

**EDEN HOUSING, INC.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2007 AND 2006

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

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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

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, 2007 and 2006, 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 audits 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, 2007 and 2006, 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 November 19, 2007 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 supplementary information on pages 27 and 28, 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.

Lindquist, von Huen and Joyce LLP

November 19, 2007

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,465,795	\$ 1,565,638
Grants receivables	29,421	54,400
Inclusionary housing fee receivables (Note 15)	1,800,000	-
Related-party receivables, net – current portion (Note 4)	2,938,627	2,920,790
Prepaid expenses and other receivables	144,354	101,217
Total current assets	7,378,197	4,642,045
Investments (Note 3)	479,499	427,836
Related-party receivables, net – net of current portion (Note 4)	12,578,507	9,423,989
Notes receivable (Note 6)	12,134,622	9,433,623
Tenant security deposits	51,775	57,259
Cash – restricted	974,435	390,717
Investments in partnerships and other companies (Note 5)	1,064,737	1,319,033
Development in progress (Note 7)	2,698,807	4,077,517
Property and equipment – net (Note 8)	8,136,567	7,481,409
Deferred costs – net	30,962	32,113
Total assets	\$ 45,528,108	\$ 37,285,541
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 476,709	\$ 438,694
Line of credit (Note 9)	930,249	529,576
Interest payable – current portion (Note 10)	30,260	22,438
Notes payable – current portion (Note 10)	2,641,353	114,968
Total current liabilities	4,078,571	1,105,676
Related-party payable (Note 4)	885,137	540,057
Deferred revenue	94,820	227,330
Tenant security deposits	52,433	54,768
Interest payable – net of current portion (Note 10)	2,983,097	2,700,922
Notes payable – net of current portion (Note 10)	11,358,659	14,846,308
Payable to City of Hayward (Note 11)	217,358	217,358
Total liabilities	19,670,075	19,692,419
Net assets:		
Unrestricted	25,858,033	17,593,122
Total net assets	25,858,033	17,593,122
Total liabilities and net assets	\$ 45,528,108	\$ 37,285,541

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

EDEN HOUSING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2007 AND 2006

	2007		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Development fees, including accrued interest (Note 4)	\$ 4,786,584	\$ -	\$ 4,786,584
Rental income – owned properties	715,756	-	715,756
Partnership management service contracts (Note 4)	496,338	-	496,338
Deferred ground leases, including accrued interest (Note 4)	228,355	-	228,355
Contributions (Note 12)	312,649	-	312,649
Government grants	69,323	-	69,323
Interest and investment income	562,294	-	562,294
Net realized and unrealized gain on investments	30,163	-	30,163
Income (loss) from investment in partnerships and other companies	(389,500)	-	(389,500)
Other income	55,883	-	55,883
Net assets released from restrictions (Note 12)	-	-	-
Total support and revenue	<u>6,867,845</u>	<u>-</u>	<u>6,867,845</u>
Expenses:			
Program services:			
Housing development	1,517,869	-	1,517,869
Rental operations	954,560	-	954,560
Supporting services:			
Management and general	735,860	-	735,860
Total expenses	<u>3,208,289</u>	<u>-</u>	<u>3,208,289</u>
Change in net assets before other income (expenses)	<u>3,659,556</u>	<u>-</u>	<u>3,659,556</u>
Other income (expenses):			
Inclusionary housing fees (Note 15)	4,800,000	-	4,800,000
Capital grants	306,832	-	306,832
Contributions to related parties (Note 4)	(501,477)	-	(501,477)
Provision for doubtful collections (Note 4)	-	-	-
Total other income (expenses)	<u>4,605,355</u>	<u>-</u>	<u>4,605,355</u>
Change in net assets	8,264,911	-	8,264,911
Net assets, beginning of year	<u>17,593,122</u>	<u>-</u>	<u>17,593,122</u>
Net assets, end of year	<u>\$ 25,858,033</u>	<u>\$ -</u>	<u>\$ 25,858,033</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, 2007 AND 2006

	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 (Note 12)	564,283	-	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	260,184	-	260,184
Other income	76,534	-	76,534
Net assets released from restrictions (Note 12)	32,798	(32,798)	-
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 FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2007 AND 2006

	2007			
	<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	\$ 851,452	\$ 51,265	\$ 310,181	\$ 1,212,898
Payroll taxes and benefits	171,003	36,586	63,247	270,836
Office and maintenance costs	28,230	303,884	140,589	472,703
Occupancy costs	-	33,184	-	33,184
Professional services	94,357	46,448	132,972	273,777
Mortgage interest and carrying costs	19,091	206,580	20,000	245,671
Travel	20,877	-	-	20,877
Non-recoverable development costs	58,654	-	-	58,654
Scholarships	-	-	37,850	37,850
Other expenses	4,909	-	31,021	35,930
Expenses before other costs	1,248,573	677,947	735,860	2,662,380
Other costs:				
Interest – deferred notes	233,961	103,679	-	337,640
Depreciation and amortization	35,335	172,934	-	208,269
Total expenses	\$ 1,517,869	\$ 954,560	\$ 735,860	\$ 3,208,289

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, 2007 AND 2006

	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 CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 8,264,911	\$ 6,690,138
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	208,269	204,105
Net realized and unrealized gain on investments	(30,163)	(12,835)
Loss on retirement of fixed assets	-	19,160
Income from investment in partnerships and other companies	389,500	(260,184)
Note receivable donated by related party	-	(5,275,956)
Provision for doubtful collections	-	600,000
(Increase) decrease in assets:		
Grant receivables	24,979	(54,400)
Inclusionary housing fee receivables	(1,800,000)	-
Related-party receivables	(2,225,509)	(701,531)
Prepaid expenses and other receivables	(43,137)	8,163
Tenant security deposits	5,484	(4,677)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(128,956)	156,837
Related-party payable	345,080	471,297
Deferred revenue	(132,510)	28,382
Tenant security deposits	(2,335)	4,285
Interest payable	289,997	258,756
Net cash provided by operating activities	5,165,610	2,131,540
Cash flows from investing activities:		
Net (increase) decrease in restricted cash	(583,718)	40,964
Net increase in investments	(21,500)	(14,127)
Net increase in investment in partnerships and other companies	(135,204)	(706,954)
Net increase in notes receivable	(2,700,999)	(1,842,550)
Net increase in development in progress	(1,947,769)	(2,302,932)
Purchase of property and equipment	(695,305)	(63,425)
Net cash used in investing activities	(6,084,495)	(4,889,024)

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, 2007 AND 2006

	2007	2006
Cash flows from financing activities:		
Proceeds from (payment of) line of credit	400,673	(63,527)
Proceeds from the city of Hayward	-	2,110
Principal repayments – mortgages	(58,811)	(54,171)
Proceeds from long-term debt	1,535,942	3,136,695
Principal repayments – other long-term debt	(58,762)	(56,300)
	1,819,042	2,964,807
Net cash provided by financing activities		
Net increase in cash and cash equivalents	900,157	207,323
Cash and cash equivalents, beginning of year	1,565,638	1,358,315
Cash and cash equivalents, end of year	\$ 2,465,795	\$ 1,565,638
Supplementary information:		
Cash paid for interest (net of capitalized interest)	\$ 244,187	\$ 255,242
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
Transfers of fixed assets and development in progress to affiliates:		
Monterey Road Supportive Housing Corporation	\$ 1,575,844	\$ -
Antioch Eden Rivertown L.P.	\$ 1,045,687	\$ -
Saklan Avenue L.P.	\$ 704,948	\$ -
Brentwood Senior Commons L.P.	\$ -	\$ 3,295,000
Transfers of long term debt to affiliates:		
Monterey Road Supportive Housing Corporation	\$ 1,391,894	\$ -
Antioch Eden Rivertown L.P.	\$ 987,739	\$ -
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, 2007 AND 2006

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 nine subsidiaries, Eden Baywood Apartments LLC, Sara Conner Court LLC, Downtown River LLC, Brentwood Senior Housing LLC, Dublin Senior LLC, Grand/C LLC, Saklan Avenue LLC, Antioch Eden Rivertown LLC, and Villa Springs 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, 2007 AND 2006

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 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 \$3,065,000 as of June 30, 2007. 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 earmarked for specific development activities, reserves for repairs and replacements, operating reserves, and tax and insurance impound accounts.

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

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 \$443,805 and \$600,000 as of June 30, 2007 and 2006, 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.

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 acquisition and rehabilitation of the Villa Springs property and 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. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

Reclassification

Certain amounts previously reported in the 2006 financial statements were reclassified to conform to the 2007 presentation for comparative purposes.

NOTE 3 – INVESTMENTS

Investments at June 30, 2007 and 2006 are summarized as follows:

	2007		2006	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Common stocks	\$ 122,705	\$ 143,900	\$ 113,179	\$ 115,454
Corporate bonds	144,883	135,906	144,883	141,082
Mutual funds	176,095	199,693	163,464	171,300
	<u>\$ 443,683</u>	<u>\$ 479,499</u>	<u>\$ 421,526</u>	<u>\$ 427,836</u>

NOTE 4 – RELATED-PARTY TRANSACTIONS

Related-party receivables and payables are summarized as follows:

	2007	2006
Receivable:		
Developer fees	\$ 7,225,174	\$ 5,108,670
Partnership management fees	1,513,422	1,221,631
Ground leases	3,121,811	2,931,459
Advances for development costs	788,818	1,144,267
Advances to general partners	820,076	779,845
Operating advances to EHMI	1,325,471	1,118,249
Reserve funding fees	37,000	37,000
Accrued interest on developer fees	348,064	299,246
Accrued interest on ground leases	203,977	171,354
Accrued interest on notes receivable	556,093	122,542
Accrued interest – other	21,033	10,516
Total	<u>15,960,939</u>	<u>12,944,779</u>
Less: allowance for doubtful collections	<u>(443,805)</u>	<u>(600,000)</u>
	15,517,134	12,344,779
Less: current portion	<u>(2,938,627)</u>	<u>(2,920,790)</u>
Long-term portion	<u>\$ 12,578,507</u>	<u>\$ 9,423,989</u>

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Payable:		
Operating advances		
Eden Baywood L.P.	\$ 106,767	\$ 76,826
Eden Palms Associates	30,027	30,026
Eden Housing Management, Inc.	37,052	101,035
Others	33,117	349
Grants		
Central Valley Senior Housing Corporation	466,699	159,867
Sara Conner Court L.P.	25,000	25,000
Eden Housing Resident Services, Inc.	-	30,000
Palo Alto Alma	39,323	-
San Leandro Senior	30,000	-
Capital contribution		
Downtown River LLC	116,954	116,954
Total	\$ 885,137	\$ 540,057

Operating Advances to EHRSI

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. 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, 2007 and 2006, EHI made operating advances of \$67,322 and \$230,619, 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 \$4,786,584 and \$3,325,662 for the years ended June 30, 2007 and 2006, respectively.

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 years ended June 30, 2007 and 2006, EHI earned \$476,338 and \$380,800, 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 \$228,355 and \$245,867 for the years ended June 30, 2007 and 2006, respectively.

EHI leases additional office space from Glen Eden Associates, an affiliate. Rental payments were \$33,184 and \$33,072 for the years ended June 30, 2007 and 2006, respectively.

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

Contributions to Related Parties

Contributions to related parties are summarized as follows:

	2007	2006
Eden Housing Resident Services, Inc.	\$ 110,322	\$ 495,619
Central Valley Senior Housing Corporation	306,832	159,867
Sara Conner Court L.P.	15,000	25,843
Palo Alto Alma	39,323	-
San Leandro Senior	30,000	-
Others	-	12,411
Total	<u>\$ 501,477</u>	<u>\$ 693,740</u>

Allowance for Doubtful Collections

EHI had made advances to various related parties in prior years, and for the years ended June 30, 2007 and 2006, \$-0- and \$500,000, respectively, were accrued for an allowance for doubtful collections against these advances.

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. In June 2007, SPM Housing Associates paid the full balance due of \$400,000.

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>	<i>2007 Financial Interest</i>	<i>2006 Financial Interest</i>
99%	Baywood Associates	\$ 388,467	\$ 376,150
98.99%	C.G.A. Associates	329,134	400,000
.01%	Sara Conner Court L.P. ⁽¹⁾	92,054	349,265
.01%	Downtown River Associates, L.P. ⁽¹⁾	116,798	115,751
.01%	Eden Baywood Apartments L.P. ⁽¹⁾	70,768	70,768
99%	Huntwood Commons Associates	45,000	-
0.84%	Housing Partnership Securities, LLC	16,067	-
.0045%	Chesley Avenue L.P.	10,000	10,000
.01%	Dublin Senior L.P. ⁽¹⁾	(3,108)	(2,821)
.01%	Saklan Avenue L.P. ⁽¹⁾	(443)	-
.01%	Brentwood Senior Commons L.P. ⁽¹⁾	-	(80)
		<u>\$ 1,064,737</u>	<u>\$ 1,319,033</u>

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

(1) EHI intends to transfer its general partnership interest on the partnerships to an affiliate non-profit organization commonly-controlled by EHI's board of directors. Thus, the financial information of these partnerships is not consolidated in the attached financial statements, as would have been required by EITF 04-05, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, had EHI's control not been temporary. The general purpose combined financial statements of EHI and affiliates will however, include the full consolidation of the partnerships controlled by EHI's affiliates.

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

	2007	2006
Total assets	\$ 125,489,000	\$ 86,383,000
Total liabilities	104,497,000	72,010,000
Partners' and member's equity	20,992,000	14,373,000
Total revenue	3,617,000	5,611,000
Total expenses	6,597,000	3,389,000
Results of operations	(2,980,000)	(2,222,000)

NOTE 6 – NOTES RECEIVABLE

Notes receivable are summarized as follows:

	2007	2006
<u>Related Parties</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 \$126,544 and \$112,548 at June 30, 2007 and 2006, respectively.	350,000	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 \$16,200 and \$9,994 at June 30, 2007 and 2006, respectively.	207,037	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 \$400,137 and \$-0- at June 30, 2007 and 2006, respectively. (See Note 10).	5,275,956	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	189,896

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
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 \$6,212 and \$-0- at June 30, 2007 and 2006, respectively.	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 and \$-0- at June 30, 2007 and 2006, respectively.	560,000	-
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
Contra Costa County Housing Corporation	152,654	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
Edenvale Supportive Housing Corporation	9,410	9,410
Total – related parties	10,305,073	7,748,073
<i>Other Notes Receivable</i>		
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 11).	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, 2007 AND 2006

	2007	2006
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. As of June 30, 2007, accrued interest receivable and loan fees of \$128,999 and \$15,000, respectively., was added to the principal balance.	1,643,999	1,500,000
Total – other notes receivable	1,829,549	1,685,550
Total notes receivable	\$ 12,134,622	\$ 9,433,623

⁽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:

	2007	2006
Richmond Nursery	\$ 1,504,851	\$ 1,070,784
Manteca II	469,605	163,753
Arroyo Vista Housing	178,315	14,715
San Leandro Senior Housing	178,766	-
Healdsburg	103,941	7,703
Palo Alto Family Housing	100,153	12,726
Fremont Senior Housing	24,295	-
Lodi Single Family	9,996	-
Casa Grande	5,426	5,004
Eden Palms II	-	1,242,539
Antioch II	-	946,220
Saklan and North Lane	-	460,369
Hayward Citation	-	149,257
East Palo Alto Panhandle Site	-	4,447
Cypress Glen	49,058	-
Villa Springs	10,738	-
Eden Lodge	6,525	-
Others	57,138	-
Total development in progress	\$ 2,698,807	\$ 4,077,517

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2007	2006
Land:		
Leased to affiliates	\$ 1,941,947	\$ 1,941,947
Owned housing projects	923,875	923,875
Corporate office	272,687	272,687
Building and improvements:		
Owned housing projects	5,811,777	5,811,777
Corporate office	812,214	812,214
Furniture and equipment	473,702	460,103
	10,236,202	10,222,603
Less accumulated depreciation:		
Buildings and improvements	2,527,058	2,343,537
Furniture and equipment	421,254	397,657
	2,948,312	2,741,194
Construction in progress – new office building	848,677	-
Total property and equipment	\$ 8,136,567	\$ 7,481,409

NOTE 9 – LINE OF CREDIT

EHI has a \$2,500,000 secured revolving line of credit with Wells Fargo Bank, of which \$930,249 was outstanding at June 30, 2007. 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:

	2007		2006	
	<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.	\$ 1,337	\$ 223,429	\$ -	\$ 227,450

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
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	42,570	165,000
<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.	2,162	370,651	2,200	377,497
<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.	12,924	1,846,248	13,259	1,894,192
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.	94,222	289,298	85,543	289,298
County of Alameda, due June 30, 2038, bears interest at 3.00% per annum.	414,833	927,000	387,023	927,000
State of California, Department of Housing and Community Development (HCD), due July 30, 2042, bears interest at 3.00% per annum.	880,463	1,981,676	821,013	1,981,676
<u><i>Stoney Creek Apartments</i></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.	399,954	813,114	364,622	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.	163,200	320,000	153,600	320,000

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<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. The loan was assigned to Monterey Road Supportive Housing Corporation, an affiliate, in September 2006.	-	-	-	1,253,770
<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 CDBG loan, only \$1,458,400 bears simple interest at 3.00% per annum and is due on November 18, 2060. The loan was assigned to Antioch Eden Rivertown L.P., an affiliate, in October 2006.	-	-	-	720,454
<u><i>Richmond Nursery</i></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.	21,019	600,536	-	600,536
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. As of June 30, 2007, accrued interest payable and loan fees of \$128,999 and \$15,000, respectively, was added to the principal balance.	-	1,643,999	-	1,515,000

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<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>General</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	5,000	1,000,000
<u>New Corporate Office/Office Building</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, maximum amount \$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 LIBO 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.	-	4,534	-	-
<u>Corporate Office/Office Building</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.	-	403,959	1,755	421,202

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

	2007		2006	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
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, 2007 and 2006). Monthly installments are \$3,621.	-	25,068	224	66,587
<i><u>Demand Notes Payable</u></i>				
Payable to A Street, Inc., on demand or by December 31, 2051, with compound interest at 5.84% per annum.	- ⁽¹⁾	167,000	- ⁽¹⁾	167,000
Payable to Catalonia, Inc., on demand or by December 31, 2053, with compound interest at 6.36% per annum.	301,111	290,000	265,764	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	- ⁽¹⁾	286,000
Payable to Eden Investments, Inc., on demand or by December 31, 2055, and is non-interest bearing.	-	50,000	-	50,000
Payable to Eden Palms, Inc., on demand or by December 31, 2050, with compound interest at 6.36% per annum.	657,984	633,000	580,787	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	- ⁽¹⁾	215,000
Payable to Stoney, Inc., on demand or by December 31, 2051, with compound interest at 6.75% per annum.	- ⁽¹⁾	305,000	- ⁽¹⁾	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	- ⁽¹⁾	113,500
Total	3,013,357	14,000,012	2,723,360	14,961,276
Less current portion	(30,260)	(2,641,353)	(22,438)	(114,968)
Long-term portion	\$ 2,983,097	\$ 11,358,659	\$ 2,700,922	\$ 14,846,308

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

(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:

2008	\$ 2,641,353
2009	669,733
2010	75,058
2011	81,419
2012	88,323

NOTE 11 – PAYABLE TO CITY OF HAYWARD

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

	2007	2006
Tyrrell Gardens (see Note 6)	\$ 60,200	\$ 60,200
Tyrrell Gardens	157,158	157,158
	\$ 217,358	\$ 217,358

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$32,244 for Tyrell Gardens at June 30, 2005 were released from restriction during 2006. Included in contribution income for 2007 and 2006 were \$45,000 and \$255,000, respectively, of restricted contributions for the purchase of the limited partnership interests in Huntwood Commons Associates and C.G.A. Associates, respectively. The restrictions on these contributions were released in the year received.

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 \$53,064 and \$43,863 were contributed for the years ended June 30, 2007 and 2006, 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.

EDEN HOUSING, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006

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, 2007 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, 2007 amounted to approximately \$8,400,000, and outstanding loan guarantees were approximately \$71,000,000. 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, 2007. 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.

NOTE 15 – INCLUSIONARY HOUSING FEES

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, LP and Grand/C Limited Partnership, respectively.

SUPPLEMENTARY INFORMATION

EDEN HOUSING, INC. AND SUBSIDIARIES
SCHEDULES OF FINANCIAL POSITION –
OWNED AFFORDABLE HOUSING PROJECTS
JUNE 30, 2007

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Villa Springs</i>	<i>Total</i>
ASSETS				
Cash	\$ 884	\$ 12,025	\$ 6,254	\$ 19,163
Cash – restricted	12,839	71,241	110,495	194,575
Prepaid expenses and other receivables	3,636	5,245	18,175	27,056
Tenant security deposits	2,929	4,389	44,457	51,775
Property and equipment – net	351,583	184,769	3,875,314	4,411,666
Deferred costs - net	-	5,403	25,559	30,962
	<hr/>			
Total assets	\$ 371,871	\$ 283,072	\$ 4,080,254	\$ 4,735,197
<hr/> <hr/>				
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 13,821	\$ 209	\$ 8,492	\$ 22,522
Related-party payable	31,904	-	105,781	137,685
Tenant security deposits	2,653	4,097	45,683	52,433
Interest payable	51,648	2,162	1,402,442	1,456,252
Notes payable	388,429	370,651	5,044,222	5,803,302
Total liabilities	488,455	377,119	6,606,620	7,472,194
<hr/>				
Net assets (deficit):				
Unrestricted	(116,584)	(94,047)	(2,526,366)	(2,736,997)
<hr/>				
Total net assets (deficit)	(116,584)	(94,047)	(2,526,366)	(2,736,997)
<hr/>				
Total liabilities and net assets	\$ 371,871	\$ 283,072	\$ 4,080,254	\$ 4,735,197
<hr/> <hr/>				

EDEN HOUSING, INC. AND SUBSIDIARIES
SCHEDULES OF OPERATIONS –
OWNED AFFORDABLE HOUSING PROJECTS
YEAR ENDED JUNE 30, 2007

	<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	\$ 32,246	\$ 124,466	\$ 559,044	\$ 715,756
Laundry and other	58	711	15,008	15,777
Interest income	131	82	6,147	6,360
Total income	<u>32,435</u>	<u>125,259</u>	<u>580,199</u>	<u>737,893</u>
Expenses:				
Salaries and wages	2,549	9,767	38,949	51,265
Payroll taxes and benefits	798	13,869	21,919	36,586
Office and maintenance costs	20,707	40,923	242,254	303,884
Professional services	3,400	9,260	33,788	46,448
Mortgage interest and carrying costs	17,527	26,168	162,885	206,580
Total expenses	<u>44,981</u>	<u>99,987</u>	<u>499,795</u>	<u>644,763</u>
Income (loss) from operations	(12,546)	25,272	80,404	93,130
Other expenses:				
Interest – deferred notes	7,740	-	95,939	103,679
Depreciation and amortization	6,957	15,506	150,471	172,934
Net income (loss)	<u>\$ (27,243)</u>	<u>\$ 9,766</u>	<u>\$ (166,006)</u>	<u>\$ (183,483)</u>