

**EDEN HOUSING, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED JUNE 30, 2006 AND 2005

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

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CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

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Board of Directors
Eden Housing, Inc. and Subsidiaries
Hayward, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statements of financial position of Eden Housing, Inc., a California nonprofit public benefit corporation, and Subsidiaries as of June 30, 2006 and 2005, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Eden Housing, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated 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. and Subsidiaries' 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eden Housing, Inc. and Subsidiaries as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements of Eden Housing, Inc. and Subsidiaries 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 September 20, 2006 on our consideration of Eden Housing, Inc. and Subsidiaries' 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 consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 36 is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is not a required part of the consolidated financial statements. The accompanying supplementary information on pages 27 through 35, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Jindquist, von Husen and Joyce

September 20, 2006

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	2006	As Restated (Note 13) 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,565,638	\$ 1,358,315
Grants receivables	54,400	-
Related-party receivables, net – current portion (Note 4)	2,920,790	3,691,141
Prepaid expenses and other receivables	101,217	109,380
Total current assets	4,642,045	5,158,836
Investments (Note 3)	427,836	400,874
Related-party receivables, net – net of current portion (Note 4)	9,423,989	8,552,107
Notes receivable (Note 6)	9,433,623	2,315,117
Tenant security deposits	57,259	52,582
Cash – restricted	390,717	431,681
Investments in partnerships and other companies (Note 5)	1,319,033	351,895
Development in progress (Note 7)	4,077,517	4,574,721
Property and equipment – net (Note 8)	7,481,409	8,440,098
Deferred costs – net	32,113	33,264
Total assets	\$ 37,285,541	\$ 30,311,175
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 438,694	\$ 281,857
Line of credit (Note 9)	529,576	593,103
Interest payable – current portion (Note 10)	22,438	28,398
Notes payable – current portion (Note 10)	114,968	108,738
Total current liabilities	1,105,676	1,012,096
Related-party payable (Note 4)	540,057	68,760
Deferred revenue	227,330	198,948
Tenant security deposits	54,768	50,483
Interest payable – net of current portion (Note 10)	2,700,922	2,436,206
Notes payable – net of current portion (Note 10)	14,846,308	15,426,450
Payable to City of Hayward (Note 11)	217,358	215,248
Total liabilities	19,692,419	19,408,191
Net assets:		
Unrestricted	17,593,122	10,870,740
Temporarily restricted (Note 12)	-	32,244
Total net assets	17,593,122	10,902,984
Total liabilities and net assets	\$ 37,285,541	\$ 30,311,175

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

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2006 AND 2005

	2006		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Development fees, including accrued interest (Note 4)	\$ 3,325,662	\$ -	\$ 3,325,662
Rental income – owned properties	660,388	-	660,388
Partnership management service contracts (Note 4)	380,800	-	380,800
Deferred ground leases, including accrued interest (Note 4)	245,867	-	245,867
Contributions	309,283	255,000	564,283
Interest and investment income	121,935	554	122,489
Net realized and unrealized gain on investments	12,835	-	12,835
Income from investment in partnerships and other companies (Note 5)	260,184	-	260,184
Other income	76,534	-	76,534
Net assets released from restrictions (Note 12)	287,798	(287,798)	-
Total support and revenue	<u>5,681,286</u>	<u>(32,244)</u>	<u>5,649,042</u>
Expenses:			
Program services:			
Housing development	1,403,167	-	1,403,167
Rental operations	998,432	-	998,432
Supporting services:			
Management and general	580,807	-	580,807
Total expenses	<u>2,982,406</u>	<u>-</u>	<u>2,982,406</u>
Change in net assets before other income (expenses)	<u>2,698,880</u>	<u>(32,244)</u>	<u>2,666,636</u>
Other income (expenses):			
Capital grants	159,867	-	159,867
Note receivable donated by related party (Note 6)	5,275,956	-	5,275,956
Contributions to related parties (Note 4)	(693,740)	-	(693,740)
Provision for doubtful collections (Note 4)	(600,000)	-	(600,000)
Forgiveness of advances receivable (Note 4)	(118,581)	-	(118,581)
Total other income (expenses)	<u>4,023,502</u>	<u>-</u>	<u>4,023,502</u>
Change in net assets	6,722,382	(32,244)	6,690,138
Net assets, beginning of year	<u>10,870,740</u>	<u>32,244</u>	<u>10,902,984</u>
Net assets, end of year	<u>\$ 17,593,122</u>	<u>\$ -</u>	<u>\$ 17,593,122</u>

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

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2006 AND 2005

	<i>2005 (As Restated - Note 13)</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Development fees, including accrued interest (Note 4)	\$ 4,842,667	\$ -	\$ 4,842,667
Rental income – owned properties	713,588	-	713,588
Partnership management service contracts (Note 4)	392,757	-	392,757
Deferred ground leases, including accrued interest (Note 4)	242,100	-	242,100
Contributions	240,448	-	240,448
Interest and investment income	84,467	318	84,785
Net realized and unrealized gain on investments	14,078	-	14,078
Other income	45,813	-	45,813
Total support and revenue	<u>6,575,918</u>	<u>318</u>	<u>6,576,236</u>
Expenses:			
Program services:			
Housing development	1,336,866	-	1,336,866
Rental operations	937,513	-	937,513
Supporting services:			
Management and general	582,977	-	582,977
Total expenses	<u>2,857,356</u>	<u>-</u>	<u>2,857,356</u>
Change in net assets before other expenses	<u>3,718,562</u>	<u>318</u>	<u>3,718,880</u>
Other expenses:			
Contributions to related parties:			
Eden Housing Resident Services, Inc. (Note 4)	(478,559)	-	(478,559)
Provision for doubtful collections (Note 4):			
Baywood Associates	(993,923)	-	(993,923)
Baywood Apartments, Inc.	(296,025)	-	(296,025)
Total other expenses	<u>(1,768,507)</u>	<u>-</u>	<u>(1,768,507)</u>
Change in net assets	1,950,055	318	1,950,373
Net assets, beginning of year, as restated (Note 13)	<u>8,920,685</u>	<u>31,926</u>	<u>8,952,611</u>
Net assets, end of year	<u>\$ 10,870,740</u>	<u>\$ 32,244</u>	<u>\$ 10,902,984</u>

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

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	2006			
	<i>Program Services</i>		<i>Supporting Services</i>	
	<i>Housing Development</i>	<i>Rental Operations</i>	<i>Management and General</i>	<i>Total</i>
Salaries and wages	\$ 797,134	\$ 75,728	\$ 286,888	\$ 1,159,750
Payroll taxes and benefits	135,115	31,675	47,473	214,263
Office and maintenance costs	9,877	294,524	139,308	443,709
Occupancy costs	-	33,072	-	33,072
Professional services	156,187	43,165	83,636	282,988
Mortgage interest and carrying costs	13,870	205,602	15,000	234,472
Travel	13,648	-	-	13,648
Scholarships	-	-	1,623	1,623
Other expenses	7,652	39,040	6,879	53,571
Expenses before other costs	1,133,483	722,806	580,807	2,437,096
Other costs:				
Interest – deferred notes	237,526	103,679	-	341,205
Depreciation and amortization	32,158	171,947	-	204,105
Total expenses	\$ 1,403,167	\$ 998,432	\$ 580,807	\$ 2,982,406

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

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	2005			
	<i>Program Services</i>		<i>Supporting Services</i>	
	<i>Housing Development</i>	<i>Rental Operations</i>	<i>Management and General</i>	<i>Total</i>
Salaries and wages	\$ 847,363	\$ 64,753	\$ 285,844	\$ 1,197,960
Payroll taxes and benefits	143,205	30,095	48,306	221,606
Office and maintenance costs	9,682	279,246	193,270	482,198
Occupancy costs	-	30,316	-	30,316
Professional services	47,364	44,243	18,465	110,072
Mortgage interest and carrying costs	14,978	207,106	20,000	242,084
Travel	12,795	-	-	12,795
Non-recoverable development costs	2,614	-	-	2,614
Scholarships	-	-	16,323	16,323
Donations and service contributions	-	4,425	769	5,194
Other expenses	491	4,058	-	4,549
Expenses before other costs	1,078,492	664,242	582,977	2,325,711
Other costs:				
Interest – deferred notes	209,970	105,351	-	315,321
Depreciation and amortization	48,404	167,920	-	216,324
Total expenses	\$ 1,336,866	\$ 937,513	\$ 582,977	\$ 2,857,356

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

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ 6,690,138	\$ 1,950,373
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	204,105	216,324
Net realized and unrealized gain on investments	(12,835)	(14,078)
Loss on retirement of fixed assets	19,160	-
Income from investment in partnerships and other companies	(260,184)	-
Note receivable donated by related party	(5,275,956)	-
Provision for doubtful collections	600,000	1,289,948
(Increase) decrease in assets:		
Grant receivables	(54,400)	-
Related-party receivables	(701,531)	(3,775,208)
Prepaid expenses and other receivables	8,163	(54,745)
Tenant security deposits	(4,677)	2,769
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	156,837	52,199
Related-party payable	471,297	20,338
Deferred revenue	28,382	(2,064)
Tenant security deposits	4,285	(1,406)
Interest payable	258,756	234,789
Net cash provided by (used in) operating activities	2,131,540	(80,761)
Cash flows from investing activities:		
Net decrease in restricted cash	40,964	60,280
Net increase in investments	(14,127)	(244,048)
Net increase in investment in partnerships and other companies	(706,954)	(351,895)
Net (increase) decrease in notes receivable	(1,842,550)	11,203
Net increase in development in progress	(2,302,932)	(1,404,525)
Purchase of property and equipment	(63,425)	(144,759)
Net cash used in investing activities	(4,889,024)	(2,073,744)
Cash flows from financing activities:		
Proceeds from (payment of) line of credit	(63,527)	593,103
Proceeds from the city of Hayward	2,110	2,561
Principal repayments – mortgages	(54,171)	(49,948)
Proceeds from long-term debt	3,136,695	3,185,467
Principal repayments – other long-term debt	(56,300)	(1,697,000)
Net cash provided by financing activities	2,964,807	2,034,183
Net increase (decrease) in cash and cash equivalents	207,323	(120,322)
Cash and cash equivalents, beginning of year	1,358,315	1,478,637
Cash and cash equivalents, end of year	\$ 1,565,638	\$ 1,358,315

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

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Supplementary information:		
Cash paid for interest (net of capitalized interest)	\$ 255,242	\$ 287,793
Noncash investing and financing activities:		
Note receivable donated by Josephine Lum Lodge, Inc.	\$ 5,275,956	\$ -
Property and equipment acquired with long-term debt	\$ 720,454	\$ 2,825,000
Transfers of fixed assets and development in progress to affiliates:		
Brentwood Senior Commons L.P.	\$ 3,295,000	\$ -
Sara Conner Court, LLC	\$ -	\$ 3,059,552
Hercules Senior Housing Corporation	\$ -	\$ 700,000
Transfers of long term debt to affiliates:		
Brentwood Senior Commons L.P.	\$ 3,295,000	\$ -
Eden Baywood Apartments L.P.	\$ 800,000	\$ -

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

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

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 located in Hayward, California, which provides housing for low- and moderate-income individuals and families. These real properties are included in this financial statement as directly owned properties.

There are also certain entities, as described in Note 2, that are consolidated in these financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of five subsidiaries, Eden Baywood Apartments LLC, Sara Conner Court LLC, Downtown River LLC, Brentwood Senior Housing LLC, and Dublin Senior LLC, of which EHI is the sole member. All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

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.

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

Revenue Recognition

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. Contributions restricted for the purchase of long-lived assets, are reported as unrestricted when expended for that purpose or temporarily restricted support with restrictions released over the useful lives of the assets.

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.

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.

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 \$1,495,000 as of June 30, 2006. EHI has not experienced any losses in such accounts and believes that it is not exposed to any significant cash credit risk.

Restricted Cash

Restricted cash includes cash from predevelopment bank accounts, reserves for repairs and replacements, operating reserves, and tax and insurance impound accounts.

Related-Party Receivables

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 \$600,000 and \$1,289,948 as of June 30, 2006 and 2005, respectively (see Note 4).

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.

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

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.

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 acquisition and rehabilitation of the Villa Springs property and refinancing of the Grove Way property 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. Contributions to EHI qualify for the charitable contribution deduction.

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.

Reclassification

Certain amounts previously reported in the 2005 financial statements were reclassified to conform to the 2006 presentation for comparative purposes.

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 3 – INVESTMENTS

Investments at June 30, 2006 and 2005 are summarized as follows:

	<i>2006</i>		<i>2005</i>	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Common stocks	\$ 113,179	\$ 115,454	\$ 99,061	\$ 101,316
Corporate bonds	144,883	141,082	144,883	144,318
Mutual funds	163,464	171,300	152,873	155,240
	<u>\$ 421,526</u>	<u>\$ 427,836</u>	<u>\$ 396,817</u>	<u>\$ 400,874</u>

NOTE 4 – RELATED-PARTY TRANSACTIONS

Related-party receivables and payables are summarized as follows:

	<u>2006</u>	<u>2005</u>
Receivable:		
Developer fees	\$ 5,108,670	\$ 4,344,918
Ground leases	2,931,459	3,089,219
Partnership management fees	1,221,631	1,264,870
Advances for development costs	1,144,267	1,849,037
Advances to general partners	779,845	874,064
Operating advances to EHRSI ⁽¹⁾	-	237,924
Operating advances to EHMI	1,118,249	846,416
Reserve funding fees	37,000	137,000
Accrued interest on developer fees	299,246	312,250
Accrued interest on ground leases	171,354	471,016
Accrued interest – other	133,058	106,482
Total	<u>12,944,779</u>	<u>13,533,196</u>
Less: allowance for doubtful collections	<u>(600,000)</u>	<u>(1,289,948)</u>
	12,344,779	12,243,248
Less: current portion	<u>(2,920,790)</u>	<u>(3,691,141)</u>
Long-term portion	<u>\$ 9,423,989</u>	<u>\$ 8,552,107</u>

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Payable:		
Operating advances		
Eden Baywood L.P.	\$ 76,826	\$ -
Eden Palms Associates	30,026	30,026
Eden Housing Management, Inc.	101,035	38,577
Others	349	157
Grants		
Central Valley Senior Housing Corporation	159,867	-
Sara Conner Court L.P.	25,000	-
Eden Housing Resident Services, Inc.	30,000	-
Capital contribution		
Downtown River LLC	116,954	-
	\$ 540,057	\$ 68,760
Total		

⁽¹⁾ EHI had made operating advances to EHRSI through June 30, 2002 that totaled \$940,000. The board of directors decided to forgive these advances over a four-year period commencing July 1, 2002, and \$235,000 is included in contributions to affiliate at June 30, 2006 and 2005, respectively. The board also decided that operating advances to EHRSI after June 30, 2002 would be treated as contributions to affiliate, and during the years ended June 30, 2006 and 2005, EHI made operating advances of \$260,619 and \$243,559, respectively.

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 \$3,325,662 and \$4,842,667 for the years ended June 30, 2006 and 2005, respectively.

Partnership Management Service Contracts

EHI entered into partnership management service contracts with several affiliates. These affiliates pay EHI for management and administrative fees and during the years ended June 30, 2006 and 2005, EHI earned \$380,800 and \$392,757, respectively, 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 \$245,867 and \$242,100 for the years ended June 30, 2006 and 2005, respectively.

EHI leases additional office space from Glen Eden Associates, an affiliate. Rental payments were \$33,072 and \$30,316 for the years ended June 30, 2006 and 2005, respectively.

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

Contributions to Related Parties

Contributions to related parties are summarized as follows:

	2006	2005
Eden Housing Resident Services, Inc.	\$ 495,619	\$ 478,559
Central Valley Senior Housing Corporation	159,867	-
Sara Conner Court L.P.	25,843	-
Others	12,411	-
	<hr/>	<hr/>
Total	\$ 693,740	\$ 478,559
	<hr/>	<hr/>

Allowance for Doubtful Collections

EHI had made advances to various related parties in prior years, and for the year ended June 30, 2006, a \$500,000 accrual for allowance for doubtful collections against these advances was recognized.

EHI had made operating and development advances to SPM Housing Associates, a California limited partnership, through June 30, 2006 that totaled \$518,581. EHI decided to forgive \$118,581 of these advances and recognized an allowance for doubtful collections of \$100,000.

Baywood Apartments is owned by Baywood Associates, a California limited partnership, the general partner of which is Baywood Apartments, Inc. During the process to resyndicate this partnership at the end of its low income housing tax credit compliance period, certain debts owed by the partnership and its general partner to EHI were identified to be doubtful of collections at June 30, 2005 as follows:

Baywood Associates:	
Accrued developer fees	\$ 176,741
Accrued interest on developer fees	57,791
Development period advances	56,102
Accrued ground lease	365,625
Accrued interest on ground lease	337,664
	<hr/>
	993,923
Baywood Apartments, Inc.:	
Accrued partnership management fee	164,302
Loan receivable	120,971
Other advances	10,752
	<hr/>
	296,025
	<hr/>
Total	\$ 1,289,948
	<hr/>

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 5 – 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:

<i>Percentage of Ownership</i>	<i>Name of Entities</i>	<u>2006</u>	<u>2005</u>
		<i>Financial Interest</i>	<i>Financial Interest</i>
99%	Baywood Associates, L.P	\$ 376,150	\$ -
98.88%	C.G.A. Associates	400,000	-
100%	Sara Conner Court LLC	349,265	351,895
100%	Downtown River LLC	115,751	-
100%	Eden Baywood LLC	70,768	-
50%	Chesley Avenue LLC	10,000	-
100%	Dublin Senior LLC	(2,821)	-
100%	Brentwood Senior Housing LLC	(80)	-
		<u>\$ 1,319,033</u>	<u>\$ 351,895</u>

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

	<u>2006</u>	<u>2005</u>
Total assets	<u>\$ 3,223,883</u>	<u>\$ 351,895</u>
Total liabilities	\$ 3,541,298	\$ -
Partners' and member's equity	<u>(317,415)</u>	<u>351,895</u>
Total	<u>\$ 3,223,883</u>	<u>\$ 351,895</u>

NOTE 6 – NOTES RECEIVABLE

Notes receivable are summarized as follows:

	<u>2006</u>	<u>2005</u>
<u><i>Related Parties</i></u>		
Eden Housing Management, Inc. for management and resident support services, maximum amount of \$585,615. The note is non-interest bearing, unsecured, and matures December 31, 2008.	\$ 585,615	\$ 585,615
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 \$112,548 and \$98,544 at June 30, 2006 and 2005, respectively.	350,000	350,000

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
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 \$9,994 and \$3,778 at June 30, 2006 and 2005, respectively.	207,037	207,037
Josephine Lum Lodge, L.P., unsecured with interest at 4.52% 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.	5,275,956 ⁽¹⁾	-
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	-
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	507,083
Eden Palms, Inc.	120,000	120,000
RVC Investment, Inc.	54,727	54,727
Stoney, Inc.	62,959	62,959
A Street, Inc.	54,956	54,956
Eden Investments, Inc.	137,780	137,780
Edenvale Supportive Housing Corp.	9,410	9,410
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	10,000	10,000
Manteca Senior	10,000	10,000
Union City Independent Living	10,000	10,000
Gardella Gardens Apartments	10,000	10,000
Total – related parties	7,748,073	2,129,567
<u>Other Notes Receivable</u>		
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	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 10).	60,200	60,200
Note receivable from Cal-Livermore, Inc., with interest at 5% per annum. Principal and interest repayable at some future date.	100,000	100,000

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Note receivable from Richmond Community Redevelopment Agency, unsecured, with interest at 8% per annum, interest only monthly payments commencing August 1, 2006, and due on the earlier of June 28, 2007 or upon sale or transfer to another entity.	1,500,000	-
	1,685,550	185,550
Total	\$ 9,433,623	\$ 2,315,117

⁽¹⁾ Included in income for 2006 is \$5,275,956 which arose from a real estate sale take-back note donated by an affiliate to EHI (see Note 10). Since the seller (an affiliate of EHI) was not the general partner (another affiliate of EHI) of the acquiring limited partnership, the seller recognized gain from sale, which is included in the seller take-back note, which was donated to EHI.

NOTE 7 – DEVELOPMENT IN PROGRESS

Development in progress consists of the following:

	2006	2005
Antioch II	\$ 946,220	\$ 47,238
Brentwood Senior Commons	-	2,936,922
East Palo Alto Panhandle Site	4,447	4,447
Eden Palms II	1,242,539	1,049,218
Manteca II	163,753	39,046
Palo Alto Family Housing	12,726	4,597
Richmond Nursery	1,070,784	489,867
Saklan and North Lane	460,369	370
Hayward Citation	149,257	-
Arroyo Vista Housing	14,715	-
Healdsburg	7,703	-
Casa Grande	5,004	244
Others	-	2,772
Total	\$ 4,077,517	\$ 4,574,721

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2006	2005
Land:		
Leased to affiliates	\$ 1,941,947	\$ 2,741,947
Owned housing projects	923,875	923,875
Corporate office	272,687	272,687

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Building and improvements:		
Owned housing projects	5,811,777	5,800,846
Corporate office	812,214	812,214
Furniture and equipment	460,103	435,962
	10,222,603	10,987,531
Less accumulated depreciation:		
Buildings and improvements	2,343,537	2,169,460
Furniture and equipment	397,657	377,973
	2,741,194	2,547,433
Total property and equipment	\$ 7,481,409	\$ 8,440,098

NOTE 9 – LINE OF CREDIT

EHI has a \$2,500,000 secured revolving line of credit with Wells Fargo Bank, of which \$526,663 was outstanding and accrued interest payable was \$2,913 at June 30, 2006. Bank advances on the credit line are payable in full by May 1, 2008 (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.

NOTE 10 – NOTES PAYABLE

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

	2006		2005	
	<i>Interest Payable</i>	<i>Principal</i>	<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.	\$ -	\$ 227,450	\$ -	\$ 231,174
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.	42,570	165,000	34,830	165,000

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Grove Way/Tenth and D Streets</i></u> Citicorp Mortgage, Inc., due June 1, 2029, bears interest at 7.00% per annum and is payable in monthly installments of \$2,754.	2,200	377,497	2,241	383,850
<u><i>Villa Springs</i></u> California Housing Finance Agency (CalHFA), due November 2023, bears interest at 8.40% per annum and is payable in monthly installments of \$17,103.	13,259	1,894,192	18,977	1,938,287
CalHFA, bears interest at 3.00% per annum and is due November 2009. Annual payments are required commencing November 1, 1994, to the extent of excess cash, as defined.	85,543	289,298	76,864	289,298
County of Alameda, due June 30, 2038, bears interest at 3.00% per annum.	387,023	927,000	359,213	927,000
State of California, Department of Housing and Community Development (HCD), due July 30, 2042, bears interest at 3.00% per annum.	821,013	1,981,676	761,563	1,981,676
<u><i>Baywood Apartments</i></u> City of Fremont, the loan bears no interest. In connection with the resyndication of the limited partnership, the loan, and the land for which it is secured, was transferred to Eden Baywood Apartments, L.P. in October 2005 (see Note 4).	-	-	-	800,000
<u><i>Stoney Creek Apartments</i></u> City of Livermore. The principal is payable in 55 equal annual installments and 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. (See Note 12)	364,622	813,114	318,998	813,114
<u><i>Washington Creek Apartments</i></u> City of Petaluma. The principal is due July 24, 2020, with any unpaid interest which accrues at 3.00% per annum.	153,600	320,000	144,000	320,000

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Brentwood Senior Commons</i></u>				
County of Contra Costa (CDBG) for land acquisition, maximum amount of \$2,800,000, bears interest at 3% and due on January 25, 2060. The loan was assigned to Brentwood Senior Commons, an affiliate, in October 2005.	-	-	-	2,795,000
City of Brentwood, Redevelopment Agency, maximum amount of \$100,000, bears interest at 3% and due on January 25, 2060. The loan was assigned to Brentwood Senior Commons, an affiliate, in October 2005.	-	-	-	30,000
<u><i>Eden Palms II</i></u>				
City of San Jose (HOME Investment Partnership Program) for acquisition and predevelopment costs, maximum amount of \$1,275,000, and bears no interest.	-	1,253,770	-	928,199
<u><i>Antioch II</i></u>				
Antioch Development Agency, for the development of affordable rental housing, maximum amount \$1,683,990 of which \$225,590 is in the form of a forgivable CDGB loan, only \$1,458,400 bears simple interest at 3% per annum and is due on November 18, 2060.	-	720,454	-	-
<u><i>Richmond Nursery</i></u>				
City of Richmond, for acquisition and predevelopment costs, consisting of \$449,000 in CDBG funds and \$400,000 in HOME funds, bears simple interest at 3% per annum and due on September 22, 2008.	-	600,536	-	-

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Lenders for Community Development, for the acquisition and development of affordable housing, secured by general collateral assignment of non-real property assets, bears interest at 8% per annum, interest only monthly payments commencing August 1, 2006, and due on the earlier of June 28, 2007 or assignment to an affiliate. Repayment of the loan is guaranteed by the Richmond Community Redevelopment Agency.	-	1,515,000	-	-
<i>General</i>				
Wells Fargo Community Development Corporation, in an original amount of \$1,000,000. Bears simple interest at 2%, interest paid quarterly with principal and any unpaid interest due in full January 2013.	5,000	1,000,000	5,000	1,000,000
<i>Corporate Office/Office Building</i>				
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%.	1,755	421,202	1,823	437,607
Bank of the West for construction at the corporate office at 409 Jackson Street, Hayward, due in January 2008, with interest at the prime rate, adjusted every fifth year (4.01% at June 30, 2006 and 2005). Monthly installments are \$3,621.	224	66,587	357	106,483
<i>Demand Notes Payable</i>				
Payable to A Street, Inc., on demand or by December 31, 2051, with compound interest at 5.84% per annum.	- ⁽¹⁾	167,000	-	167,000
Payable to Catalonia, Inc., on demand or by December 31, 2053, with compound interest at 6.36% per annum.	265,764	290,000	232,531	290,000
Payable to Chynoweth Housing, Inc., on demand or by December 31, 2055, and is non-interest bearing.	-	250,000	-	250,000
Payable to Corona-Ely Ranch, Inc., on demand or by December 31, 2052, with compound interest at 7.69% per annum.	- ⁽¹⁾	286,000	-	286,000

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006		2005	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Payable to Eden Investments, Inc., on demand or by December 31, 2055, and is non-interest bearing (see Note 15).	-	50,000	-	50,000
Payable to Eden Palms, Inc., on demand or by December 31, 2050, with compound interest at 6.36% per annum.	580,787	633,000	508,207	633,000
Payable to Ellis Lake Townhomes, on demand or by December 31, 2051, and is non-interest bearing.	-	79,000	-	79,000
Payable to Glen Berry, Inc., on demand or by December 31, 2052, with compound interest at 7.67% per annum.	- ⁽¹⁾	215,000	-	215,000
Payable to Stoney, Inc., on demand or by December 31, 2051, with compound interest at 6.75% per annum.	- ⁽¹⁾	305,000	-	305,000
Payable to Washington Creek, Inc., on demand or by December 31, 2051, with compound interest at 6.75% per annum.	- ⁽¹⁾	113,500	-	113,500
Total	2,723,360	14,961,276	2,464,604	15,535,188
Less current portion	(22,438)	(114,968)	(28,398)	(108,738)
Long-term portion	<u>\$ 2,700,922</u>	<u>\$ 14,846,308</u>	<u>\$ 2,436,206</u>	<u>\$ 15,426,450</u>

⁽¹⁾ 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:

2007	\$ 114,968
2008	2,225,080
2009	88,222
2010	95,056
2011	102,440

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 11 – PAYABLE TO CITY OF HAYWARD

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

	2006	2005
Tyrrell Gardens (see Note 6)	\$ 60,200	\$ 60,200
Tyrrell Gardens	157,158	155,048
	\$ 217,358	\$ 215,248

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following purposes or periods:

		2006			
		<i>June 30, 2005</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2006</i>
Tyrrell Gardens	\$ 32,244	\$ 554	\$ 32,798	\$ -	
C.G.A Associates	-	255,000	255,000	-	
	\$ 32,244	255,554	\$ 287,798	\$ -	

		2005			
		<i>June 30, 2004</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2005</i>
Tyrrell Gardens	\$ 31,926	\$ 318	\$ -	\$ 32,244	

NOTE 13 – PRIOR PERIOD ADJUSTMENT

An error was discovered during 2006 regarding the application of the method of interest used to calculate annual accrued interest on the \$813,114 note payable to the City of Livermore (see Note 10). EHI had used simple interest on this loan, however, interest should have been recognized based on compound interest method in prior years. Accordingly, accrued interest payable and unrestricted net assets were restated as follows:

	Accrued Interest Payable	<i>Net Assets</i>		Total
		Unrestricted	Temporarily Restricted	
Balance, June 30, 2004, as previously reported	\$ 172,414	\$ 9,045,286	\$ 31,926	\$ 9,077,212
Adjust accrued interest payable	124,601	(124,601)	-	(124,601)
Balance, June 30, 2004, as restated	\$ 297,015	\$ 8,920,685	\$ 31,926	\$ 8,952,611

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 14 – EMPLOYEE BENEFIT PLAN

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 \$43,863 and \$30,888 were contributed for the years ended June 30, 2006 and 2005, respectively.

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 15 – 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, 2006 are as follows:

	<u>Principal</u>
Eden Investments, Inc.	\$ 103,500
Huntwood Investment, 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, 2006 amounted to approximately \$7,400,000, and outstanding loan guarantees were approximately \$47,000,000. In addition, EHI has guaranteed an aggregate amount in excess of approximately \$50,000,000 to the limited investors for tax credits and other deductions for various affiliated limited partnerships as of June 30, 2006. 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.

EHI was named in a lawsuit along with a number of other organizations regarding certain claims filed by two former tenants of an EHMI managed property. Management believes that the limits of existing insurance policies would be sufficient to cover any judgment as a result of this case.

SUPPLEMENTARY INFORMATION

EDEN HOUSING, INC. AND SUBSIDIARIES
SCHEDULES OF FINANCIAL POSITION –
OWNED AFFORDABLE HOUSING PROJECTS
JUNE 30, 2006

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Villa Springs</i>	<i>Total</i>
ASSETS				
Cash	\$ 353	\$ 10,250	\$ 3,909	\$ 14,512
Cash – restricted	12,770	58,563	161,466	232,799
Prepaid expenses and other receivables	3,523	2,609	12,261	18,393
Tenant security deposits	3,717	4,794	48,748	57,259
Property and equipment – net	358,540	200,029	4,024,880	4,583,449
Other assets	-	5,649	26,464	32,113
Total assets	\$ 378,903	\$ 281,894	\$ 4,277,728	\$ 4,938,525
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,518	\$ 2,150	\$ 16,926	\$ 20,594
Related-party payable	28,772	-	174,184	202,956
Tenant security deposits	2,934	3,860	47,974	54,768
Interest payable	42,570	2,200	1,306,838	1,351,608
Notes payable	392,450	377,497	5,092,166	5,862,113
Total liabilities	468,244	385,707	6,638,088	7,492,039
Net assets (deficit):				
Unrestricted	(89,341)	(103,813)	(2,360,360)	(2,553,514)
Total net assets	(89,341)	(103,813)	(2,360,360)	(2,553,514)
Total liabilities and net assets	\$ 378,903	\$ 281,894	\$ 4,277,728	\$ 4,938,525

EDEN HOUSING, INC. AND SUBSIDIARIES
SCHEDULES OF OPERATIONS –
OWNED AFFORDABLE HOUSING PROJECTS
YEAR ENDED JUNE 30, 2006

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Villa Springs</i>	<i>Total</i>
Income:				
Rental income, net of vacancy loss	\$ 34,474	\$ 114,115	\$ 511,799	\$ 660,388
Laundry and other	75	2,060	27,552	29,687
Interest income	-	59	4,564	4,623
Total income	<u>34,549</u>	<u>116,234</u>	<u>543,915</u>	<u>694,698</u>
Expenses:				
Salaries and wages	3,134	8,432	64,162	75,728
Payroll taxes and benefits	1,119	3,465	27,091	31,675
Office and maintenance costs	15,274	54,427	224,823	294,524
Professional services	2,741	7,260	33,164	43,165
Mortgage interest and carrying costs	16,477	26,659	162,466	205,602
Other expenses	-	-	39,040	39,040
Total expenses	<u>38,745</u>	<u>100,243</u>	<u>550,746</u>	<u>689,734</u>
Income (loss) from operations	(4,196)	15,991	(6,831)	4,964
Other expenses:				
Depreciation and amortization	6,957	15,689	149,301	171,947
Interest – deferred notes	7,740	-	95,939	103,679
Net income (loss)	<u>\$ (18,893)</u>	<u>\$ 302</u>	<u>\$ (252,071)</u>	<u>\$ (270,662)</u>

**SUPPLEMENTARY INFORMATION REQUIRED BY THE CALIFORNIA
HOUSING FINANCE AGENCY AND THE CALIFORNIA DEPARTMENT
OF HOUSING AND COMMUNITY DEVELOPMENT –
VILLA SPRINGS APARTMENTS**

EDEN HOUSING, INC. AND SUBSIDIARIES
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA
 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 YEAR ENDED JUNE 30, 2006

Project Name: Villa Springs Apartments

Project No.: 91-CHRP-R-097

Cash on Hand and in Banks

Unrestricted accounts:

Checking account – operating	\$ 3,809
Cash on hand	100
Total	\$ 3,909

Restricted accounts:

Insurance and tax impound accounts	\$ 33,200
Replacement reserve	70,809
Operating expense reserve	12,440
General operating reserve	45,017
Total	\$ 161,466

Tenant security deposits are maintained in separate interest-bearing accounts.

Accounts Receivable (Payable)

Accounts receivable consists of:

Receivable from tenants	\$ 4,289
Rent subsidy receivable (deferred)	\$ (7,390)

Insurance Impound Accounts

	<i>Real Estate Taxes</i>	<i>Hazard Insurance</i>	<i>Earthquake Insurance</i>	<i>Total</i>
Balance, beginning of year	\$ 6,563	\$ 16,721	\$ 5,971	\$ 29,255
Deposits	21,805	24,890	10,920	57,615
Interest earned	1,196	-	-	1,196
Payment	(23,481)	(22,306)	(9,079)	(54,866)
Fund transfer	2,200	(2,200)	-	-
Balance, end of year	\$ 8,283	\$ 17,105	\$ 7,812	\$ 33,200

EDEN HOUSING, INC. AND SUBSIDIARIES
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA
 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 YEAR ENDED JUNE 30, 2006

Project Name: Villa Springs Apartments

Project No.: 91-CHRP-R-097

Replacement Reserve

In accordance with provisions of the regulatory agreement, restricted cash is held by CalHFA to be used for replacements of property with the approval of CalHFA as follows:

Balance, beginning of year	\$ 86,368
Twelve monthly deposits of \$1,927	23,124
Fund transfer	4,273
Interest earned	2,886
Withdrawals	(45,842)
Balance, end of year	\$ 70,809

Operating Expense Reserve

In accordance with provisions of the regulatory agreement, restricted cash is held by CalHFA to be used for unforeseen circumstances with the prior approval of CalHFA as follows:

Balance, beginning of year	\$ 16,290
Interest earned	423
Fund transfer	(4,273)
Balance, end of year	\$ 12,440

General Operating Reserve

Balance, beginning of year	\$ 38,452
Deposits	6,528
Interest earned	37
Balance, end of year	\$ 45,017

Property, Equipment and Improvements

Following are the details of property, equipment and improvements:

<u>Property, Equipment and Improvements, at Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance, beginning of year	\$ 730,000	\$ 4,800,445	\$ 316,521	\$ 5,846,966
Additions	-	39,284	9,000	48,284
Deletions	-	(28,353)	-	(28,353)
Balance, end of year	\$ 730,000	\$ 4,811,376	\$ 325,521	\$ 5,866,897

EDEN HOUSING, INC. AND SUBSIDIARIES
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA
 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 YEAR ENDED JUNE 30, 2006

Project Name: Villa Springs Apartments

Project No.: 91-CHRP-R-097

Accounts Payable and Accrued Expenses

Accounts payable are payable to vendors and are being paid on a current basis.

Gross Potential Rents

Gross potential rent includes:

Tenant rental payments	\$ 488,568
Housing assistance payments	13,091
Employee quarters shown as an expense	10,140
Vacancy loss	62,655
Total gross potential rent	\$ 574,454

Management Fee

Property management fee was paid to an affiliated management company on the basis of \$2,574 per month for 12 months.

Surplus Cash Computation

Add:

Cash on hand and in banks – operating	\$ 3,909
Tenant security deposits	48,748
Total	52,657

Less current obligations:

Accounts payable and accrued expenses – operations (due within 30 days)	(16,759)
Subsidy rent payable	(7,390)
Accrued mortgage interest	(13,259)
Tenant security deposits	(47,974)
Prepaid rent	(7,557)
Total	(92,939)

Surplus (deficit) cash	\$ (40,282)
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Debt Service

The debt service payments are current and have been made in a timely manner for the year ended June 30, 2006.

EDEN HOUSING, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
YEAR ENDED JUNE 30, 2006

Project Name: Villa Springs Apartments

Project No.: 91-CHRP-R-097

Taxes

Property tax payments were made in a timely manner for the year ended June 30, 2006.

Insurance

Insurance premiums are paid current as of June 30, 2006.

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**Report of Actual Cash Flow Analysis
Year Ended June 30, 2006**

Project Name: Villa Springs Apartments
Project No.: 91-CHRP-R-097

Description of Account	Account Number	Residential	Non-Residential	Total
Management Fee	6320	30,888	0	30,888
Administrative Expenses - 6200/6300				
Advertising	6210	69	0	69
Other Renting Expenses	6250	3,480	0	3,480
Office Salaries	6310	4,785	0	4,785
Office Supplies	6311	5,437	0	5,437
Office Rent	6312	0	0	0
Manager's Salary	6330	24,495	0	24,495
Manager Rent Free Unit	6331	10,140	0	10,140
Legal Expense	6340	2,276	0	2,276
Audit Expense	6350	0	0	0
Bookkeeping Fees/Accounting Services	6351	4,950	0	4,950
Telephone and Answering Services Expense	6360	4,249	0	4,249
Bad Debt Expense	6370	5,033	0	5,033
Miscellaneous Administrative Expenses	6390	6,610	0	6,610
Total Admin Expense		71,524	0	71,524
Utilities Expenses - 6400				
Fuel Oil/Coal	6420	0	0	0
Electricity	6450	14,826	0	14,826
Water	6451	15,584	0	15,584
Gas	6452	24,068	0	24,068
Sewer	6453	0	0	0
Total Utilities Expense		54,478	0	54,478
Operating and Maintenance Expenses - 6500/7300				
Janitor and Cleaning Payroll	6510	75	0	75
Janitor and Cleaning Contract	6514	5,267	0	5,267
Janitor and Cleaning Supplies	6515	287	0	287
Exterminating Payroll/Contract	6519	1,505	0	1,505
Exterminating Supplies	6520	0	0	0
Garbage and Trash Removal	6525	24,780	0	24,780
Security Payroll/Contract	6530	570	0	570
Grounds Payroll	6535	0	0	0
Grounds Supplies	6536	967	0	967
Grounds Contract	6537	11,256	0	11,256
Repairs Payroll	6540	39,592	0	39,592
Repairs Material	6541	17,055	0	17,055
Repairs Contract	6542	11,934	0	11,934
Elevator Maintenance/Contract	6545	0	0	0
Heating/Cooling Repairs and Maintenance	6546	0	0	0
Swim Pool Maintenance/Contract	6547	0	0	0
Snow Removal	6548	0	0	0
Decorating Payroll/Contract	6560	7,060	0	7,060
Decorating Supplies	6561	2,162	0	2,162
Vehicle and Maintenance Equipment O&R	6570	0	0	0
Miscellaneous Operating and Maintenance Expenses	6590	0	0	0
Appliance Replacement	7310	4,006	0	4,006
Interior Replacement	7315	35,034	0	35,034
Plumbing Replacement	7320	0	0	0
Total Operating and Maintenance Expenses		161,550	0	161,550
Taxes and Insurance - 6700				
Real Estate Taxes	6710	23,481	0	23,481
Payroll Taxes	6711	5,207	0	5,207
Miscellaneous Taxes, Licenses, and Permits	6719	340	0	340
Property and Liability Insurance	6720	29,068	0	29,068
Fidelity Bond Insurance	6721	0	0	0
Workmen's Compensation	6722	6,606	0	6,606
Health Insurance and Other Employee Benefits	6723	5,138	0	5,138
Total Taxes and Insurance		69,840	0	69,840
Supportive Service Expenses - 6900				
Counseling	6930	0	0	0
Food	6932	0	0	0
Day Programs	6950	0	0	0
Recreation	6951	0	0	0
Total Supportive Services Expenses		0	0	0
TOTAL OPERATING EXPENSES		388,280	0	388,280

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Report of Actual Expenses
Year Ended June 30, 2006**

Project Name: Villa Springs Apartments
Project No.: 91-CHRP-R-097

Description of Account	Account Number	Residential	Non Residential	Total
Rent Revenue - 5100				
Rent Revenue - Gross Potential	5120	561,363	0	561,363
Tenant Assistance Payments	5121	13,091	0	13,091
Furniture and Equipment	5130	0	0	0
Rent Revenue - Stores and Commercial	5140	0	0	0
Subsidy Revenue	5180	0	0	0
Miscellaneous	5190	0	0	0
Gross Potential Rent		574,454	0	574,454
Vacancies - 5200				
Apartments	5220	62,655	0	62,655
Stores and Commercial	5240	0	0	0
Garage and Parking Spaces	5270	0	0	0
Miscellaneous	5290	0	0	0
Total Vacancies		62,655	0	62,655
Net Rental Revenue		511,799	0	511,799
Financial Revenue - 5400				
Financial Revenue - Project Operations	5410	922	0	922
Revenue from Investments - Replacement Reserve	5520	2,886	0	2,886
Revenue from Investments - Operating Reserve	5565	460	0	460
Revenue from Investments - Miscellaneous	5511	296	0	296
Total Financial Revenue		4,564	0	4,564
Other Revenue - 5900				
Laundry and Vending Revenue	5910	8,943	0	8,943
NSF and Late Charges	5920	1,175	0	1,175
Warrant Fees	5921	0	0	0
Damage and Cleaning Fees	5930	409	0	409
Forfeited Tenant Security Deposits	5940	0	0	0
Other Revenue	5990	17,025	0	17,025
Total Other Revenue		27,552	0	27,552
TOTAL REVENUE		543,915	0	543,915
TOTAL OPERATING EXPENSES		388,280	0	388,280
Financial Expenses - 6800				
Interest on Mortgage Payable	6820	161,144	0	161,144
Principal		44,095	0	44,095
Total Financial Expenses		205,239	0	205,239
Funded Reserves - 1300				
Replacement Reserve Deposit	1321	23,124	0	23,124
Operating Reserve Deposit	1341	0	0	0
Revenue from Investments - Replacement Reserve		2,886	0	2,886
Revenue from Investments - Operating Reserve		423	0	423
Other Reserves		0	0	0
Total Reserves		26,433	0	26,433
TOTAL PROJECT CASH FLOW		(76,037)	0	(76,037)
Uses of Cash Flow in Priority Order				
Reapportioned Net Income		0	0	0
Residual Receipts Debt Service		0	0	0
Sponsor Distribution		0	0	0
SUHRP-R Prepayments		0	0	0

CHRP-R/SUHRP - 181 (rev. 2/99)

EDEN HOUSING, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

<i>Federal Grantor/Pass-Through Grantor/Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Housing and Urban Development:</u>			
HOME Investment Partnerships Program:			
Loans passed through in prior years for which continuing compliance is required:			
City of Hayward – 742 Harris Court	14.239	N/A	\$ 165,000
City of San Jose – Eden Palms II	14.239	N/A	1,253,770
Loan passed through in the current year:			
City of Richmond – Richmond Nursery	14.239	N/A	151,536
Grant passed through in the current year:			
City of Manteca – Manteca II	14.239	N/A	159,867
			<u>1,730,173</u>
Community Development Block Grant Program:			
Loan passed through in prior year for which continuing compliance is required:			
City of Brentwood – Brentwood Senior Commons	14.218	N/A	2,795,000
Loans passed through in the current year:			
City of Richmond – Richmond Nursery	14.218	N/A	449,000
City of Antioch – Antioch II	14.218	N/A	225,590
			<u>3,469,590</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 5,199,763</u></u>

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal loan and grant activities of Eden Housing, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 – PRIOR YEARS' EXPENDITURES

The accompanying schedule of expenditures of federal awards includes \$4,213,770 in expenditures from prior years for which continuing compliance is required.

EDEN HOUSING, INC. AND SUBSIDIARIES
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2006

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs: Name of Federal Program or Cluster:

CFDA #14.218 Community Development Block Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



Board of Directors
Eden Housing, Inc. and Subsidiaries
Hayward, California

JAMES M. KRAFT
S. SCOTT SEAMANDS
MARK O. BRITAIN
ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ

**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**

We have audited the consolidated financial statements of Eden Housing, Inc., a California nonprofit public benefit corporation, and Subsidiaries as of and for the year ended June 30, 2006, and have issued our report thereon dated September 20, 2006. 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 Eden Housing, Inc. and Subsidiaries' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eden Housing, Inc. and Subsidiaries' consolidated 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 consolidated financial statements 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*.

We noted others matters involving the internal control over financial reporting that we have reported to the management of Eden Housing, Inc. and Subsidiaries in a separate letter dated September 20, 2006.

This report is intended solely for the information and use of the audit committee, management, 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.

September 20, 2006



Board of Directors
Eden Housing, Inc. and Subsidiaries
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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Eden Housing, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Eden Housing, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Eden Housing, Inc.'s management. Our responsibility is to express an opinion on Eden Housing, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eden Housing, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eden Housing, Inc.'s compliance with those requirements.

In our opinion, Eden Housing, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Eden Housing, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eden Housing, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, 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.

Lindquist, von Husen and Joyce

September 20, 2006