

**EDEN HOUSING, INC.**

*(A California Nonprofit Public Benefit Corporation)*

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2004 AND 2003**

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
 FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2004 AND 2003

TABLE OF CONTENTS

	Page
Independent Auditor's Report .....	1
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	7
Notes to Financial Statements .....	9
Supplementary Information .....	24
Schedules of Financial Position – Owned Affordable Housing Projects .....	25
Schedules of Operations – Owned Affordable Housing Projects .....	26
Supplementary Information Required by the California Housing Finance Agency and the California Department of Housing and Community Development .....	27
Cash on Hand and in Banks .....	28
Accounts Receivable (Payable) .....	28
Insurance Impound Accounts .....	28
Replacement Reserve .....	29
Operating Expense Reserve .....	29
General Operating Reserve .....	29
Property, Equipment and Improvements .....	29
Accounts Payable and Accrued Expenses .....	30
Gross Potential Rents .....	30
Management Fee .....	30
Surplus Cash Computation .....	30
Debt Service .....	31
Taxes .....	31

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

TABLE OF CONTENTS

	Page
Insurance .....	31
Report of Actual Expenses .....	32
Report of Actual Cash Flow Analysis .....	33
Schedule of Expenditures of Federal Awards.....	34
Notes to Schedule of Expenditures of Federal Awards .....	35
Schedule of Findings and Questioned Costs .....	36
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	37
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	38

\* \* \* \*



Board of Directors  
Eden Housing, Inc.  
Hayward, California

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  

---

ALEXIS H. WONG

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Eden Housing, Inc. (a California nonprofit public benefit corporation) as of June 30, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eden Housing, Inc. as of June 30, 2004 and 2003, 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. 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 14, 2004 on our consideration of Eden Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Eden Housing, Inc. taken as a whole. The accompanying supplementary information on pages 25 through 33, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 34 is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Lindquist, von Huseen and Joyce".

September 14, 2004

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2004 AND 2003

	2004	2003
<b>ASSETS</b>		
Cash	\$ 1,478,637	\$ 1,199,181
Cash – restricted	491,961	429,275
Investments (Note 3)	142,748	224,339
Related-party receivables (Note 4)	9,797,988	9,175,005
Prepaid expenses and other receivables	54,635	30,905
Tenant security deposits	55,351	54,506
Notes receivable (Note 5)	2,286,320	2,148,540
Development in progress (Note 6)	961,419	2,805,291
Property and equipment – net (Note 7)	11,653,840	12,190,726
Deferred costs – net	34,416	35,567
	<u>\$ 26,957,315</u>	<u>\$ 28,293,335</u>
Total assets	<u>\$ 26,957,315</u>	<u>\$ 28,293,335</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 229,658	\$ 229,023
Related-party payable (Note 4)	48,422	101,189
Deferred revenue	201,012	203,076
Development advances (Note 8)	-	2,185,286
Tenant security deposits	51,889	52,205
Line of credit (Note 9)	-	1,149,400
Interest payable (Note 10)	2,105,214	1,866,525
Notes payable (Note 10)	15,031,221	14,075,702
Payable to City of Hayward (Note 11)	212,687	211,883
Total liabilities	<u>17,880,103</u>	<u>20,074,289</u>
Net assets:		
Unrestricted	9,045,286	8,115,346
Temporarily restricted (Note 13)	31,926	103,700
Total net assets	<u>9,077,212</u>	<u>8,219,046</u>
Total liabilities and net assets	<u>\$ 26,957,315</u>	<u>\$ 28,293,335</u>

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

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

STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2004 AND 2003

	2004		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Development fees, including			
accrued interest (Note 4)	\$ 2,257,070	\$ -	\$ 2,257,070
Rental income – owned properties	696,897	-	696,897
Partnership management service contracts (Note 4)	393,980	-	393,980
Deferred ground leases, including			
accrued interest (Note 4)	321,223	-	321,223
Contributions	163,703	-	163,703
Interest and investment income	49,596	-	49,596
Net realized and unrealized loss on investments	19,124	-	19,124
Other income	49,340	126	49,466
Net assets released from restrictions	71,900	(71,900)	-
Total support and revenue	<u>4,022,833</u>	<u>(71,774)</u>	<u>3,951,059</u>
Expenses:			
Program services:			
Housing development	1,393,952	-	1,393,952
Rental operations	896,713	-	896,713
Supporting services:			
Management and general	484,602	-	484,602
Total expenses	<u>2,775,267</u>	<u>-</u>	<u>2,775,267</u>
Change in net assets before capital grant and contributions to affiliates	<u>1,247,566</u>	<u>(71,774)</u>	<u>1,175,792</u>
Capital grant (Note 12)	350,000	-	350,000
Contributions to affiliates (Note 4):			
Eden Housing Resident Services, Inc.	(477,691)	-	(477,691)
Eden Investments, Inc.	(279,935)	-	(279,935)
Eden Sycamore	(10,000)	-	(10,000)
Total capital grant and contributions to affiliates	<u>(417,626)</u>	<u>-</u>	<u>(417,626)</u>
Change in net assets	829,940	(71,774)	758,166
Net assets, beginning of year	8,115,346	103,700	8,219,046
Reclassification of net assets (Note 14)	100,000	-	100,000
Net assets, end of year	<u>\$ 9,045,286</u>	<u>\$ 31,926</u>	<u>\$ 9,077,212</u>

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

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

STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2004 AND 2003

	2003		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Development fees, including			
accrued interest (Note 4)	\$ 1,907,944	\$ -	\$ 1,907,944
Rental income – owned properties	667,764	-	667,764
Partnership management service contracts (Note 4)	365,786	-	365,786
Deferred ground leases, including			
accrued interest (Note 4)	317,006	-	317,006
Contributions	36,288	40,000	76,288
Interest and investment income	36,030	-	36,030
Net realized and unrealized loss on investments	(4,463)	-	(4,463)
Other income	55,826	313	56,139
Net assets released from restrictions	3,100	(3,100)	-
Total support and revenue	<u>3,385,281</u>	<u>37,213</u>	<u>3,422,494</u>
Expenses:			
Program services:			
Housing development	1,393,258	-	1,393,258
Rental operations	890,219	-	890,219
Supporting services:			
Management and general	398,683	-	398,683
Total expenses	<u>2,682,160</u>	<u>-</u>	<u>2,682,160</u>
Change in net assets before contributions to affiliates	<u>703,121</u>	<u>37,213</u>	<u>740,334</u>
Contributions to affiliates (Note 4):			
Eden Housing Resident Services, Inc.	(452,033)	-	(452,033)
Other	(5,500)	-	(5,500)
Total contributions to affiliates	<u>(457,533)</u>	<u>-</u>	<u>(457,533)</u>
Change in net assets	245,588	37,213	282,801
Net assets, beginning of year	7,919,758	66,487	7,986,245
Equity transfer for affiliate demand note (Note 15)	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net assets, end of year	<u>\$ 8,115,346</u>	<u>\$ 103,700</u>	<u>\$ 8,219,046</u>

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

## EDEN HOUSING, INC.

*(A California Nonprofit Public Benefit Corporation)*

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2004 AND 2003

	<i>2004</i>			<i>Total</i>
	<i>Program Services</i>		<i>Supporting Services</i>	
	<i>Housing Development</i>	<i>Rental Operations</i>	<i>Management and General</i>	
Salaries and wages	\$ 838,638	\$ 61,957	\$ 263,219	\$ 1,163,814
Payroll taxes and benefits	156,324	34,870	49,065	240,259
Office and maintenance costs	21,482	229,709	120,279	371,470
Occupancy costs	-	32,400	-	32,400
Professional services	76,262	51,588	36,009	163,859
Mortgage interest and carrying costs	21,227	309,865	-	331,092
Travel	10,594	-	-	10,594
Non-recoverable development costs	8,654	-	-	8,654
Scholarships	-	-	15,130	15,130
Donations and service contributions	-	3,848	900	4,748
Other expenses	1,043	3,081	-	4,124
Expenses before other costs	1,134,224	727,318	484,602	2,346,144
Other costs:				
Interest – deferred notes	205,668	7,740	-	213,408
Depreciation and amortization	54,060	161,655	-	215,715
Total expenses	<u>\$ 1,393,952</u>	<u>\$ 896,713</u>	<u>\$ 484,602</u>	<u>\$ 2,775,267</u>

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



EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 YEARS ENDED JUNE 30, 2004 AND 2003

	2003			
	<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	\$ 776,019	\$ 58,734	\$ 256,391	\$ 1,091,144
Payroll taxes and benefits	146,145	32,705	48,286	227,136
Office and maintenance costs	98,271	242,685	32,816	373,772
Occupancy costs	32,400	-	-	32,400
Professional services	67,465	43,273	42,895	153,633
Mortgage interest and carrying costs	20,796	312,521	-	333,317
Travel	10,096	-	-	10,096
Non-recoverable development costs	21,158	-	-	21,158
Scholarships	-	-	14,740	14,740
Donations and service contributions	-	2,221	3,555	5,776
Other expenses	4,110	29,620	-	33,730
Expenses before other costs	1,176,460	721,759	398,683	2,296,902
Other costs:				
Interest – deferred notes	196,771	7,740	-	204,511
Depreciation and amortization	20,027	160,720	-	180,747
Total expenses	\$ 1,393,258	\$ 890,219	\$ 398,683	\$ 2,682,160

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

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

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Cash flows from operating activities:		
Change in net assets	\$ 758,166	\$ 282,801
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	215,715	180,747
(Increase) decrease in assets:		
Related-party receivables	(622,983)	(595,700)
Prepaid expenses and other receivables	(23,730)	(11,773)
Tenant security deposits	(845)	3,773
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	635	(53,067)
Related-party payable	(52,767)	30,932
Deferred revenue	(2,064)	(2,060)
Tenant security deposits	(316)	(3,887)
Interest payable	238,689	129,448
Net cash provided by (used in) operating activities	510,500	(38,786)
Cash flows from investing activities:		
Restricted cash	(62,686)	13,314
Investments	81,591	2,314
Notes receivable	(137,780)	1,425
Development in progress	(914,500)	(724,012)
Purchase of property and equipment	(50,730)	(4,540)
Equity transfer – affiliate demand note	-	(50,000)
Net cash used in investing activities	(1,084,105)	(761,499)
Cash flows from financing activities:		
Development advances	577,813	739,303
Proceeds from (payment of) line of credit	(1,149,400)	555,727
Proceeds from the City of Hayward	804	1,493
Principal repayments – mortgages	(46,053)	(42,220)
Proceeds from long-term debt	2,164,901	295,370
Principal repayments – other long-term debt	(695,004)	(711,346)
Net cash provided by financing activities	853,061	838,327
Increase in cash	279,456	38,042
Cash, beginning of year	1,199,181	1,161,139
Cash, end of year	\$ 1,478,637	\$ 1,199,181

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

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

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Supplementary information:		
Cash paid for interest (net of capitalized interest)	\$ 280,075	\$ 391,019
Noncash investing and financing activities:		
Property and equipment acquired with long-term debt	\$ -	\$ 622,686
Property and equipment acquired with short-term debt	\$ 1,284,125	\$ 640,442
Transfers of fixed assets and work in progress to Downtown River Associates	\$ 2,763,099	\$ -
Transfers of fixed assets and work in progress to Gardella Plaza, Inc.	\$ 1,500,000	\$ -
Transfers of fixed assets and work in progress to Dublin Senior Housing Corporation	\$ 502,450	\$ -
Transfers of fixed assets and work in progress to San Leandro Supportive Housing, Inc.	\$ -	\$ 550,000
Transfers of fixed assets and work in progress to Manteca Senior Housing Corporation	\$ -	\$ 814,853

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

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

**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.

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.

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.

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

Accounting Method

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

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 expenses 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.

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 or temporarily restricted support.

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

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

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

For projects that are in the predevelopment or preconstruction stage, EHI recognizes developer fee revenue based on the cash receipts method. For projects that are in development or under construction, EHI recognizes revenue based on the percentage-of-completion method.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity, such as security deposits, replacement reserves, and operating reserves.

EHI has exceeded the Federal Deposit Insurance Corporation (FDIC) insurable limits of \$100,000 on its bank accounts and Securities Investor Protection Corporation (SIPC) insurable limits of \$500,000 on its investment accounts. The FDIC and SIPC insurable limits are \$100,000 and \$500,000 per financial institution, respectively, and at June 30, 2004, EHI had approximately \$1,447,000 on deposit in excess of FDIC and SIPC insured limits. EHI has not experienced any losses in such accounts. EHI believes that it is not exposed to any significant cash credit risk.

Restricted Cash

Restricted cash includes cash from predevelopment bank accounts, cash reserve obligation of the Tyrell Gardens project, reserves for repairs and replacements, operating reserves, and tax and insurance impound accounts.

Investments

Investments are stated at fair value.

Investment in Limited Partnerships

Investment in limited partnerships is accounted for using the equity method of accounting. The investment is initially recorded at cost and then adjusted for EHI's proportionate share of undistributed earnings or losses. When EHI's investment in a partnership is temporary and will ultimately be assigned to an affiliate, EHI's share of partnership income/losses is treated as a contingent liability and accordingly, is not reflected in the financial statements. (See Note 4.)

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.

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

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

Property and Equipment

Property and equipment are stated at cost of acquisition, 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 Section 23701(d) of the California Revenue and Taxation Code. In addition, contributions to EHI qualify for the charitable contribution deduction and EHI is classified as an organization other than a private foundation under Section 509(a).

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 2003 financial statements were reclassified to conform to the 2004 presentation for comparative purposes.

**NOTE 3 – INVESTMENTS**

Investments at June 30, 2004 and 2003 are summarized as follows:

	2004		2003	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Common stocks	\$ 97,647	\$ 58,111	\$ 91,433	\$ 49,501
Preferred stocks	-	-	100,000	101,290
Mutual funds	125,947	84,637	124,798	73,548
	\$ 223,594	\$ 142,748	\$ 316,231	\$ 224,339

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

**NOTE 4 – RELATED-PARTY TRANSACTIONS**

Related-party receivables are summarized as follows:

	2004	2003
Receivable:		
Developer fees	\$ 1,690,609	\$ 1,995,133
Ground leases	2,881,356	2,648,506
Partnership management fees	1,142,966	1,032,791
Advances for development costs	1,017,303	526,132
Advances to general partners	839,860	813,650
Minimum capital investment advances on HUD properties <sup>(1)</sup>	40,000	20,000
Operating advances to EHRSI <sup>(2)</sup>	470,000	705,000
Operating advances to EHMI	745,774	645,051
Reserve funding fees	137,000	137,000
Accrued interest on developer fees	279,099	222,038
Accrued interest on ground leases	439,193	350,820
Accrued interest – other	114,828	78,884
	\$ 9,797,988	\$ 9,175,005
Payable:		
Operating advances	\$ 48,422	\$ 101,189

<sup>(1)</sup> These advances will be converted into notes receivable to be repaid within three years.

<sup>(2)</sup> 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, 2004 and 2003. 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, 2004 and 2003, EHI made operating advances of \$242,691 and \$217,033, 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 \$2,257,070 and \$1,907,944 for the years ended June 30, 2004 and 2003, 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, 2004 and 2003, EHI earned \$393,980 and \$365,786, respectively, from these entities.

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

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

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 \$321,223 and \$317,006 for the years ended June 30, 2004 and 2003, respectively.

EHI leases additional office space from Glen Eden Associates, an affiliate. Annual rental payments were \$32,400 for each of the years ended June 30, 2004 and 2003.

Contributions to Affiliates

Prior to June 30, 2004, EHI was a general partner in Union Court Limited Partnership. EHI used a portion of their developer fee from this property to contribute as equity to the partnership, and incurred pass-through losses of \$279,935. Their net partnership interest of \$137,780 was transferred to Eden Investments, Inc., an affiliate, in 2004, and recognized as a note receivable at June 30, 2004 (see Note 5). The pass-through losses are deemed to be contributions to affiliate.

**NOTE 5 – NOTES RECEIVABLE**

Notes receivable are summarized as follows:

	2004	2003
<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 is payable in full by December 31, 2005.	\$ 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.	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.	227,650	227,650
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 note:		
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. (see Note 4)	137,780	-
	2,100,770	1,962,990



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

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
<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 (see Note 10).	100,000	100,000
	185,550	185,550
Total	\$ 2,286,320	\$ 2,148,540

**NOTE 6 – DEVELOPMENT IN PROGRESS**

Development in progress consist of the following:

	2004	2003
Chesley Avenue Mutual Housing	\$ -	\$ 7,230
Dublin Senior Housing	-	75,626
East Palo Alto Panhandle Site	4,292	4,136
Eden Palms II	157,617	106,374
Gardella Gardens Apartments	-	322,781
Hercules Senior Apartments	407,957	127,166
Lafayette Senior Housing	1,931	-
Livermore Family Housing	248,323	27,002
Menlo Park	-	2,697
Palo Alto	3,344	-
Petaluma River Apartments	-	1,462,995
Richmond Nursery	110,602	-
Union City Assisted Living	26,720	88,527
Union City Independent Living	-	580,448
Others	633	309
Total	\$ 961,419	\$ 2,805,291

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

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2004	2003
Land:		
Leased to affiliates	\$ 2,741,947	\$ 2,741,947
Held for development	3,143,329	3,516,381
Owned housing projects	923,875	923,875
Corporate office	272,687	272,687
Building and improvements:		
Owned housing projects	5,690,251	5,660,132
Corporate office	812,214	812,214
Furniture and equipment	402,507	381,896
	13,986,810	14,309,132
Less accumulated depreciation:		
Buildings and improvements	1,987,320	1,810,422
Furniture and equipment	345,650	307,984
	2,332,970	2,118,406
Net	\$ 11,653,840	\$ 12,190,726

**NOTE 8 – DEVELOPMENT ADVANCES**

Development advances represented funds received from a local government agency for development of Petaluma River Apartments and totaled \$2,185,286 at June 30, 2003. These advances were converted to long-term debt, then transferred to its affiliate partnership, Downtown River Associates, in November 2003.

**NOTE 9 – LINE OF CREDIT**

In 2004, EHI acquired a \$2,500,000 secured revolving line of credit with Wells Fargo Bank. Bank advances on the credit line are payable in full by May 1, 2006 (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 of June 30, 2004, there was no outstanding balance on this line of credit. As a subfeature 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.

EHI has a \$1,500,000 secured revolving line of credit with Bank of the West, of which \$1,149,400 was outstanding at June 30, 2003. Bank advances on the credit line carry an interest rate of 4.00%. As of June 30, 2004, there was no outstanding balance on this line of credit.

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

**NOTE 10 – NOTES PAYABLE**

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

	2004		2003	
	<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.	\$ 1,404	\$ 234,641	\$ 1,423	\$ 237,868
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.	27,091	165,000	19,350	165,000
<u>Grove Way/Tenth and D Streets</u>				
Citicorp Mortgage, Inc., due June 1, 2029, bears interest at 7.00% per annum and is payable in monthly installments of \$2,754.	2,276	389,777	2,308	395,305
<u>Villa Springs</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.	17,305	1,978,842	15,767	2,016,139
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.	68,185	289,298	59,506	289,298
County of Alameda, due June 30, 2038, bears interest at 3.00% per annum.	331,403	927,000	303,593	927,000

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

	2004		2003	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
State of California, Department of Housing and Community Development (HCD), due July 30, 2042, bears interest at 3.00% per annum.	702,112	1,981,676	642,662	1,981,676
<u><i>Richards Manor/Heritage Park</i></u>				
County of Alameda, with repayment to be made as funds are received from the note receivable from Cal-Livermore, Inc. (see Notes 5 and 14).	-	-	-	100,000
<u><i>Baywood Apartments</i></u>				
City of Fremont. The loan is to be repaid, without interest, to the extent EHI receives annual lease payments from the project.	-	800,000	-	800,000
<u><i>Stoney Creek Apartments</i></u>				
City of Livermore. The principal is payable in 55 equal annual installments at 3.00% per annum. The loan is to be repaid, to the extent EHI receives annual lease payments from the project.	172,414	813,114	148,021	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.	134,400	320,000	124,800	320,000
<u><i>Sara Conner Place</i></u>				
Lenders for Community Development, in an original amount of \$795,000. Bears simple interest of 4.00% per annum, is unsecured and due on November 12, 2004.	-	779,125	-	-
Lenders for Community Development, in an original amount of \$855,000. Bears no interest, is unsecured and due on November 12, 2004.	-	855,000	-	-

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

	2004		2003	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
<u><i>Gardella Gardens Apartments</i></u>				
City of Livermore, due December 1, 2030, for land acquisition and predevelopment costs, maximum amount of \$1,500,000. The loan was transferred to Gardella Plaza, Inc. in March 2004.	-	-	-	1,500,000
<u><i>Hercules Senior</i></u>				
City of Hercules, Redevelopment Agency, bears simple interest at 3.00% per annum beginning from the earlier of certificate of occupancy date or December 31, 2005, and is due July 1, 2057.	-	700,000	-	700,000
<u><i>Dublin Senior</i></u>				
City of Dublin for land acquisition and predevelopment costs, maximum amount of \$280,000. The loan was transferred to Dublin Senior LP in February 2004.	-	-	-	77,974
<u><i>Eden Palms II</i></u>				
Lenders for Community Development for land acquisition and predevelopment costs, maximum amount of \$440,000, bears interest of 5.25% and is due September 2, 2003. The loan was paid off in August 2003.	-	-	-	434,100
Lenders for Community Development, maximum amount of \$105,000, bears interest of 2.00% and is due September 2, 2003. The loan was paid off in August 2003.	-	-	-	104,450

## EDEN HOUSING, INC.

*(A California Nonprofit Public Benefit Corporation)*

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003

	2004		2003	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Lenders for Community Development, maximum amount of \$105,000, bears no interest and is due December 2, 2003. The loan was paid off in August 2003.	-	-	-	105,000
City of San Jose (CDBG) for land acquisition and predevelopment costs, maximum amount of \$100,000, bears interest of 3.00% and is due April 30, 2006. The loan rolled over into the HOME Investment Partnerships Program.	-	-	-	70,797
City of San Jose (HOME Investment Partnership Program) for acquisition and predevelopment costs, maximum amount of \$1,275,000, and bears no interest.	-	811,222	-	-
<u>General</u>				
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	-	-
<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%.	1,888	453,212	1,950	468,058
Bank of the West for construction of 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, 2004 and 2003). Monthly installments are \$3,621.	484	144,814	1,083	181,423
<u>Demand Notes Payable</u>				
Payable to A Street, Inc., on demand or by December 31, 2051, with compound interest at 5.84% per annum.	-	167,000	-	167,000

EDEN HOUSING, INC.  
(A California Nonprofit Public Benefit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

	2004		2003	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
Payable to Catalonia, Inc., on demand or by December 31, 2053, with compound interest at 6.36% per annum.	201,286	290,000	170,257	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.	-	286,000	-	286,000
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.	439,966	633,000	375,805	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.	-	215,000	-	215,000
Payable to Stoney, Inc., on demand or by December 31, 2051, with compound interest at 6.75% per annum.	-	305,000	-	305,000
Payable to Washington Creek, Inc., on demand or by December 31, 2051, with compound interest at 6.75% per annum.	-	113,500	-	113,500
	<u>\$ 2,105,214</u>	<u>\$ 15,031,221</u>	<u>\$ 1,866,525</u>	<u>\$ 14,075,702</u>

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

2005	\$ 1,738,051
2006	110,520
2007	117,577
2008	106,919
2009	88,227

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2004 AND 2003

**NOTE 11 – PAYABLE TO CITY OF HAYWARD**

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

	2004	2003
Tyrrell Gardens (see Note 5)	\$ 60,200	\$ 60,200
Tyrrell Gardens	152,487	151,683
	\$ 212,687	\$ 211,883

**NOTE 12 – CAPITAL GRANT**

During fiscal year 2004, EHI was awarded a grant of \$350,000 by the City of Hayward’s Community Development Block Grant (CDBG) program, to be used for the purposes of paying, in whole or in part, the costs for acquisition and eligible predevelopment expenses for Sara Conner Place. As of June 30, 2004, this amount has been fully expended.

**NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS**

The temporarily restricted net assets are for the following purposes or periods:

	2004			
	<i>June 30, 2003</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2004</i>
Union City Independent Living	\$ 25,000	\$ -	\$ 25,000	\$ -
Gardella Gardens Apartments	10,000	-	10,000	-
Affordable Housing Development Collaboration in Richmond and East Palo Alto	36,900	-	36,900	-
Tyrrell Gardens	31,800	126	-	31,926
Total	\$ 103,700	\$ 126	\$ 71,900	\$ 31,926

	2003			
	<i>June 30, 2002</i>	<i>Contributions</i>	<i>Releases from Restrictions</i>	<i>June 30, 2003</i>
Union City Independent Living	\$ 25,000	\$ -	\$ -	\$ 25,000
Gardella Gardens Apartments	10,000	-	-	10,000
Affordable Housing Development Collaboration in Richmond and East Palo Alto	-	40,000	3,100	36,900
Tyrrell Gardens	31,487	313	-	31,800
Total	\$ 66,487	\$ 40,313	\$ 3,100	\$ 103,700



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

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

**NOTE 14 – RECLASSIFICATION OF NET ASSETS**

During a prior fiscal year, Eden Housing, Inc. received a \$100,000 conditional grant from the County of Alameda for the Richards Manor project. This grant had been previously recorded as a loan payable. Based on facts and circumstances discovered in the current year, this award should have been recognized as grant income in a prior year. Accordingly, unrestricted net assets have been reclassified as of June 30, 2003 to properly reflect this transaction.

**NOTE 15 – UNRESTRICTED NET ASSETS**

Equity Transfer for Affiliate Demand Note

EHI entered into a promissory “demand note” agreement in 2003 with Eden Investments, Inc., an affiliated nonprofit corporation. The demand note, as detailed in Note 10, is unsecured and non-interest bearing. EHI’s unrestricted net assets were reduced in 2003 by the face amount of the note, which totaled \$50,000.

**NOTE 16 – 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 and the board determined to freeze the pension contribution for one year commencing August 2001. The board determined to reinstate pension contributions at a rate of 5% instead of the previous 6% in fiscal year 2002 to 2003. A maximum of 5% of covered wages could be contributed and \$52,756 and \$47,383 were contributed for the years ended June 30, 2004 and 2003, 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 17 – 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, 2004 are as follows:

	<u>Principal</u>
Baywood Apartments, Inc.	\$ 424,000
Eden Investments, Inc.	103,500
Huntwood Investment, Inc.	104,000

EHI is obligated under agreements to guarantee to various limited partnerships operating deficits and other matters as they arise, up to a maximum obligation of approximately \$5,087,000.

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2004 AND 2003

EHI has entered into indemnification (guarantee) agreements with investor limited partners in various limited partnerships pertaining to low income housing tax credits and other tax benefits. The amount of the guarantee exceeds \$50,000,000.

EHI has entered into a guaranty agreement with California Housing Finance Agency (CalHFA) related to a loan in the amount of \$1,100,000 obtained by SPM Housing Associates (SPM) to be used to effect certain repairs to properties resulting from defects in construction.

EHI has entered into guarantee agreements on certain recourse-type loans pertaining to property development. EHI anticipates assigning these loans to separate affiliated ownership entities within a two-year period.

**SUPPLEMENTARY INFORMATION**

## EDEN HOUSING, INC.

*(A California Nonprofit Public Benefit Corporation)*

SCHEDULES OF FINANCIAL POSITION – OWNED AFFORDABLE  
HOUSING PROJECTS  
JUNE 30, 2004

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Villa Springs</i>	<i>Total</i>
<b>ASSETS</b>				
Cash	\$ 465	\$ 22,551	\$ 41,710	\$ 64,726
Cash – restricted	15,416	44,908	173,717	234,041
Prepaid expenses and other receivables	1,647	4,081	9,940	15,668
Tenant security deposits	3,422	3,625	48,304	55,351
Deferred costs				
Property and equipment – net	372,454	230,914	4,160,651	4,764,019
Other assets	-	6,141	28,275	34,416
	<hr/>			
Total assets	\$ 393,404	\$ 312,220	\$ 4,462,597	\$ 5,168,221
	<hr/> <hr/>			
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 6,586	\$ 2,092	\$ 12,128	\$ 20,806
Related-party payable	18,268	-	31,363	49,631
Tenant security deposits	1,745	3,491	46,653	51,889
Interest payable	28,494	2,276	1,119,005	1,149,775
Notes payable	399,641	389,777	5,176,816	5,966,234
Total liabilities	454,734	397,636	6,385,965	7,238,335
	<hr/>			
Net assets (deficit):				
Unrestricted	(61,330)	(85,416)	(1,923,368)	(2,070,114)
	<hr/>			
Total net assets	(61,330)	(85,416)	(1,923,368)	(2,070,114)
	<hr/>			
Total liabilities and net assets	\$ 393,404	\$ 312,220	\$ 4,462,597	\$ 5,168,221
	<hr/> <hr/>			

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
 SCHEDULES OF OPERATIONS – OWNED AFFORDABLE  
 HOUSING PROJECTS  
 YEAR ENDED JUNE 30, 2004

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Villa Springs</i>	<i>Total</i>
<b>Income:</b>				
Rental income, net of vacancy loss	\$ 29,272	\$ 113,531	\$ 554,094	\$ 696,897
Laundry and other	-	1,014	13,589	14,603
Interest income	95	52	2,688	2,835
Total income	<u>29,367</u>	<u>114,597</u>	<u>570,371</u>	<u>714,335</u>
<b>Expenses:</b>				
Salaries and wages	3,622	9,399	48,936	61,957
Payroll taxes and benefits	1,312	3,413	30,145	34,870
Office and maintenance costs	21,147	33,667	174,895	229,709
Professional services	4,200	8,760	34,608	47,568
Mortgage interest and carrying costs	16,955	27,492	265,418	309,865
Other expenses	-	4,530	2,399	6,929
Total expenses	<u>47,236</u>	<u>87,261</u>	<u>556,401</u>	<u>690,898</u>
Income (loss) from operations	(17,869)	27,336	13,970	23,437
<b>Other expenses:</b>				
Depreciation and amortization	7,293	15,597	138,765	161,655
Interest – deferred notes	7,740	-	-	7,740
Net income (loss)	<u>\$ (32,902)</u>	<u>\$ 11,739</u>	<u>\$ (124,795)</u>	<u>\$ (145,958)</u>

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

EDEN HOUSING, INC.

(A California Nonprofit Public Benefit Corporation)

SUPPLEMENTARY INFORMATION REQUIRED BY THE  
CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA  
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
YEAR ENDED JUNE 30, 2004

Project Name: Villa Springs Apartments

Project No.: 91-CHRP-R-097

**Cash on Hand and in Banks**

Unrestricted accounts:

Checking account – operating	\$ 100
Cash on hand	41,610
Total	<u>\$ 41,710</u>

Restricted accounts:

Insurance and tax impound accounts	\$ 26,163
Replacement reserve	99,572
Operating expense reserve	16,077
General operating reserve	31,905
Total	<u>\$ 173,717</u>

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

**Accounts Receivable (Payable)**

Accounts receivable consists of:

Receivable from tenants	\$ 5,646
Receivable from management/others	139
Subsidy receivable (deferred)	(7,916)
Interest receivable	934
Total	<u>\$ (1,197)</u>

**Insurance Impound Accounts**

	<i>Real Estate Taxes</i>	<i>Hazard Insurance</i>	<i>Earthquake Insurance</i>	<i>Total</i>
Balance, beginning of year	\$ 2,091.00	\$ 736,358	\$ 283,038	\$ 1,131,366
Deposits	20,887	24,380	7,860	53,127
Interest earned	549	-	-	549
Payment	(16,146)	(18,934)	(6,679)	(41,759)
Adjustment	(9,000)	(5,300)	(1,300)	(15,600)
Balance, end of year	<u>\$ 5,801</u>	<u>\$ 14,587</u>	<u>\$ 5,775</u>	<u>\$ 26,163</u>

EDEN HOUSING, INC.

(A California Nonprofit Public Benefit Corporation)

SUPPLEMENTARY INFORMATION REQUIRED BY THE  
CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA  
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
YEAR ENDED JUNE 30, 2004

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 CHFA to be used for replacements of property with the approval of CHFA as follows:

Balance, beginning of year	\$ 233,492
Twelve monthly deposits of \$1,927	23,124
Interest earned	1,644
Withdrawals	(21,978)
Balance, end of year	<u>\$ 99,572</u>

**Operating Expense Reserve**

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

Balance, beginning of year	\$ 35,653
Deposits	-
Interest earned	443
Withdrawals	(20,019)
Balance, end of year	<u>\$ 16,077</u>

**General Operating Reserve**

Balance, beginning of year	\$ 25,362
Deposits	6,086
Interest earned	457
Balance, end of year	<u>\$ 31,905</u>

**Property, Equipment and Improvements**

Following are the details of property, equipment and improvements:

<i>Property, Equipment and Improvements, at Cost</i>	<i>Land</i>	<i>Buildings</i>	<i>Furniture and Equipment</i>	<i>Total</i>
Balance, beginning of year	\$ 730,000	\$ 4,733,598	\$ 216,140	\$ 5,679,738
Additions 2004	-	-	39,355	39,355
Balance, end of year	<u>\$ 730,000</u>	<u>\$ 4,733,598</u>	<u>\$ 255,495</u>	<u>\$ 5,719,093</u>



EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
 SUPPLEMENTARY INFORMATION REQUIRED BY THE  
 CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA  
 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
 YEAR ENDED JUNE 30, 2004

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	\$ 510,464
Housing assistance payments	34,114
Employee quarters shown as an expense	9,516
Vacancy loss	15,407
Total gross potential rent	<u>\$ 569,501</u>

**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	\$ 41,710
Tenant security deposits	48,304
Other current assets <sup>(1)</sup>	6,719
Total	<u>96,733</u>
Less current obligations:	
Accounts payable and accrued expenses – operations (due within 30 days)	(12,128)
Accrued mortgage interest	(85,490)
Tenant security deposits	(46,653)
Prepaid rent	(7,916)
Total	<u>(152,187)</u>
Surplus (deficit) cash	<u>\$ (55,454)</u>

<sup>(1)</sup> Other current assets are included in the surplus cash calculation in accordance with the regulatory agreements held with other agencies.

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
SUPPLEMENTARY INFORMATION REQUIRED BY THE  
CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA  
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
YEAR ENDED JUNE 30, 2004

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

**Debt Service**

The debt service payments are current and have been made in a timely manner for the year ended June 30, 2004.

**Taxes**

Property tax payments were made in a timely manner for the year ended June 30, 2004.

**Insurance**

Insurance premiums are paid current as of June 30, 2004.

**Supplementary Information Required by the  
California Department of Housing and Community Development  
Report of Actual Expenses  
Year Ended June 30, 2004**

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

Description of Account	Account Number	Residential	Non-Residential	Total
<b>Renting Expenses - 6200</b>				
Advertising	6210	0	0	0
Other Renting Expenses	6250	578	0	578
<b>Total Renting Expense</b>		578	0	578
<b>Administrative Expenses - 6300</b>				
Office Salaries	6310	9,950	0	9,950
Office Supplies	6311	3,723	0	3,723
Office Rent	6312	0	0	0
Management Fee	6320	30,888	0	30,888
Manager's Salary	6330	27,391	0	27,391
Manager Rent Free Unit	6331	9,516	0	9,516
Legal Expense	6340	1,180	0	1,180
Audit Expense	6350	2,540	0	2,540
Bookkeeping/Accounting Services	6351	5,940	0	5,940
Telephone and Answering Service	6360	3,796	0	3,796
Bad Debts	6370	75	0	75
Miscellaneous Administrative Expenses	6390	2,893	0	2,893
Sponsor Overhead	6399	0	0	0
<b>Total Admin Expense</b>		97,892	0	97,892
<b>Utilities Expense - 6400</b>				
Fuel Oil/Coal	6420	0	0	0
Electricity	6450	10,502	0	10,502
Water	6451	13,229	0	13,229
Gas	6452	17,272	0	17,272
Sewer	6453	0	0	0
<b>Total Utilities Expense</b>		41,003	0	41,003
<b>Operating &amp; Maintenance Expenses - 6500</b>				
Janitor and Cleaning Payroll	6510	1,375	0	1,375
Janitor and Cleaning Supplies	6515	0	0	0
Janitor and Cleaning Contract	6514	464	0	464
Exterminating Payroll/Contract	6519	1,277	0	1,277
Exterminating Supplies	6520	0	0	0
Garbage and Trash Removal	6525	23,264	0	23,264
Security Payroll/Contract	6530	497	0	497
Grounds Payroll	6535	0	0	0
Grounds Supplies	6536	342	0	342
Grounds Contract	6537	6,809	0	6,809
Repairs Payroll	6540	20,170	0	20,170
Repairs Material	6541	13,249	0	13,249
Repairs Contract	6542	16,464	0	16,464
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	0	0	0
Decorating Supplies	6561	2,674	0	2,674
Vehicle and Maintenance Equipment O&R	6570	0	0	0
Miscellaneous Operating and Maintenance Expenses	6590	0	0	0
Appliance Replacement	7310	1,181	0	1,181
Interior Replacement	7315	318	0	318
Plumbing Replacement	7320	0	0	0
Refinance Cost	7405	900	0	900
<b>Total O &amp; M Expense</b>		88,984	0	88,984
<b>Taxes and Insurance - 6700</b>				
Real Estate Taxes	6710	14,519	0	14,519
Payroll Taxes	6711	4,268	0	4,268
Miscellaneous Taxes, Licenses, and Permits	6719	179	0	179
Property and Liability Insurance	6720	27,030	0	27,030
Fidelity Bond Insurance	6721	169	0	169
Workmen's Compensation	6722	10,508	0	10,508
Health Insurance and Other Employee Benefits	6723	5,853	0	5,853
<b>Total Taxes &amp; Insurance</b>		62,526	0	62,526
<b>Supportive Service Expenses - 6900</b>				
Counseling	6930	0	0	0
Food	6932	0	0	0
Day Programs	6950	0	0	0
Recreation	6951	0	0	0
<b>Total Service Expenses</b>		0	0	0
<b>Total Operating Expenses</b>		290,983	0	290,983

**Supplementary Information Required by the  
California Department of Housing and Community Development  
Report of Actual Cash Flow Analysis  
Year Ended June 30, 2004**

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

Description of Account	Account Number	Residential	Non Residential	Total
<b>Rent Revenue - 5100</b>				
Housing Units	5120	535,387	0	535,387
Tenant Assistance Payments	5121	34,114	0	34,114
Furniture and Equipment	5130	0	0	0
Commercial	5140	0	0	0
Parking Spaces	5170	0	0	0
Miscellaneous	5190	0	0	0
<b>Total Potential Rent Revenue</b>		569,501	0	569,501
<b>Vacancies - 5200</b>				
Housing Units	5220	15,407	0	15,407
Commercial	5240	0	0	0
Parking Spaces	5270	0	0	0
Miscellaneous	5290	0	0	0
<b>Total Vacancies</b>		15,407	0	15,407
		554,094	0	554,094
<b>Supportive Services Income - 5300</b>				
				0
<b>Financial Revenue - 5400</b>				
Interest Income - Project Operations	5410	587	0	587
Restricted Int Inc - Replacement Reserve	5520	1,644	0	1,644
Int - Operating Reserve	5565	457	0	457
Income from Investments - Miscellaneous	5490	0	0	0
		2,688	0	2,688
<b>Other Revenue - 5900</b>				
Laundry and Vending	5910	8,352	0	8,352
NSF and Late Charges	5920	223	0	223
Warrant Fees	5921	2,284	0	2,284
Damage and Cleaning Fees	5930	227	0	227
Forfeited Tenant Security Deposits	5940	0	0	0
Other Revenue	5990	2,503	0	2,503
		13,589	0	13,589
<b>Grand Total Revenue</b>		570,371	0	570,371
<b>Releases from Reserve Accounts</b>				
Replacement Reserve withdrawals		21,978	0	21,978
Operating Reserve withdrawals		20,019	0	20,019
		41,997	0	41,997
<b>Operating Expenses (Form SUHRP 180)</b>				
		290,983	0	290,983
<b>Additions of Capital Assets</b>				
Purchase of Furniture and Equipment		39,355	0	39,355
<b>Deposits to Reserve Accounts - 1300</b>				
Replacement Reserve Deposit	1321	23,124	0	23,124
Interest transferred to Replacement Reserve Account**		1,644	0	1,644
Operating Reserve Deposit	1341	6,086	0	6,086
Interest transferred to Operating Reserve Account**		457	0	457
Other Reserves				0
<b>Debt Service (Principal and/or Interest) - 2300</b>				
SUHRP-R Interest		0	0	0
Other - CHFA Principal		37,297	0	37,297
Other - CHFA Interest		167,941	0	167,941
Other		0	0	0
<b>Total Expenses</b>		566,887	0	566,887
<b>Cash Flow for Distribution</b>		45,481	0	45,481
<b>Uses of Cash Flow in Priority Order</b>				
Reapportioned Net Income			0	0
Residual Receipts Debt Service			0	0
Sponsor Distribution			0	0
SUHRP-R Prepayments			0	0

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

\*\* Note: Interest earned on reserve accounts is retained in reserve accounts.

EDEN HOUSING, INC.  
*(A California Nonprofit Public Benefit Corporation)*  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

<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.S. Department of Housing and Urban Development:			
HOME Investment Partnerships Program:			
Loans made in prior years for which continuing compliance is required:			
City of Hayward – 742 Harris Court	14.239	N/A	\$ 165,000
City of Livermore – Gardella Gardens Apartments	14.239	N/A	100,000
Current year loan – City of San Jose – Eden Palms II	14.239	N/A	<u>811,222</u>
			<u>1,076,222</u>
Community Development Block Grant Program:			
Loan/grant made in prior years for which continuing compliance is required:			
County of Alameda – Richards Manor/Heritage Park	14.218	N/A	100,000
City of San Jose – Eden Palms II	14.218	N/A	76,003
Current year grant – City of Hayward – Sara Conner Place	14.218	N/A	<u>350,000</u>
			<u>526,003</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 1,602,225</u></u>

EDEN HOUSING, INC.

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2004

**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 basic financial statements.

**NOTE 2 – PRIOR YEARS' EXPENDITURES**

The accompanying Schedule of Expenditures of Federal Awards includes \$735,797 in expenditures from prior years for which continuing compliance is required.

EDEN HOUSING, INC.  
 (A California Nonprofit Public Benefit Corporation)  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2004

**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

CFDA #14.239      HOME Investment Partnerships Program

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes        X   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.  
Hayward, California

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  
\_\_\_\_\_  
ALEXIS H. WONG

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Eden Housing, Inc., a California nonprofit public benefit corporation, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 14, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Eden Housing, Inc.’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eden Housing, Inc.’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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 in amounts that would be material in relation to the 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. However, we noted others matters involving the internal control over financial reporting that we have reported to the management of Eden Housing, Inc. in a separate letter dated September 14, 2004.

This report is intended for the information and use of management, others within the organization, 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 14, 2004





Board of Directors  
Eden Housing, Inc.  
Hayward, California

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITAIN  
\_\_\_\_\_  
ALEXIS H. WONG

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND 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, 2004. 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 their 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 if 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.

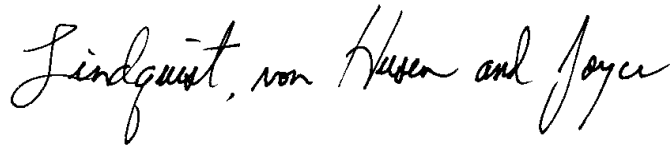
In our opinion, Eden Housing, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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 management, others within the organization, 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.

A handwritten signature in cursive script that reads "Lindquist, von Haven and Joyce".

September 14, 2004