

**EDEN HOUSING, INC.
AND SUBSIDIARY**

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

YEARS ENDED JUNE 30, 2005 AND 2004

EDEN HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

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* * * *



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

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

ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG

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 Subsidiary, as of June 30, 2005 and 2004, 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 the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Eden Housing, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Subsidiary as of June 30, 2005 and 2004, 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 Subsidiary 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 August 30, 2005 on our consideration of Eden Housing, Inc. and Subsidiary's internal control over financial reporting and 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 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 consolidated financial statements taken as a whole. The accompanying supplementary information on pages 24 through 31, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 32 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 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 Husen and Joyce

August 30, 2005

EDEN HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
Current assets:		
Cash	\$ 1,358,315	\$ 1,478,637
Related-party receivables, net – current portion (Note 4)	3,691,141	1,535,366
Prepaid expenses and other receivables	109,380	54,635
Total current assets	5,158,836	3,068,638
Related-party receivables, net – net of current portion (Note 4)	8,552,107	8,222,622
Notes receivable (Note 5)	2,315,117	2,326,320
Investments (Note 3)	400,874	142,748
Tenant security deposits	52,582	55,351
Cash – restricted	431,681	491,961
Investments in limited partnership (Note 4)	351,895	-
Development in progress (Note 6)	1,121,388	961,419
Property and equipment – net (Note 7)	11,893,431	11,653,840
Deferred costs – net	33,264	34,416
Total assets	\$ 30,311,175	\$ 26,957,315
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 281,857	\$ 229,658
Line of credit (Note 8)	593,103	-
Interest payable – current portion (Note 9)	28,398	28,357
Notes payable – current portion (Note 9)	108,738	1,738,051
Total current liabilities	1,012,096	1,996,066
Related-party payable (Note 4)	68,760	48,422
Deferred revenue	198,948	201,012
Tenant security deposits	50,483	51,889
Interest payable – net of current portion (Note 9)	2,311,605	2,076,857
Notes payable – net of current portion (Note 9)	15,426,450	13,293,170
Payable to City of Hayward (Note 10)	215,248	212,687
Total liabilities	19,283,590	17,880,103
Net assets:		
Unrestricted	10,995,341	9,045,286
Temporarily restricted (Note 12)	32,244	31,926
Total net assets	11,027,585	9,077,212
Total liabilities and net assets	\$ 30,311,175	\$ 26,957,315

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

EDEN HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2005 AND 2004

	2005		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Development fees, including accrued interest (Note 4)	\$ 4,842,667	\$ -	\$ 4,842,667
Rental income – owned properties	713,588	-	713,588
Partnership management service contracts (Note 4)	392,757	-	392,757
Deferred ground leases, including accrued interest (Note 4)	242,100	-	242,100
Contributions	240,448	-	240,448
Interest and investment income	84,467	318	84,785
Net realized and unrealized gain on investments	14,078	-	14,078
Other income	45,813	-	45,813
Total support and revenue	<u>6,575,918</u>	<u>318</u>	<u>6,576,236</u>
Expenses:			
Program services:			
Housing development	1,336,866	-	1,336,866
Rental operations	937,513	-	937,513
Supporting services:			
Management and general	582,977	-	582,977
Total expenses	<u>2,857,356</u>	<u>-</u>	<u>2,857,356</u>
Change in net assets before other expenses	<u>3,718,562</u>	<u>318</u>	<u>3,718,880</u>
Other expenses:			
Contributions to related parties:			
Eden Housing Resident Services, Inc. (Note 4)	(478,559)	-	(478,559)
Provision for doubtful collections (Note 4):			
Baywood Associates	(993,923)	-	(993,923)
Baywood Apartments, Inc.	(296,025)	-	(296,025)
Total other expenses	<u>(1,768,507)</u>	<u>-</u>	<u>(1,768,507)</u>
Change in net assets	1,950,055	318	1,950,373
Net assets, beginning of year	<u>9,045,286</u>	<u>31,926</u>	<u>9,077,212</u>
Net assets, end of year	<u>\$ 10,995,341</u>	<u>\$ 32,244</u>	<u>\$ 11,027,585</u>

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

EDEN HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2005 AND 2004

	2004		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
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 gain 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 grants and contributions to related parties	<u>1,247,566</u>	<u>(71,774)</u>	<u>1,175,792</u>
Capital grant (Note 11)	350,000	-	350,000
Contributions to related parties (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 13)	<u>100,000</u>	<u>-</u>	<u>100,000</u>
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. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2005 AND 2004

	2005			
	<i>Program Services</i>		<i>Supporting Services</i>	
	<i>Housing Development</i>	<i>Rental Operations</i>	<i>Management and General</i>	<i>Total</i>
Salaries and wages	\$ 847,363	\$ 64,753	\$ 285,844	\$ 1,197,960
Payroll taxes and benefits	143,205	30,095	48,306	221,606
Office and maintenance costs	9,682	279,246	193,270	482,198
Occupancy costs	-	30,316	-	30,316
Professional services	47,364	44,243	18,465	110,072
Mortgage interest and carrying costs	14,978	304,717	20,000	339,695
Travel	12,795	-	-	12,795
Non-recoverable development costs	2,614	-	-	2,614
Scholarships	-	-	16,323	16,323
Donations and service contributions	-	4,425	769	5,194
Other expenses	491	4,058	-	4,549
Expenses before other costs	1,078,492	761,853	582,977	2,423,322
Other costs:				
Interest – deferred notes	209,970	7,740	-	217,710
Depreciation and amortization	48,404	167,920	-	216,324
Total expenses	\$ 1,336,866	\$ 937,513	\$ 582,977	\$ 2,857,356

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

EDEN HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2005 AND 2004

	2004			
	<i>Program Services</i>		<i>Supporting Services</i>	<i>Total</i>
	<i>Housing Development</i>	<i>Rental Operations</i>	<i>Management and General</i>	
Salaries and wages	\$ 838,638	\$ 61,957	\$ 263,219	
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	\$ 1,393,952	\$ 896,713	\$ 484,602	\$ 2,775,267

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

EDEN HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Change in net assets	\$ 1,950,373	\$ 758,166
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	216,324	215,715
Net realized and unrealized gain on investments	(14,078)	(19,124)
(Increase) decrease in assets:		
Related-party receivables	(2,485,260)	(622,983)
Prepaid expenses and other receivables	(54,745)	(23,730)
Tenant security deposits	2,769	(845)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	52,199	635
Related-party payable	20,338	(52,767)
Deferred revenue	(2,064)	(2,064)
Tenant security deposits	(1,406)	(316)
Interest payable	234,789	238,689
Net cash provided by (used in) operating activities	(80,761)	491,376
Cash flows from investing activities:		
Net (increase) decrease in restricted cash	60,280	(62,686)
Net (increase) decrease in investments	(244,048)	100,715
Net (increase) in investments in limited partnerships	(351,895)	-
Net (increase) decrease in notes receivable	11,203	(137,780)
Net increase in development in progress	(1,404,525)	(914,500)
Purchase of property and equipment	(144,759)	(50,730)
Net cash used in investing activities	(2,073,744)	(1,064,981)
Cash flows from financing activities:		
Development advances	-	577,813
Proceeds from (payment of) line of credit	593,103	(1,149,400)
Proceeds from the city of Hayward	2,561	804
Principal repayments – mortgages	(49,948)	(46,053)
Proceeds from long-term debt	3,185,467	2,164,901
Principal repayments – other long-term debt	(1,697,000)	(695,004)
Net cash provided by financing activities	2,034,183	853,061
Net increase (decrease) in cash	(120,322)	279,456
Cash, beginning of year	1,478,637	1,199,181
Cash, end of year	\$ 1,358,315	\$ 1,478,637

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

EDEN HOUSING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 and 2004

	2005	2004
Supplementary information:		
Cash paid for interest (net of capitalized interest)	\$ 287,793	\$ 280,075
Noncash investing and financing activities:		
Property and equipment acquired with long-term debt	\$ 2,825,000	\$ -
Property and equipment acquired with short-term debt	\$ -	\$ 1,284,125
Transfers of fixed assets and development in progress to affiliates:		
Sara Conner Court, LLC	\$ 3,059,552	\$ -
Hercules Senior Housing Corporation	\$ 700,000	\$ -
Downtown River Associates	\$ -	\$ 2,763,099
Gardella Plaza, Inc.	\$ -	\$ 1,500,000
Dublin Senior Housing Corporation	\$ -	\$ 502,450

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

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

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

Principles of Consolidation

The consolidated financial statements include the accounts of one subsidiary, Sara Conner Court 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 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.

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

Revenue Recognition

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

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

Development Fees

For projects that are in the predevelopment or preconstruction stage, EHI recognizes developer fee revenue based on the cash basis of accounting. 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 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 accounts, was approximately \$1,336,000 as of June 30, 2005. EHI has not experienced any losses in such accounts and believes that it is not exposed to any significant cash credit risk.

Restricted Cash

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

Related-Party Receivables

EHI records an allowance for doubtful collections based on a review of outstanding receivables, existing economic conditions or specific situations. The allowance for doubtful collections was \$1,289,948 and \$0 as of June 30, 2005 and 2004, respectively (see Note 4).

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.

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

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 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.

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 2004 financial statements were reclassified to conform to the 2005 presentation for comparative purposes.

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 3 – INVESTMENTS

Investments at June 30, 2005 and 2004 are summarized as follows:

	<i>2005</i>		<i>2004</i>	
	<i>Cost</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>
Common stocks	\$ 99,061	\$ 101,316	\$ 97,647	\$ 58,111
Corporate bonds	144,883	144,318	-	-
Mutual funds	152,873	155,240	125,947	84,637
	<u>\$ 396,817</u>	<u>\$ 400,874</u>	<u>\$ 223,594</u>	<u>\$ 142,748</u>

NOTE 4 – RELATED-PARTY TRANSACTIONS

Related-party receivables are summarized as follows:

	<u>2005</u>	<u>2004</u>
Receivable:		
Developer fees	\$ 4,344,918	\$ 1,690,609
Ground leases	3,089,219	2,881,356
Partnership management fees	1,264,870	1,142,966
Advances for development costs	1,849,037	1,017,303
Advances to general partners	874,064	839,860
Operating advances to EHRSI ⁽¹⁾	237,924	470,000
Operating advances to EHMI	846,416	745,774
Reserve funding fees	137,000	137,000
Accrued interest on developer fees	312,250	279,099
Accrued interest on ground leases	471,016	439,193
Accrued interest – other	106,482	114,828
Total	<u>13,533,196</u>	<u>9,757,988</u>
Less: allowance for doubtful collections	<u>(1,289,948)</u>	<u>-</u>
	12,243,248	9,757,988
Less: current portion	<u>(3,691,141)</u>	<u>(1,535,366)</u>
Long-term portion	<u>\$ 8,552,107</u>	<u>\$ 8,222,622</u>
Payable:		
Operating advances	<u>\$ 68,760</u>	<u>\$ 48,422</u>

⁽¹⁾ EHI had made operating advances to EHRSI through June 30, 2002 that totaled \$940,000. The board of directors decided to forgive these advances over a four-year period commencing July 1, 2002, and \$235,000 is included in contributions to affiliate at June 30, 2005 and 2004. 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, 2005 and 2004, EHI made operating advances of \$243,559 and \$242,691, respectively.

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

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 \$4,842,667 and \$2,257,070 for the years ended June 30, 2005 and 2004, 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, 2005 and 2004, EHI earned \$392,757 and \$393,980, 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 \$242,100 and \$321,223 for the years ended June 30, 2005 and 2004, respectively.

EHI leases additional office space from Glen Eden Associates, an affiliate. Rental payments were \$30,316 and \$32,400 for the years ended June 30, 2005 and 2004, respectively.

Contributions to Related Parties

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.

Allowance for Doubtful Collections

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

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

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

Investment in Limited Partnership

EHI has a .01% interest in Sara Conner Court LP, a California limited partnership. The general partner in this partnership is Sara Conner Court LLC, and EHI is the sole member of this LLC. The investment in this partnership at June 30, 2005 was \$351,895 (see also Note 11).

NOTE 5 – NOTES RECEIVABLE

Notes receivable are summarized as follows:

	2005	2004
<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.	207,037	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	137,780
Edenvale Supportive Housing Corp.	9,410	-
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
	2,129,567	2,140,770
<u>Other Notes Receivable</u>		
Notes receivable from buyers of units in the La Solanita and La Solana projects, due only upon sale of the property to persons not qualifying as low-income families, with interest ranging from 8% to 10% per annum.	25,350	25,350

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

Notes receivable from buyers of units in the Tyrrell Gardens project, due only upon sale of the property to persons not qualifying as low-income families, with interest at 8% per annum (see Note 10).	60,200	60,200
Note receivable from Cal-Livermore, Inc., with interest at 5% per annum. Principal and interest repayable at some future date.	100,000	100,000
	185,550	185,550
Total	\$ 2,315,117	\$ 2,326,320

NOTE 6 – DEVELOPMENT IN PROGRESS

Development in progress consist of the following:

	2005	2004
Antioch II	\$ 47,238	\$ -
Brentwood Senior Commons	124,031	-
East Palo Alto Panhandle Site	4,447	4,292
Eden Palms II	408,776	157,617
Hercules Senior Apartments	-	407,957
Lafayette Senior Housing	-	1,931
Livermore Family Housing	-	248,323
Manteca II	39,046	-
Palo Alto	4,597	3,344
Richmond Nursery	489,867	110,602
Union City Assisted Living	-	26,720
Others	3,386	633
Total	\$ 1,121,388	\$ 961,419

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2005	2004
Land:		
Leased to affiliates	\$ 2,741,947	\$ 2,741,947
Held for development	3,453,333	3,143,329
Owned housing projects	923,875	923,875
Corporate office	272,687	272,687
Building and improvements:		
Owned housing projects	5,800,846	5,690,251
Corporate office	812,214	812,214
Furniture and equipment	435,962	402,507
	14,440,864	13,986,810

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Less accumulated depreciation:		
Buildings and improvements	2,169,460	1,987,320
Furniture and equipment	377,973	345,650
	2,547,433	2,332,970
 Total property and equipment	 \$ 11,893,431	 \$ 11,653,840

NOTE 8 – LINE OF CREDIT

EHI has a \$2,500,000 secured revolving line of credit with Wells Fargo Bank, of which \$587,446 was outstanding and accrued interest payable was \$5,657 at June 30, 2005. 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 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.

NOTE 9 – NOTES PAYABLE

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

	2005		2004	
	<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.	\$ -	\$ 231,174	\$ 1,404	\$ 234,641
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.	34,830	165,000	27,091	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.	2,241	383,850	2,276	389,777
<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.	18,977	1,938,287	17,305	1,978,842

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005		2004	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
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.	76,864	289,298	68,185	289,298
County of Alameda, due June 30, 2038, bears interest at 3.00% per annum.	359,213	927,000	331,403	927,000
State of California, Department of Housing and Community Development (HCD), due July 30, 2042, bears interest at 3.00% per annum.	761,563	1,981,676	702,112	1,981,676
<i><u>Baywood Apartments</u></i>				
City of Fremont, the loan bears no interest. In connection with the resyndication of the limited partnership, the loan, and the land for which it is secured, will be transferred to another entity in October 2005 (see Note 4).	-	800,000	-	800,000
<i><u>Stoney Creek Apartments</u></i>				
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.	194,397	813,114	172,414	813,114
<i><u>Washington Creek Apartments</u></i>				
City of Petaluma. The principal is due July 24, 2020, with any unpaid interest which accrues at 3.00% per annum.	144,000	320,000	134,400	320,000
<i><u>Sara Conner Place</u></i>				
Lenders for Community Development, in an original amount of \$795,000. The loan was paid off in November 2004.	-	-	-	779,125
Lenders for Community Development, in an original amount of \$855,000. The loan was paid off in November 2004.	-	-	-	855,000
<i><u>Brentwood Senior Commons</u></i>				
County of Contra Costa (CDBG) for land acquisition, maximum amount of \$2,800,000, bears interest at 3% and due on January 25, 2060. The loan will be assigned to another entity after June 30, 2005.	-	2,795,000	-	-

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005		2004	
	<i>Interest Payable</i>	<i>Principal</i>	<i>Interest Payable</i>	<i>Principal</i>
City of Brentwood, Redevelopment Agency, maximum amount of \$100,000, bears interest at 3% and due on January 25, 2060. The loan will be assigned to another entity after June 30, 2005.	-	30,000	-	-
<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. The loan was transferred to Eden Sycamore, LP, an affiliate, in November 2004.	-	-	-	700,000
<u><i>Eden Palms II</i></u>				
City of San Jose (HOME Investment Partnership Program) for acquisition and predevelopment costs, maximum amount of \$1,275,000, and bears no interest.	-	928,199	-	811,222
<u><i>General</i></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	5,000	1,000,000
<u><i>Corporate Office/Office Building</i></u>				
Bank of the West for acquisition of property for corporate office at 409 Jackson Street, Hayward, due in September 2007. Monthly installments are \$3,159, with interest at 5.00%.	1,823	437,607	1,888	453,212
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, 2005 and 2004). Monthly installments are \$3,621.	357	106,483	484	144,814
<u><i>Demand Notes Payable</i></u>				
Payable to A Street, Inc., on demand or by December 31, 2051, with compound interest at 5.84% per annum.	-	167,000	-	167,000

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

	2005		2004	
	<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.	232,531	290,000	201,286	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.	508,207	633,000	439,966	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
Total	2,340,003	15,535,188	2,105,214	15,031,221
Less current portion	(28,398)	(108,738)	(28,357)	(1,738,051)
Long-term portion	<u>\$ 2,311,605</u>	<u>\$ 15,426,450</u>	<u>\$ 2,076,857</u>	<u>\$ 13,293,170</u>

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

2006	\$ 108,738
2007	117,501
2008	108,783
2009	88,224
2010	95,059

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 10 – PAYABLE TO CITY OF HAYWARD

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

	2005	2004
Tyrrell Gardens (see Note 5)	\$ 60,200	\$ 60,200
Tyrrell Gardens	155,048	152,487
	\$ 215,248	\$ 212,687

NOTE 11 – 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 Court. As of June 30, 2004, this amount has been fully expended. In February 2005, the grant was transferred to Sara Conner Court, LLC and recorded as an investment in partnership.

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

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

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

NOTE 13 – 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.

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 14 – EMPLOYEE BENEFIT PLAN

EHI established a 401(a) defined contribution pension plan effective July 1, 1992. Employees become eligible to participate in the plan after one year of service, are fully vested in three years and are not required to contribute to the plan. The contribution to the plan is determined on an annual basis by the board of directors. A maximum of 5% of covered wages could be contributed and \$30,888 and \$52,756 were contributed for the years ended June 30, 2005 and 2004, respectively.

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

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES

EHI has committed to provide demand loans payable to three affiliates for the purpose of satisfying their net worth requirements. The non-interest bearing demand loans expire at the end of the respective partnerships and at June 30, 2005 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 \$5,487,000.

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 guarantee agreements on certain recourse-type loans pertaining to property development with affiliated entities. The amount drawn on these loans at June 30, 2005 subject to the guarantees was approximately \$42,000,000 at June 30, 2005.

SUPPLEMENTARY INFORMATION

EDEN HOUSING, INC. AND SUBSIDIARY
SCHEDULES OF FINANCIAL POSITION – OWNED AFFORDABLE
HOUSING PROJECTS
JUNE 30, 2005

	<i>742 Harris Court</i>	<i>Grove Way and 10th/ D Street</i>	<i>Villa Springs</i>	<i>Total</i>
ASSETS				
Cash	\$ 143	\$ 3,813	\$ 4,180	\$ 8,136
Cash – restricted	18,229	50,703	170,365	239,297
Prepaid expenses and other receivables	1,647	6,003	15,359	23,009
Tenant security deposits	2,824	3,634	46,124	52,582
Deferred costs				
Property and equipment – net	365,497	215,472	4,144,152	4,725,121
Other assets	-	5,895	27,369	33,264
	<hr/>			
Total assets	\$ 388,340	\$ 285,520	\$ 4,407,549	\$ 5,081,409
<hr/>				
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 267	\$ 44	\$ 14,290	\$ 14,601
Related-party payable	25,476	-	103,728	129,204
Tenant security deposits	2,041	3,500	44,942	50,483
Interest payable	34,830	2,241	1,216,617	1,253,688
Notes payable	396,174	383,850	5,136,261	5,916,285
Total liabilities	458,788	389,635	6,515,838	7,364,261
<hr/>				
Net assets (deficit):				
Unrestricted	(70,448)	(104,115)	(2,108,289)	(2,282,852)
	<hr/>			
Total net assets	(70,448)	(104,115)	(2,108,289)	(2,282,852)
<hr/>				
Total liabilities and net assets	\$ 388,340	\$ 285,520	\$ 4,407,549	\$ 5,081,409
<hr/>				

EDEN HOUSING, INC. AND SUBSIDIARY
SCHEDULES OF OPERATIONS – OWNED AFFORDABLE
HOUSING PROJECTS
YEAR ENDED JUNE 30, 2005

	<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	\$ 39,924	\$ 117,632	\$ 556,032	\$ 713,588
Laundry and other	-	974	12,057	13,031
Interest income	-	42	2,799	2,841
Total income	<u>39,924</u>	<u>118,648</u>	<u>570,888</u>	<u>729,460</u>
Expenses:				
Salaries and wages	3,991	4,548	56,214	64,753
Payroll taxes and benefits	1,417	1,007	27,671	30,095
Office and maintenance costs	10,965	41,388	226,893	279,246
Professional services	2,640	7,260	34,343	44,243
Mortgage interest and carrying costs	15,331	27,090	262,296	304,717
Other expenses	-	5,366	3,117	8,483
Total expenses	<u>34,344</u>	<u>86,659</u>	<u>610,534</u>	<u>731,537</u>
Income (loss) from operations	5,580	31,989	(39,646)	(2,077)
Other expenses:				
Depreciation and amortization	6,957	15,688	145,275	167,920
Interest – deferred notes	7,740	-	-	7,740
Net income (loss)	<u>\$ (9,117)</u>	<u>\$ 16,301</u>	<u>\$ (184,921)</u>	<u>\$ (177,737)</u>

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

EDEN HOUSING, INC. AND SUBSIDIARY
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA
 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 YEAR ENDED JUNE 30, 2005

Project Name: Villa Springs Apartments

Project No.: 91-CHRP-R-097

Cash on Hand and in Banks

Unrestricted accounts:

Checking account – operating	\$ 4,080
Cash on hand	100
Total	\$ 4,180

Restricted accounts:

Insurance and tax impound accounts	\$ 29,255
Replacement reserve	86,368
Operating expense reserve	16,290
General operating reserve	38,452
Total	\$ 170,365

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

Accounts Receivable (Payable)

Accounts receivable consists of:

Receivable from tenants	\$ 7,375
Receivable from management/others	139
Subsidy receivable (deferred)	(6,194)
Interest receivable	934
Total	\$ 2,254

Insurance Impound Accounts

	<i>Real Estate Taxes</i>	<i>Hazard Insurance</i>	<i>Earthquake Insurance</i>	<i>Total</i>
Balance, beginning of year	\$ 5,801	\$ 14,587	\$ 5,775	\$ 26,163
Deposits	17,180	22,240	7,500	46,920
Interest earned	542	-	-	542
Payment	(16,960)	(20,106)	(7,304)	(44,370)
Balance, end of year	\$ 6,563	\$ 16,721	\$ 5,971	\$ 29,255

EDEN HOUSING, INC. AND SUBSIDIARY
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA
 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 YEAR ENDED JUNE 30, 2005

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

Replacement Reserve

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

Balance, beginning of year	\$ 99,572
Twelve monthly deposits of \$1,927	23,124
Interest earned	2,004
Withdrawals	(38,332)
Balance, end of year	\$ 86,368

Operating Expense Reserve

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

Balance, beginning of year	\$ 16,077
Deposits	-
Interest earned	213
Withdrawals	-
Balance, end of year	\$ 16,290

General Operating Reserve

Balance, beginning of year	\$ 31,905
Deposits	6,528
Interest earned	19
Balance, end of year	\$ 38,452

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	\$ 255,495	\$ 5,719,093
Additions	-	66,847	61,026	127,873
Balance, end of year	\$ 730,000	\$ 4,800,445	\$ 316,521	\$ 5,846,966

Accounts Payable and Accrued Expenses

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

EDEN HOUSING, INC. AND SUBSIDIARY
 SUPPLEMENTARY INFORMATION REQUIRED BY THE
 CALIFORNIA HOUSING FINANCE AGENCY AND THE CALIFORNIA
 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
 YEAR ENDED JUNE 30, 2005

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

Gross Potential Rents

Gross potential rent includes:

Tenant rental payments	\$ 513,117
Housing assistance payments	32,815
Employee quarters shown as an expense	10,100
Vacancy loss	25,850
Total gross potential rent	\$ 581,882

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	\$ 4,180
Tenant security deposits	46,124
Total	50,304

Less current obligations:

Accounts payable and accrued expenses – operations (due within 30 days)	(14,290)
Accrued mortgage interest	(18,977)
Tenant security deposits	(44,942)
Prepaid rent – subsidy	(6,194)
Total	(84,403)

Surplus (deficit) cash	\$ (34,099)
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Debt Service

The debt service payments are current and have been made in a timely manner for the year ended June 30, 2005.

Taxes

Property tax payments were made in a timely manner for the year ended June 30, 2005.

Insurance

Insurance premiums are paid current as of June 30, 2005.

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

**Report of Actual Cash Flow Analysis
Year Ended June 30, 2005**

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

Description of Account	Account Number	Residential	Non-Residential	Total
Management Fee	6320	30,888	0	30,888
Administrative Expenses - 6200/6300				
Advertising	6210	134	0	134
Other Renting Expenses	6250	468	0	468
Office Salaries	6310	6,270	0	6,270
Office Supplies	6311	6,988	0	6,988
Office Rent	6312	0	0	0
Manager's Salary	6330	24,323	0	24,323
Manager Rent Free Unit	6331	10,100	0	10,100
Legal Expense	6340	3,455	0	3,455
Audit Expense	6350	0	0	0
Bookkeeping Fees/Accounting Services	6351	5,940	0	5,940
Telephone and Answering Services Expense	6360	3,527	0	3,527
Bad Debt Expense	6370	2,879	0	2,879
Miscellaneous Administrative Expenses	6390	3,838	0	3,838
Total Admin Expense		67,922	0	67,922
Utilities Expenses - 6400				
Fuel Oil/Coal	6420	0	0	0
Electricity	6450	14,516	0	14,516
Water	6451	19,480	0	19,480
Gas	6452	17,963	0	17,963
Sewer	6453	0	0	0
Total Utilities Expense		51,959	0	51,959
Operating and Maintenance Expenses - 6500/7300				
Janitor and Cleaning Payroll	6510	550	0	550
Janitor and Cleaning Contract	6514	130	0	130
Janitor and Cleaning Supplies	6515	235	0	235
Exterminating Payroll/Contract	6519	1,221	0	1,221
Exterminating Supplies	6520	0	0	0
Garbage and Trash Removal	6525	21,312	0	21,312
Security Payroll/Contract	6530	487	0	487
Grounds Payroll	6535	0	0	0
Grounds Supplies	6536	1,927	0	1,927
Grounds Contract	6537	14,258	0	14,258
Repairs Payroll	6540	31,341	0	31,341
Repairs Material	6541	22,294	0	22,294
Repairs Contract	6542	29,848	0	29,848
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	4,140	0	4,140
Decorating Supplies	6561	6,150	0	6,150
Vehicle and Maintenance Equipment O&R	6570	0	0	0
Miscellaneous Operating and Maintenance Expenses	6590	0	0	0
Appliance Replacement	7310	1,966	0	1,966
Interior Replacement	7315	1,151	0	1,151
Plumbing Replacement	7320	0	0	0
Total Operating and Maintenance Expenses		137,010	0	137,010
Taxes and Insurance - 6700				
Real Estate Taxes	6710	18,160	0	18,160
Payroll Taxes	6711	5,973	0	5,973
Miscellaneous Taxes, Licenses, and Permits	6719	486	0	486
Property and Liability Insurance	6720	24,242	0	24,242
Fidelity Bond Insurance	6721	0	0	0
Workmen's Compensation	6722	9,121	0	9,121
Health Insurance and Other Employee Benefits	6723	2,477	0	2,477
Total Taxes and Insurance		60,459	0	60,459
Supportive Service Expenses - 6900				
Counseling	6930	0	0	0
Food	6932	0	0	0
Day Programs	6950	0	0	0
Recreation	6951	0	0	0
Total Supportive Services Expenses		0	0	0
TOTAL OPERATING EXPENSES		348,238	0	348,238

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
Report of Actual Expenses
Year Ended June 30, 2005**

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

Description of Account	Account Number	Residential	Non Residential	Total
Rent Revenue - 5100				
Rent Revenue - Gross Potential	5120	549,067	0	549,067
Tenant Assistance Payments	5121	32,815	0	32,815
Furniture and Equipment	5130	0	0	0
Rent Revenue - Stores and Commercial	5140	0	0	0
Subsidy Revenue	5180	0	0	0
Miscellaneous	5190	0	0	0
Gross Potential Rent		581,882	0	581,882
Vacancies - 5200				
Apartments	5220	25,850	0	25,850
Stores and Commercial	5240	0	0	0
Garage and Parking Spaces	5270	0	0	0
Miscellaneous	5290	0	0	0
Total Vacancies		25,850	0	25,850
Net Rental Revenue		556,032	0	556,032
Financial Revenue - 5400				
Financial Revenue - Project Operations	5410	235	0	235
Revenue from Investments - Replacement Reserve	5520	2,004	0	2,004
Revenue from Investments - Operating Reserve	5565	232	0	232
Revenue from Investments - Miscellaneous	5511	328	0	328
Total Financial Revenue		2,799	0	2,799
Other Revenue - 5900				
Laundry and Vending Revenue	5910	8,543	0	8,543
NSF and Late Charges	5920	813	0	813
Warrant Fees	5921	0	0	0
Damage and Cleaning Fees	5930	2,660	0	2,660
Forfeited Tenant Security Deposits	5940	0	0	0
Other Revenue	5990	41	0	41
Total Other Revenue		12,057	0	12,057
TOTAL REVENUE		570,888	0	570,888
TOTAL OPERATING EXPENSES		348,238	0	348,238
Financial Expenses - 6800				
Interest on Mortgage Payable	6820	164,685	0	164,685
Principal		40,554	0	40,554
Total Financial Expenses		205,239	0	205,239
Funded Reserves - 1300				
Replacement Reserve Deposit	1321	23,124	0	23,124
Operating Reserve Deposit	1341	0	0	0
Revenue from Investments - Replacement Reserve		2,004	0	2,004
Revenue from Investments - Operating Reserve		213	0	213
Other Reserves		0	0	0
Total Reserves		25,341	0	25,341
TOTAL PROJECT CASH FLOW		(7,930)	0	(7,930)
Uses of Cash Flow in Priority Order				
Reapportioned Net Income		0	0	0
Residual Receipts Debt Service		0	0	0
Sponsor Distribution		0	0	0
SUHRP-R Prepayments		0	0	0

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

EDEN HOUSING, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<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 passed through in prior years for which continuing compliance is required:			
City of Hayward – 742 Harris Court	14.239	N/A	\$ 165,000
City of San Jose – Eden Palms II	14.239	N/A	928,199
			<u>1,093,199</u>
Community Development Block Grant Program:			
Grant passed through in prior year for which continuing compliance is required:			
City of Hayward – Sara Conner Place	14.218	N/A	350,000
Current year loan – City of Brentwood – Brentwood Senior Commons	14.218	N/A	2,795,000
			<u>3,145,000</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 4,238,199</u></u>

EDEN HOUSING, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – PRIOR YEARS' EXPENDITURES

The accompanying schedule of expenditures of federal awards includes \$1,326,222 in expenditures from prior years for which continuing compliance is required.



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

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

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

ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG

We have audited the consolidated financial statements of Eden Housing, Inc., a California nonprofit public benefit corporation, and Subsidiary as of and for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eden Housing, Inc. and Subsidiary’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that we have reported to the management of Eden Housing, Inc. and Subsidiary in a separate letter dated August 30, 2005.

Compliance and Other Matters

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

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

August 30, 2005



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

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

ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG

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

Compliance

We have audited the compliance of Eden Housing, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eden Housing, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eden Housing, Inc.'s compliance with those requirements.

In our opinion, Eden Housing, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

August 30, 2005