PROJECT NEW HOPE
(A Non-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended June 30, 2008

with

INDEPENDENT AUDITORS' REPORT THEREON

PROJECT NEW HOPE
(A Non-Profit Organization)

CONTENTS

Independent Auditors' Report

To the Board of Directors
Project New Hope

We have audited the accompanying consolidated statement of financial position of Project New Hope and its subsidiary (a non-profit organization) (the "Organization") as of June 30, 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides 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 Project New Hope and its subsidiary as of June 30, 2008, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the Organization'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 considered in assessing the results of our audit.

KMJ Corbin & Company LLP

KMJ | Corbin & Company LLP

Irvine, California
December 1, 2008

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	**June 30, 2008**
Current assets:	
Cash and cash equivalents	$ 268,298
Contracts receivable, net of allowance for doubtful accounts of $9,611	245,439
Other receivables	8,104
Prepaid expenses	6,319
Total current assets	528,160
Property and equipment, net	3,570,058
Other assets:	
Cash reserves	95,288
Due from related parties	147,532
Notes and accrued interest receivable	3,085,298
Total other assets	3,328,118
	$ 7,426,336
LIABILITIES AND NET ASSETS	
Current liabilities:	
Line of credit borrowings	$ 113,539
Accounts payable and accrued expenses	109,079
Current portion of notes payable	80,537
Total current liabilities	303,155
Long-term liabilities:	
Notes payable, net of current portion	6,424,987
Accrued interest payable	662,691
Total long-term liabilities	7,087,678
Total liabilities	7,390,833
Commitments and contingencies	
Unrestricted net assets	35,503
	$ 7,426,366

PROJECT NEW HOPE
(A Non-Profit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES

	June 30, 2008
Revenue and support:	
Government contracts	$ 2,197,707
Resident rents	286,108
Contributions	36,675
Interest income	88,812
Management fee	37,833
Loss on investments in partnerships	(67,998)
Total revenue and support	2,579,137
Expenses:	
Program services:	
Master leasing program	41,555
Resident services	355,869
Affordable housing management	62,931
Group homes	1,830,182
Total program services	2,290,537
General and administrative	226,962
Fundraising	19,640
Total expenses	2,537,139
Change in net assets	41,998
Net assets, beginning of period	(6,495)
Net assets, end of period	$ 35,503

PROJECT NEW HOPE
(A Non-Profit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2008

	Programs/Services							
	Master Leasing Program	Resident Services	Affordable Housing Management	Group Homes	Total	General and Administrative	Fundraising	Total Expenses
Salaries	$ 23,943	$ 194,090	$ 18,447	$ 996,934	$ 1,233,414	$ 86,891	$ 13,567	$ 1,333,872
Payroll taxes and benefits	5,382	43,627	4,147	185,222	238,378	14,625	3,050	256,053
Workers compensation insurance	897	7,269	691	37,335	46,192	2,437	508	49,137
Accounting and legal	1,600	12,385	12,195	26,670	52,850	12,600	859	66,309
Advertising	-	-	-	-	-	633	-	633
Bank and payroll charges	-	-	-	53	53	820	-	873
Board meetings	-	-	-	-	-	27	-	27
Computer	-	630	-	717	1,347	4,695	-	6,042
Consultants	-	1,030	-	-	1,030	-	-	1,030
Depreciation and amortization	-	-	-	83,847	83,847	-	-	83,847
Dues and subscriptions	-	-	-	2,851	2,851	1,061	240	4,152
Equipment rental	399	4,772	140	1,505	6,816	2,807	20	9,643
Food supplies	-	626	-	55,596	56,222	1,221	-	57,443
Fundraising	-	-	-	-	-	-	51	51
Gardening	-	-	-	4,142	4,142	-	-	4,142
Insurance	457	3,708	352	19,048	23,565	1,243	259	25,067
Interest	-	-	-	87,171	87,171	73,241	-	160,412
Office supplies	112	1,099	147	15,403	16,761	1,222	449	18,432
Other	-	214	-	4,423	4,637	10,563	-	15,200
Outside services	-	-	-	91,011	91,011	111	-	91,122
Parking	-	16	-	-	16	40	-	56
Postage	14	154	16	1,077	1,261	331	134	1,726
Printing	88	1,072	100	2,773	4,033	607	153	4,793
Program materials and therapeutic activities	-	-	-	1,196	1,196	51	-	1,247
Property management fee	-	251	-	1,978	2,229	-	-	2,229
Rent assistance	7,168	57,487	22,163	67,179	153,997	5,323	280	159,600
Rent	1,347	10,806	4,365	12,582	29,100	900	-	30,000
Repairs and maintenance	-	-	-	16,042	16,042	751	-	16,793
Resident care	-	-	-	165	165	-	-	165
Staff training and travel	46	3,470	19	8,301	11,836	2,353	12	14,201
Telephone	102	9,363	149	22,818	32,432	2,300	58	34,790
Utilities	-	-	-	65,094	65,094	-	-	65,094
Vehicle	-	3,800	-	4,522	8,322	109	-	8,431
Waste removal	-	-	-	14,527	14,527	-	-	14,527
	$ 41,555	$ 355,869	$ 62,931	$ 1,830,182	$ 2,290,537	$ 226,962	$ 19,640	$ 2,537,139

CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Year Ended June 30, 2008
Cash flows from operating activities:	
Change in net assets	$ 41,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	83,847
Loss on investments in partnerships	67,998
Changes in operating assets and liabilities:	
Receivables	212,685
Prepaid expenses and other assets	380
Accounts payable and other accrued expenses	(189,882)
Accrued interest payable	7,376
Net cash provided by operating activities	224,402
Cash flows from investing activities:	
Increase in cash reserves	(6,340)
Decrease in due from related parties	9,698
Net cash provided by investing activities	3,358
Cash flows from financing activities:	
Payments on line of credit, net	(479)
Payments on notes payable	(102,549)
Proceeds from notes payable	4,226
Net cash used in financing activities	(98,802)
Net increase in cash and cash equivalents	128,958
Cash and cash equivalents at beginning of year	139,340
Cash and cash equivalents at end of year	$ 268,298

Continued …

CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

	For The Year Ended June 30, 2008
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 2,411
Supplemental disclosure of non-cash investing and financing transactions:	
Proceeds from notes payable with an offset to notes receivable	$ 242,108
Accrual of interest income with an offset of of accrued interest expense	$ 85,490

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Project New Hope (the "Organization") is a community-based non-profit California corporation organized for the purpose of developing housing, providing supporting services and employment retraining for persons who are homeless, or at risk of being homeless and are afflicted with HIV/AIDS. The Organization maintains group residential facilities that provide services and transitional housing for persons who are afflicted with HIV/AIDS serving up to 42 individuals at any given time. The Organization also provides supportive services to more than 225 individuals and families living in affordable housing and directly provides affordable housing to approximately 160 households.

The Organization developed and operates a 22-unit low-income rental housing project (the "Project") located in Los Angeles, California. Development of the property was completed and rental operations began in October 2001. A regulatory agreement was entered into with the City and County of Los Angeles restricting the use of this property as low-income housing.

In addition, the Organization operates a 4-unit low-income rental housing project in Los Angeles, California. This housing project is also restricted for use as low-income housing pursuant to a regulatory agreement entered into with the City of Los Angeles.

Programs

The Organization conducts the following programs:

Master Leasing Program - This program provides rent assistance for people with HIV/AIDS.

Resident Services - This program provides supportive services in permanent housing facilities that promote long-term residential stability, personal and life skills development, and opportunities for persons living with HIV/AIDS. It includes the financial awareness/money management program, and site-based employment preparation and development programs.

Affordable Housing Management - This program provides rent assistance and other services to persons living with HIV/AIDS in the Los Angeles area.

Group Homes - This program provides board and care services for persons with HIV/AIDS who are unable to live independently, as well as transitional housing for persons needing to develop their living skills before moving to independent housing. The program has the ability to offer hospice services for clients who become terminally ill.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Funding

The Organization receives funding through federal, state and municipal contracts and grants, foundation grants and fundraising.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and its subsidiary, Homestead Hospice and Shelter ("HHS"). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates embodied in these consolidated financial statements include the collectibility of contracts receivable and other receivables, related party advances, notes receivable and the realizability of long-lived assets and investments in partnerships. Actual results could differ from those estimates.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization's activities and operations at the discretion of the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Organization and/or the passage of time. The Organization had no temporarily restricted net assets as of June 30, 2008.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income or gains earned on related investments for general (unrestricted) or specific purposes (temporarily restricted). The Organization had no permanently restricted net assets as of June 30, 2008.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions

Contributions are recognized at fair value when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and contracts receivable. The Organization places its cash with high credit, quality financial institutions. At times, such cash may be in excess of the Federal Deposit Insurance Corporation insurance limit of $100,000. As of June 30, 2008, the uninsured balance was $187,964. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Contracts Receivable

The Organization's contracts receivable are primarily reimbursements due from contracted government grant reimbursement requests.

The Organization uses the allowance method to determine uncollectible contracts receivable. The allowance is based on historical experience, current economic conditions and management's analysis of outstanding contracts receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

The Organization capitalizes all property and equipment in excess of $1,000. Donated assets are recorded at their fair market value when received. Purchased assets are carried at cost. The cost of purchased assets or fair market value of donated assets is depreciated on a straight-line basis over their estimated useful lives, which range from five to ten years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the related lease term.

Investments in Partnerships

Investments in partnerships are accounted for under the equity method in accordance with American Institute of Certified Public Accountants Statement of Position 94-3, *Reporting of Related Entities by Not-For-Profit Organizations*, whereby the Organization's cost is increased for its share of profits and reduced by distributions and its share of losses, as the Organization does not effectively control any of the partnerships. The equity method is discontinued if the carrying amount of the investment is reduced to zero. The Organization performs impairment testing on all existing investments in partnerships at least annually. As of June 30, 2008, the carrying value of the investments was zero.

Long-Lived Assets

The Organization owns significant long-lived assets, which are used in its operations. These assets are subject to changes in value, including potential declines in value, depending on events or changes in circumstances. In the event that there is a decline in value, the Organization performs an analysis to determine if the decline in value may not be recoverable. Management has determined that no unrecoverable declines in the market values of long-lived assets exist at June 30, 2008. There can be no assurance however, that market values will not decline in the future, which may result in a reduction in the carrying value of these assets.

Contributed Goods and Services

Contributions of goods and services are recognized in the consolidated financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No significant contributions of goods or services were received during the year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes

The Organization and its subsidiary, HHS, are public charities that have obtained an exemption from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Certain overhead expenditures are allocated to programs based on estimated usage. Usage is calculated using appropriate methodologies, such as percentage of staff time, square footage of space, etc.

Risks and Uncertainties

The Organization rents to individuals with HIV/AIDS with qualifying levels of income in Los Angeles, California. The Organization is subject to business risks associated with the economy and level of unemployment in Southern California, which affects occupancy as well as the tenants' ability to make rental payments.

Certain of the Organization's services are governed by grant agreements with governmental agencies. All such grant agreements for which the Organization currently is a party are for fixed terms and expire on an annual basis. There can be no assurances that the Organization will be able to renew current grant agreements or obtain new agreements, which could have an adverse effect on the Organization's financial position and results of operations. Historically, the Organization's services are regulated primarily by the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development, and as such, requires the Organization to be compliant with OMB Circular A-133 and other federal requirements. Failure of the Organization to comply with applicable regulatory requirements can result in, among other things, loss of funding, warning letters, fines, injunctions, civil penalties, and could have an adverse effect on the Organization's financial position and operations.

NOTE 2 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2008 is as follows:

Land	$ 846,959
Buildings	3,353,883
Leasehold improvements	238,335
Furniture and equipment	385,761
	4,824,938
Less accumulated depreciation and amortization	(1,254,880)
	$ 3,570,058

NOTE 3 – INVESTMENTS IN PARTNERSHIPS

The Organization owns a one percent interest in Palos Verdes Street, L.P. (“PVSLP”), a limited partnership, organized for the purpose of developing and operating low-income housing. The Organization participates as a general partner in PVSLP. As the general partner, the Organization has an option to purchase the limited partner’s partnership interest within three years after expiration of low-income housing tax credit compliance period (2012).

The Organization's participation as a general partner in PVSLP makes it contingently liable for PVSLP obligations. At June 30, 2008, the Organization has not recorded a liability for PVSLP’s obligations because third-party obligations do not exceed the estimated value of PVSLP’s assets. Pursuant to the terms of the partnership agreement, the limited partner is responsible only for initial capital contributions. As a result, the Organization may be required to arrange for additional funds related to the rehabilitation or operating needs of PVSLP.

As a result of being a general partner in PVSLP, the Organization is entitled to a development fee of $61,945 for services rendered, as well as a reimbursement of $13,343 in advances made to PVSLP as of June 30, 2008. In addition, under the partnership agreement with PVSLP, the Organization is entitled to a partnership management fee totaling $42,714 as of June 30, 2008, which is due upon the availability of cash flow for PVSLP. As these amounts will only be repaid upon the availability of future cash flows, the timing and availability of which cannot be accurately predicted, no receivable has been recorded by the Organization for these amounts.

The Organization owns a 50% interest in Nyumba Apartments Partners (“Nyumba”), a general partnership, organized for the purpose of developing and operating low-income housing. The Organization participates as a general partner in Nyumba. Nyumba owns one building in Los Angeles.

NOTE 3 – INVESTMENTS IN PARTNERSHIPS, continued

The Organization's participation as a general partner in Nyumba makes it contingently liable for Nyumba obligations. As a result, the Organization may be required to arrange for additional funds related to the rehabilitation or operating needs of Nyumba.

In accordance with the Nyumba partnership agreement, the Organization is entitled to annual social service fees and partnership management fees. As of June 30, 2008, the Organization had a receivable from Nyumba totaling $31,000 (see Note 8).

The Organization owns a 0.01% interest in Sunset Myra, LP ("Sunset Myra"), a limited partnership, organized for the purpose of developing and operating low-income senior housing. The Organization participates as a co-general partner in Sunset Myra.

The Organization's participation as a co-general partner in Sunset Myra makes it contingently liable for Sunset Myra obligations. Pursuant to the terms of the Sunset Myra partnership agreement, the limited partners are responsible only for initial capital contributions. As a result, the Organization may be required to arrange for additional funds related to the rehabilitation or operating needs of Sunset Myra.

The following is a summary of financial information of the Organization's investments in partnerships:

Partnership/Date	Ownership Interest	Total Assets	Total Liabilities	Partnership Equity	Partnership Net Income (Loss)	Organization's Share of Partnership Equity
Palos Verdes Street, L.P./ December 31, 2007 (audited)	1%	$1,566,909	$1,645,424	$(78,515)	$(115,857)	$ -
Nyumba Apartments Partners/December 31, 2007 (audited)	50%	$514,281	$509,527	$4,754	$(67,220)	$ -
Sunset Myra, LP/ June 30, 2008 (unaudited)	0.01%	$15,808,297	$10,211,792	$5,596,505	$9,932	$ -
						$ -

During the year ended June 30, 2008, the Organization recorded a loss on its investments in partnerships totaling $67,998.

NOTE 4 – NOTES RECEIVABLE

The Organization has a promissory note receivable from PVSLP with identical terms to the loan payable to the City of Los Angeles totaling $352,958, plus accrued interest of $182,196 (see Note 6).

The Organization has a promissory note receivable from Sunset Myra with identical terms to the loan payable to the City of Los Angeles totaling $2,382,462 plus accrued interest of $167,682 (see Note 6).

NOTE 5 – LINES OF CREDIT

In agreements with two banks, Project New Hope and its subsidiary can borrow up to $75,000 and $50,000, respectively, on established, unsecured lines of credit, each with an interest rate of 9.0% at June 30, 2008, automatically renewing each year. At June 30, 2008, the balances were $66,869 and $46,670, respectively.

NOTE 6 – NOTES PAYABLE

Notes payable consist of unsecured debt and debt collateralized by trust deeds on real property and improvements as follows:

Predevelopment note payable to the City of Los Angeles, bearing interest at 3% per annum due April 25, 2060 (see below).	$	2,382,462
Residual receipts note payable to the County of Los Angeles, Housing Authority ("HACOLA"), secured by a second trust deed on real property, bearing interest at 3% simple interest per annum or a default rate of 10% per annum until all amounts have been paid in full, due March 15, 2031. Payable in annual installments of principal and interest based on 50% of the project's residual receipts, as defined.		1,203,918
Residual receipts note payable to the City of Los Angeles, secured by a third trust deed on real property, non-interest bearing and no default rate. Principal shall be due and payable on the earliest of August 30, 2030, the date the property is sold or refinanced, or event of default by borrower. Payable in annual installments based on 50% of the project's residual receipts, as defined.		1,094,821

NOTE 6 – NOTES PAYABLE, continued

Residual receipts note payable to the City of Los Angeles, Community Redevelopment Agency, bearing interest at 3% per annum, secured by a deed of trust on real property. Payable in annual installments of principal based on a percentage of residual receipts, as defined, until all amounts have been paid in full. There is $213,878 in interest contingently due on the note, if the facilities are not used for the specified purposes. However, the Organization understands the interest to be forgivable if the facilities are used for the specified purposes. The Organization has the intent and ability to ensure it is used for those purposes. Therefore this interest has not been recorded in the financial statements. The note is due the earlier of the date the property is sold, transferred, refinanced, or fifty-five years from certificate of occupancy issuance.	463,514
Note payable to the City of Los Angeles, bearing interest at 5% per annum, due March 26, 2039 (see below).	352,958
Note payable to the Community Redevelopment Agency, City of Los Angeles, with an interest rate of 3% per annum, secured by a deed of trust on real property. There is $93,146 of interest contingently due on the note if the facilities are not used for specified purposes. However, the Organization understands the interest to be forgivable if the funds are used for the specified purposes. The Organization has the intent and ability to ensure it is used for those purposes. Therefore no interest has been recorded in the financial statements. This note is due December 8, 2016. If the property securing this debt continues to be used for specified purposes until the due date, the note will be forgiven entirely.	344,584
Note payable to U.S. Trust Company, through the Federal Home Loan Bank secured by a fourth trust deed on real property. This is a non-interest bearing loan with a default rate of prime (8.25% as of June 30, 2008), which is not to exceed 16%. Principal shall be due on March 15, 2015, subject to forgiveness if the property remains affordable within the Federal Home Loan Bank's Affordable Housing program regulations.	250,000
Note payable to the Low Income Investment Fund, secured by a deed of trust on real property, bearing interest at 7.5% per annum, payable in monthly installments of principal and interest of $2,451, through June 2015.	133,830

NOTE 6 – NOTES PAYABLE, continued

Note payable to US Bank, secured by a deed of trust on real property, with the first five years of monthly payments of interest only at 5.95%, until March 31, 2011. Monthly principal and interest payments of $615 will begin April 1, 2011, at a rate of LIBOR plus 2.25% through April 1, 2036.	84,579
Note payable to U.S. Trust Company of California, through the Federal Home Loan Bank, secured by a deed of trust on real property, non-interest bearing, and principal due on demand. Subject to immediate repayment if the related property does not remain affordable within the Federal Home Loan Bank's Affordable Housing Program regulations.	62,320
Non-interest bearing note payable to Local Initiatives Support Corporation ("LISC"), secured by a deed of trust on real property, due October 1, 2005. The Organization is currently negotiating a new maturity date.	50,000
Note payable to Washington Mutual, secured by a deed of trust on real property, bearing interest at 7.1% per annum, payable in monthly installments of principal and interest of $977 through April 1, 2011.	29,199
Adjustable note payable to U.S. Trust Company of California, through the Federal Home Loan Bank, secured by a deed of trust on real property, bearing interest at an initial rate of 9.8% per annum, adjusting periodically at an index of prime rate plus 2% (totaling 8.25% at June 30, 2008), principal and interest due upon demand and subject to immediate repayment if the related property does not remain affordable within the Federal Home Loan Bank's Affordable Housing Program regulations. $25,816 in interest has been accrued related to this note payable and is included in accrued interest on the balance sheet. However, the principal and interest will be forgiven if the Organization remains in compliance with the loan agreement through June 2014.	37,950
Note payable to the City of Los Angeles, secured by a deed of trust on real property, with an interest rate of 5% per annum. The note is due May 1, 2026.	15,389
	6,505,524
Less current portion	(80,537)
	$ 6,424,987

NOTE 6 – NOTES PAYABLE, continued

Future annual principal payments on notes payable are as follows:

Fiscal Years Ending June 30,		
2008	$	80,537
2009		32,850
2010		32,782
2011		27,026
2012		29,241
Thereafter		6,303,088
Total	$	6,505,524

In 1997, the City of Los Angeles entered into a non-recourse loan (the "PVSLP Loan") with the Organization totaling $352,958 with an interest rate of 5% per annum, secured by the city deed of trust and the collateral assignment of the partnership deed of trust recorded against the property. The PVSLP Loan is due March 26, 2039, forty years after construction on the property was completed.

The PVSLP Loan was made for the purpose of disbursing predevelopment funds to be used in developing affordable housing. The lender required the Organization to act as an intermediary and loan these funds to PVSLP for housing development. The PVSLP Loan is cross-collateralized against the respective deeds of trust on real property owned by PVSLP and against PVSLP's promissory notes payable to the Organization.

Concurrent with the execution of the PVSLP Loan, the Organization received a promissory note from PVSLP, the terms of which are identical to the loan payable to the lender (see Note 4). Collections from the note receivable will be used to offset the identical loan payments due to the lender. In the event of default, although all notes are non-recourse, the Organization could possibly become responsible for the remaining amount of indebtedness, if any, not satisfied by the disposition of PVSLP's collateralized property. The Organization has recorded accrued interest on the notes and an offsetting receivable due from PVSLP of $182,196 at June 30, 2008 in the accompanying consolidated financial statements. For the year ended June 30, 2008, interest income due from PVSLP and interest expense due on the PVSLP Loan have been recorded at their gross amount of approximately $17,648 in the accompanying consolidated statement of activities.

NOTE 6 – NOTES PAYABLE, continued

In 2005, the City of Los Angeles (the "Lender") entered into a non-recourse construction loan (the "Construction Loan") with the Organization with a balance of $2,382,462 at June 30, 2008, at 3% per annum, secured by the first deed of trust and the collateral assignment of the second deed of trust recorded against the property. The loan is due April 25, 2060.

The Construction Loan was made for the purpose of disbursing predevelopment funds to be used in developing affordable housing. The Lender required the Organization to act as an intermediary and loan these funds to Sunset Myra for housing development. In addition to the Construction Loan being secured against the aforementioned deeds of trust on real property owned by Sunset Myra, it is also secured by Sunset Myra's promissory notes payable to the Organization.

Concurrent with the execution of the Construction Loan, the Organization received a promissory note from Sunset Myra, the terms of which are identical to the loan payable to the lender (see Note 4). Collections from the note receivable will be used to offset the identical loan payments due to the Lender. In the event of default, although all notes are non-recourse, the Organization could possibly become responsible for the remaining amount of indebtedness, if any, not satisfied by the disposition of Sunset Myra's collateralized property. The Organization has recorded accrued interest on the note and an offsetting receivable due from Sunset Myra of $167,682 at June 30, 2008 in the accompanying consolidated financial statements. For the year ended June 30, 2008, interest income due from Sunset Myra and interest expense due on the Construction Loan have been recorded at their gross amount of approximately $67,842 in the Organization's consolidated statement of activities.

NOTE 7 – LEASES

The Organization leases a facility owned and operated by an unrelated non-profit organization for approximately $2,500 per month that ends in October 2010. Future minimum rental payments, are summarized as follows:

Fiscal Years Ending June 30,	
2009	$ 30,000
2010	30,000
2011	10,000
Total	$ 70,000

NOTE 7 – LEASES, continued

The Organization is also a party to several noncancelable operating lease agreements for office equipment. The equipment includes several copiers, postage meters and miscellaneous office equipment. The lease periods do not exceed one year.

Rent expense for the year ended June 30, 2008 on the facility totaled $30,000.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization, as sponsor for the HUD Housing for People with Disabilities projects under HUD's Section 811 capital advance program, receives management and developer fees under various terms and provisions as defined by each HUD project. For the year ended June 30, 2008, the Organization received no fees for services rendered from these projects. The Organization and the sponsored entities share some common board members.

At June 30, 2008, the Organization has advances outstanding to three related non-profit organizations with common board members totaling $116,532. Such amounts are non-interest bearing and due on demand and consisted of the following:

Silver Lake New Hope Courtyard Apartments	$	18,570
Faith Housing New Hope Apartments		70,630
Santa Monica New Hope Courtyard Apartments		27,332
Total	$	116,532

The Organization has performed property management services for Nyumba for $4,305, and Sunset Myra for $33,528, totaling $37,833 during the year ended June 30, 2008, which is recorded as management fee income in the accompanying statement of activities. The amount due from Nyumba as of June 30, 2008 is $31,000.

NOTE 9 – RETIREMENT PLAN

The Organization sponsors a Section 403(b) salary reduction plan that covers all full-time employees who are at least 21 years old and have completed one year of service. Employees may contribute up to $15,500 per year. No employer contributions were made to the plan by the Organization during the year ended June 30, 2008.

NOTE 10 – RESTRICTED RESERVES

According to loan and regulatory agreements, the Organization is required to maintain project reserves. The Organization is required to fund annually, from available cash flows, operating reserves equal to 3% of collected rental income and replacement reserves of $6,600 per year. The required reserve for operating and replacement reserves totaled $95,288 as of June 30, 2008, as follows:

Operating reserve	$ 53,148
Replacement reserve	42,140
	$ 95,288

NOTE 11 – INDEMNITIES AND GUARANTEES

The Organization has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions. The Organization indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. Additionally, the Organization may be required to indemnify certain financial institutions for various losses. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. Historically, the Organization has not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying consolidated statement of financial position.

Agreements

The Organization entered into loan and regulatory agreements with the City and County of Los Angeles which stipulate various restrictions concerning the development and use of the property, as well as the utilization of the project's cash flow.

According to the loan and regulatory agreements, the Organization is required to maintain the project in compliance with federal HOPWA requirements and comply with various other provisions of the agreements, such as the amount of rents which tenants may be charged and tenant eligibility. In addition, the Organization entered into a Resident Services Agreement with the County of Los Angeles which sets forth the Organization's obligation to provide supportive services for the residents of the project.

NOTE 11 – INDEMNITIES AND GUARANTEES, continued

In the event that the project is not maintained as low-income housing, or if there are other material violations of the agreements, the lenders may proceed with various remedies against the Organization as stated in the agreements, including declaring the loans totaling $3,077,316 immediately due and payable. Although this is a possibility, management deems the contingencies remote and plans to meet the conditions as set forth in the provisions of the loan and regulatory agreements.

The Organization has represented that it will cover any cash shortfalls of certain related parties mentioned in Note 8. Since the Organization cannot estimate the amount of future loans received, and it expects full repayment of any loans made, no contingent liability has been recorded in the accompanying consolidated statement of financial position.