion	\$ 1,793,818	\$ 7,512,036

<sup>(1)</sup> Accrued interest is being offset against partnership management fee income.

Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

2009	\$ 3,769,550
2010	211,665
2011	874,560
2012	515,420
2013	16,545

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

**NOTE 12 – PAYABLE TO CITY OF HAYWARD**

Funds due to the City of Hayward upon collection from homeowners are summarized as follows:

Tyrrell Gardens (see Note 7)	\$	60,200
Tyrrell Gardens		157,158
		\$ 217,358

**NOTE 13 – EMPLOYEE BENEFIT PLANS**

EHI established a 401(a) defined contribution pension plan effective July 1, 1992. Employees become eligible to participate in the plan after one year of service, are fully vested in three years and are not required to contribute to the plan. The contribution to the plan is determined on an annual basis by the board of directors. A maximum of 5% of covered wages could be contributed and \$43,451 were contributed for the year ended June 30, 2008.

EHI established a 401(k) profit sharing plan that was effective January 1, 1999. Employees become eligible to participate in the plan immediately on the first day of employment. Participants may contribute annually from 1% to 100% of their compensation, provided that maximum amount contributed is permitted by law. This plan is for employees' salary deferral only and EHI is not required to make contributions.

EHI also established a 403(b) defined contribution plan. This plan is for highly compensated employees' salary deferral and EHI is not required to make contributions.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

EHI has committed to provide demand loans payable to three affiliates for the purpose of satisfying their net worth requirements. The non-interest bearing demand loans expire at the end of the respective partnerships and at June 30, 2008 are as follows:

		<i>Principal</i>
Eden Investments, Inc.	\$	103,500
California Preservation, Inc.		104,000

EHI has provided loan and operating deficit guarantees as well as indemnifications with regard to tax benefits projected for its various affiliates and projects. EHI will be responsible for repaying a loan if, when the loan becomes due, the respective affiliate or project does not make payment on the loan. EHI will cover operating deficits as needed up to a stated limit. EHI does not require any collateral or other security from its affiliates and projects related to these guarantees. A reasonable estimate of the outstanding operating deficit guarantees at June 30, 2008 amounted to approximately \$10,000,000, and outstanding loan guarantees were approximately \$57,000,000. In addition, EHI has guaranteed an aggregate amount in excess of approximately \$80,000,000 to the limited investors for tax credits and other deductions for various affiliated limited partnerships as of June 30, 2008. Management believes that the likelihood of funding a material amount of any of the guarantees is remote.

In connection with the development of affordable housing projects, which are owned by limited partnerships, EHI has acquired the options to purchase the projects at the close of the projects' 15-year compliance period.

**SUPPLEMENTARY INFORMATION**

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
SCHEDULES OF FINANCIAL POSITION –  
OWNED AFFORDABLE HOUSING PROJECTS  
JUNE 30, 2008

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Total</i>
<b>ASSETS</b>			
Cash	\$ 998	\$ 36,365	\$ 37,363
Cash – restricted	8,480	79,888	88,368
Prepaid expenses and other receivables	2,934	5,247	8,181
Tenant security deposits	3,650	6,403	10,053
Property and equipment – net	351,583	170,581	522,164
Deferred costs – net	-	5,157	5,157
Total assets	\$ 367,645	\$ 303,641	\$ 671,286

**LIABILITIES AND NET ASSETS (DEFICIT)**

<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 7,062	\$ 2,600	\$ 9,662
Related-party payable	1,549	-	1,549
Tenant security deposits	2,521	4,961	7,482
Interest payable	51,648	2,119	53,767
Notes payable	384,130	363,312	747,442
Total liabilities	446,910	372,992	819,902
<b>Net assets (deficit):</b>			
Unrestricted	(79,265)	(69,351)	(148,616)
Total net assets (deficit)	(79,265)	(69,351)	(148,616)
Total liabilities and net assets	\$ 367,645	\$ 303,641	\$ 671,286

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
SCHEDULES OF OPERATIONS –  
OWNED AFFORDABLE HOUSING PROJECTS  
YEAR ENDED JUNE 30, 2008

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Total</i>
Income:			
Rental income, net of vacancy loss	\$ 43,501	\$ 126,586	\$ 170,087
Laundry and other	32,202	1,120	33,322
Interest income	104	99	203
Total income	75,807	127,805	203,612
Expenses:			
Salaries and wages	3,784	7,413	11,197
Payroll taxes and benefits	2,484	6,089	8,573
Office and maintenance costs	15,937	40,474	56,411
Professional services	380	9,030	9,410
Mortgage interest and carrying costs	15,903	25,670	41,573
Total expenses	38,488	88,676	127,164
Income from operations	37,319	39,129	76,448
Other expenses:			
Depreciation and amortization	-	14,433	14,433
Net income	\$ 37,319	\$ 24,696	\$ 62,015