

**TENDERLOIN NEIGHBORHOOD
DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2007 AND 2006

**With Supplementary Information Required by the
California Department of Housing and Community Development
California Housing Rehabilitation Program**

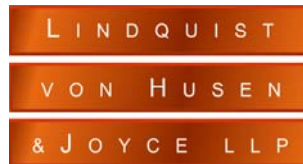
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TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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Board of Directors
Tenderloin Neighborhood Development Corporation
San Francisco, California

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statements of financial position of Tenderloin Neighborhood Development Corporation, a California nonprofit public benefit corporation, and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Tenderloin Neighborhood Development Corporation and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 Tenderloin Neighborhood Development Corporation and Subsidiaries' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tenderloin Neighborhood Development Corporation and Subsidiaries as of December 31, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements of Tenderloin Neighborhood Development Corporation and Subsidiaries have been prepared without combining the financial statements of related entities under common control. Combined financial statements will also be issued and those financial statements are the general-purpose financial statements of the primary reporting entity.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 28, 2008 on our consideration of Tenderloin Neighborhood Development Corporation and Subsidiaries' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Net Operating Cash Flows – Building and General Funds on pages 27 and 28, and the Schedule of Properties Developed on page 36 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information has been subjected to the audit 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.

The Schedule of Financial Position – Building and General Funds on page 29, and the project income, expense and other information required by the State of California, Department of Housing and Community Development on pages 30 through 35, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information has not been subjected to the audit procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on it.

Lindquist, von Husen and Joyce LLP

July 28, 2008

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Unrestricted cash and cash equivalents	\$ 2,922,928	\$ 2,129,501
Receivables:		
Rent – net of allowance	55,841	33,419
Contributions (Note 4)	329,102	415,589
Contracts (Note 4)	222,739	262,318
Others	66,960	21,490
Related parties (Note 5)	5,160,367	5,546,582
Prepaid expenses	281,828	282,594
Restricted cash (Note 3)	2,944,969	2,295,331
Restricted deposits (Note 3)	851,024	610,935
Restricted investments (Note 3)	1,313,784	1,231,038
Development in progress (Note 7)	1,588,060	175,570
Notes receivable (Note 6)	797,663	753,532
Investment in other companies (Note 8)	4,406,316	4,508,771
Escrow deposits	-	275,000
Property and equipment – net (Note 9)	29,307,913	22,678,446
	\$ 50,249,494	\$ 41,220,116
Total assets	\$ 50,249,494	\$ 41,220,116

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 892,357	\$ 776,788
Development costs payable	494,483	-
Related-party payable (Note 5)	28,101	46,546
Deferred revenue	197,597	200,577
Tenant security deposits	199,912	189,734
Line of credit (Note 10)	139,359	990,264
Contribution payable to affiliates (Note 8)	481,101	-
Interest payable (Note 11)	7,675,239	6,816,499
Notes payable (Note 11):		
Amortizing	134,963	151,386
Deferred	30,083,381	24,964,433
Demand	427,500	427,500
Other notes payable	4,446,503	300,000
Total liabilities	45,200,496	34,863,727
Net assets:		
Unrestricted	3,874,804	5,192,658
Temporarily restricted (Note 12)	1,174,194	1,163,731
Total net assets	5,048,998	6,356,389
Total liabilities and net assets	\$ 50,249,494	\$ 41,220,116

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<i>2007</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Rental income – net	\$ 4,376,758	\$ -	\$ 4,376,758
Contributions	808,575	631,943	1,440,518
Developer fees (Note 5)	549,254	-	549,254
Program service fees	745,715	-	745,715
Management fees (Note 5)	1,525,244	-	1,525,244
Ground lease	307,446	-	307,446
Revenue from special events	274,715	280,394	555,109
Less: cost of special events	(150,720)	(119,524)	(270,244)
Interest and investment income	287,215	-	287,215
Other revenue	224,432	-	224,432
Loss from investment in other companies (Note 8)	(102,455)	-	(102,455)
Net assets released from restrictions	782,350	(782,350)	-
Total support and revenue	<u>9,628,529</u>	<u>10,463</u>	<u>9,638,992</u>
Expenses:			
Program services:			
Housing services	6,614,277	-	6,614,277
Tenant services	932,123	-	932,123
Housing development	862,092	-	862,092
Supporting services:			
Management and general	1,373,775	-	1,373,775
Fundraising	683,015	-	683,015
Total expenses	<u>10,465,282</u>	<u>-</u>	<u>10,465,282</u>
Change in net assets before other income (expense)	(836,753)	10,463	(826,290)
Contribution to affiliates (Note 8)	(481,101)	-	(481,101)
Change in net assets	(1,317,854)	10,463	(1,307,391)
Net assets, beginning of year	<u>5,192,658</u>	<u>1,163,731</u>	<u>6,356,389</u>
Net assets, end of year	<u>\$ 3,874,804</u>	<u>\$ 1,174,194</u>	<u>\$ 5,048,998</u>

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2006		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Support and revenue:			
Rental income – net	\$ 3,273,401	\$ -	\$ 3,273,401
Contributions	1,161,515	595,298	1,756,813
Developer fees (Note 5)	428,480	-	428,480
Program service fees	666,888	-	666,888
Management fees (Note 5)	1,497,383	-	1,497,383
Ground lease	306,084	-	306,084
Revenue from special events	245,508	189,344	434,852
Less: cost of special events	(150,094)	(112,116)	(262,210)
Interest and investment income	437,626	-	437,626
Other revenue	242,566	-	242,566
Income from investment in other companies (Note 8)	2,434,317	-	2,434,317
Net assets released from restrictions	545,433	(545,433)	-
Total support and revenue	<u>11,089,107</u>	<u>127,093</u>	<u>11,216,200</u>
Expenses:			
Program services:			
Housing services	6,075,533	-	6,075,533
Tenant services	966,295	-	966,295
Housing development	611,336	-	611,336
Supporting services:			
Management and general	973,241	-	973,241
Fundraising	765,664	-	765,664
Total expenses	<u>9,392,069</u>	<u>-</u>	<u>9,392,069</u>
Change in net assets before other income (expense)	1,697,038	127,093	1,824,131
Contribution to affiliate (Note 16)	<u>(6,801,672)</u>	<u>-</u>	<u>(6,801,672)</u>
Change in net assets	(5,104,634)	127,093	(4,977,541)
Net assets, beginning of year	10,347,292	1,036,638	11,383,930
Equity transfers for affiliate demand notes (Note 13)	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net assets, end of year	<u>\$ 5,192,658</u>	<u>\$ 1,163,731</u>	<u>\$ 6,356,389</u>

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007					
	<i>Program Services</i>			<i>Supporting Services</i>		<i>Total</i>
	<i>Housing Services</i>	<i>Tenant Services</i>	<i>Housing Development</i>	<i>Management and General</i>	<i>Fundraising</i>	
Salaries and wages	\$ 2,252,022	\$ 618,440	\$ 521,537	\$ 738,161	\$ 379,169	\$ 4,509,329
Employee benefits	584,092	125,038	91,184	195,457	72,948	1,068,719
Office expense	214,803	46,948	9,426	284,945	50,213	606,335
Repairs and maintenance	612,906	1,904	598	7,944	129	623,481
Utilities	535,330	-	-	9,385	-	544,715
Security	54,606	276	-	1,203	-	56,085
Professional fees	219,805	29,079	20,076	74,995	148,590	492,545
Supportive services and program expense	73,921	92,926	12,921	14,489	31,966	226,223
Insurance and property taxes	387,540	17,512	800	24,391	-	430,243
Interest – amortizing loans and others	108,534	-	1,220	13,500	-	123,254
Total operating expenses before deferred interest and depreciation	5,043,559	932,123	657,762	1,364,470	683,015	8,680,929
Interest – deferred loans	652,910	-	204,330	-	-	857,240
Depreciation	917,808	-	-	9,305	-	927,113
Total expenses	\$ 6,614,277	\$ 932,123	\$ 862,092	\$ 1,373,775	\$ 683,015	\$ 10,465,282

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2006					
	<i>Program Services</i>			<i>Supporting Services</i>		<i>Total</i>
	<i>Housing Services</i>	<i>Tenant Services</i>	<i>Housing Development</i>	<i>Management and General</i>	<i>Fundraising</i>	
Salaries and wages	\$ 1,979,482	\$ 576,210	\$ 462,025	\$ 672,631	\$ 347,859	\$ 4,038,207
Employee benefits	690,377	125,362	96,406	142,670	58,121	1,112,936
Office expense	329,091	122,841	28,037	75,512	32,267	587,748
Repairs and maintenance	568,401	12,600	1,466	3,804	-	586,271
Utilities	454,385	-	-	2,476	-	456,861
Security	51,103	270	-	530	-	51,903
Professional fees	178,725	17,298	16,051	64,808	327,417	604,299
Supportive services and program expense	57,301	91,916	6,536	-	-	155,753
Insurance and property taxes	356,177	19,798	815	4,810	-	381,600
Interest – amortizing loans and others	9,360	-	-	6,000	-	15,360
Total operating expenses before deferred interest and depreciation	4,674,402	966,295	611,336	973,241	765,664	7,990,938
Interest – deferred loans	548,602	-	-	-	-	548,602
Depreciation	852,529	-	-	-	-	852,529
Total expenses	<u>\$ 6,075,533</u>	<u>\$ 966,295</u>	<u>\$ 611,336</u>	<u>\$ 973,241</u>	<u>\$ 765,664</u>	<u>\$ 9,392,069</u>

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Supplementary information:		
Cash paid for interest	\$ 123,254	\$ 15,360
Noncash investing and financing activities:		
Development in progress/ fixed assets acquired by assuming long-term liabilities	\$ 7,500,000	\$ -
Investment in other companies acquired through issuance of demand note	\$ -	\$ 12,500
Development in progress acquired by assuming short term liabilities	\$ 494,483	\$ -

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

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Tenderloin Neighborhood Development Corporation (TNDC) was formed as a nonprofit public benefit corporation on June 16, 1981. Its mission is to provide safe affordable housing with supportive services for low-income people in the Tenderloin community and be a leader in making the neighborhood a better place to live.

TNDC's programs include housing management services, tenant services and housing development. Tenant services include, among others, the Tenderloin After-School Program (TASP) and social work service coordination.

Although TNDC is the developer of a range of properties, these properties may eventually be structured under several models. These models include direct TNDC ownership or limited partnership ownership. Limited partnerships may include TNDC, a TNDC affiliate corporation or a TNDC subsidiary as General Partner. TNDC affiliate corporations may include non-profit public benefit corporations or limited liability companies. The assets, liabilities, and activities of these properties are reflected in these financial statements only to the extent of TNDC's direct participation in the current or intended ownership structure. TNDC provides property management and development services for properties under its direct ownership, and properties owned by the limited partnerships.

The board of directors of TNDC also serves as the board of directors of a number of other corporations. These corporations are or will be general partners of partnerships that own affordable housing. All board members serve without compensation.

TNDC is especially vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well-being of TNDC is contingent upon successful achievement of its long-term revenue generating goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of TNDC and its wholly owned subsidiaries, TNDC-GP LLC, 1036 Mission GP LLC, Antonia GP LLC, Maria GP LLC, Alexander GP LLC, 220 Golden Gate GP LLC and Eddy and Taylor Housing GP LLC in 2007 and TNDC-GP LLC in 2006. All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

Each of these subsidiaries was created to serve as the general partner of a limited partnership owning a project developed by TNDC. TNDC-GP LLC, incorporated in 2005, is the general partner of Klimm Apartments, L.P. During 2006, TNDC became the sole member of 1036 Mission GP LLC. During 2007, TNDC became the sole member of Antonia GP LLC, Maria GP LLC, and Alexander GP LLC, to whom TNDC transferred its general partnership interests in AM Preservation, L.P., MM Preservation, L.P., and AR Preservation, L.P., respectively. Also during 2007, TNDC became the sole member of 220 Golden Gate GP LLC and Eddy and Taylor Housing GP LLC, the general partner of 220 Golden Gate Associates, L.P. and Eddy and Taylor Associates, L.P., respectively. The accounts of these LLCs are consolidated in TNDC's financial statements.

In addition, TNDC has established affiliated non-profit corporations which are commonly controlled by TNDC's board of directors. These corporations serve as the general partner of limited partnerships established to own other projects developed by TNDC. The accounts of these corporations are not included in the consolidated financial statements.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Investment in Other Companies

TNDC shares ownership in other companies, which are accounted for using the equity method of accounting. The investment is initially recorded at cost and then adjusted for TNDC's proportionate share of undistributed earnings or losses. These companies include dual-member LLCs intended to serve as general partners in development partnerships, where membership is shared with joint venture partners, as well as limited partnerships where TNDC or a subsidiary is the general partner. These companies are listed in Note 8.

Accounting Method

TNDC 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 disclosure 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

TNDC 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. At December 31, 2007 and 2006, TNDC did not have any permanently restricted net assets.

Revenue Recognition

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

Government contracts are shown as unrestricted program service fees.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature. Many individuals volunteer their time and donate their goods to assist TNDC in carrying out its programs in excess of amounts recognized. The value of contributed services and goods meeting the requirements for recognition in the financial statements were \$15,800 and \$17,227 in 2007 and 2006, respectively. These amounts are included in contributions in the accompanying Consolidated Statements of Activities.

Rental income 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.

TNDC earns fees for development of properties and generally recognizes the fees as earned over the development period.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term (initial maturity dates of three months or less from date of acquisition), highly liquid investments that are readily convertible to known amounts of cash. Not included as cash are funds restricted as to their use, regardless of liquidity, such as security deposits, replacement reserves, operating reserves, and other reserves. TNDC typically maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balances, including restricted accounts, were approximately \$7,700,000 as of December 31, 2007. The board of directors, however, reviews investment and cash management policies on a regular basis. TNDC has not experienced any losses in such accounts and believes that it is not exposed to any significant cash credit risk.

Accounts Receivable

TNDC records an allowance for doubtful collections based on a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful collections was \$3,905 and \$1,379 as of December 31, 2007 and 2006, respectively.

Ground Lease

TNDC leases land to affiliated entities under long-term leases, upon which affordable housing projects are operated. Lease payments are made to the extent of the projects' available surplus cash, as defined in each of the ground lease agreements. For leases that contain a periodic, fixed escalation clause, annual lease income is recognized using the straight-line method over the lease term.

Security Deposits

TNDC is required to hold security deposits in a separate bank account in the name of each of the projects.

Investments

Investments are stated at fair value and consist of cash investments in money market accounts.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increase in unrestricted net assets if the restrictions are met (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment is stated at cost of acquisition or construction, or fair value if donated. TNDC acquired certain property in prior years for nominal amounts or by charitable contribution. These assets were recorded at their estimated fair value as of the acquisition date, and these amounts may materially differ from current values. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, which are estimated as follows:

Buildings and improvements	10 to 30 years
Furniture, fixtures and equipment	3 to 18 years
Leasehold improvements	15 years

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

Development in Progress

TNDC 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 consideration, as well as relocation and construction costs. TNDC records these costs as assets (development in progress) and the costs are usually recoverable from the projects either from loan proceeds, limited partner contributions or net cash flow 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. TNDC estimates that no portion of development in progress is unrealizable at December 31, 2007.

Income Taxes

TNDC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections. Contributions to TNDC qualify for the charitable contribution deduction.

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the Consolidated Statements of Activities and Consolidated Statements of Functional Expenses. Accordingly, certain costs have been 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 2006 financial statements were reclassified to conform to the 2007 presentation for comparative purposes.

NOTE 3 – RESTRICTED CASH, DEPOSITS AND INVESTMENTS

Restricted cash, deposits and investments consist of various bond and stock mutual funds, as well as in interest-bearing bank accounts. Restricted cash, deposits and investments are summarized as follows:

	<i>Restricted Cash and Deposits</i>		<i>Restricted Investments – Money Market Funds</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Restricted cash:				
Tenderloin After-School Program (TASP)	\$ 183,874	\$ 114,945	\$ 864,277	\$ 797,786
Property development	1,254,082	690,504	-	-
Alexander Residence outside reserve	870,679	846,762	-	-
Dalt Hotel outside reserve	182,858	205,994	-	-
Ellis Street outside reserve	291,546	282,395	-	-
Ritz Hotel outside reserve	161,930	154,731	-	-
Total restricted cash	<u>\$ 2,944,969</u>	<u>\$ 2,295,331</u>		

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<i>Restricted Cash and Deposits</i>		<i>Restricted Investments – Money Market Funds</i>	
	2007	2006	2007	2006
Restricted deposits:				
Replacement reserves	\$ 446,728	\$ 339,371	66,435	64,045
Operating reserves	204,218	189,873	266,501	256,851
Impound deposits	111,417	-	-	-
Tenant security deposits	88,661	81,691	116,571	112,356
Total restricted deposits	<u>\$ 851,024</u>	<u>\$ 610,935</u>		
Total investments			<u>\$ 1,313,784</u>	<u>\$ 1,231,038</u>

Requirements for the reserve funding varies by project. In some cases, state and local loan covenants and regulatory agreements establish the required annual deposits as well as minimum reserve balances.

NOTE 4 – CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions

Contributions receivable are summarized as follows:

	2007	2006
Unrestricted contributions	\$ 77,652	\$ 164,589
Unrestricted contributions – restricted by time	191,000	221,000
Restricted for tenant services	60,450	-
Restricted for salaries – administration	-	30,000
Gross contributions receivable	<u>\$ 329,102</u>	<u>\$ 415,589</u>
Amounts due in:		
Less than one year	<u>\$ 329,102</u>	<u>\$ 415,589</u>

Contract Receivables

Contract receivables consist of the following:

	2007	2006
City and County of San Francisco:		
Community Development Block Grant	\$ 135,500	\$ 148,317
HOME Program Grant	-	56,287
Department of Public Health	44,693	43,924
Department of Human Services	31,915	9,251
Department of Children, Youth and Their Families	10,631	4,539
Total	<u>\$ 222,739</u>	<u>\$ 262,318</u>

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	2007	2006
Amounts due in:		
Less than one year	\$ 222,739	\$ 262,318

NOTE 5 – RELATED-PARTY TRANSACTIONS

Related-party receivables and payables include the following:

	2007	2006
Receivable:		
Operating and development advances	\$ 1,590,069	\$ 2,116,513
Developer fees ⁽¹⁾	448,882	503,882
Management fees: ⁽²⁾		
Asset management fees	9,591	9,591
Incentive management fees	529,428	600,409
Property management fees	459,776	495,507
Bookkeeping fees	16,410	21,913
Ground lease and accrued interest	2,106,211	1,798,767
Total	\$ 5,160,367	\$ 5,546,582
Amount due in:		
Less than one year	\$ 1,991,185	\$ 2,474,600
One year or more	\$ 3,169,182	\$ 3,071,982
Payable:		
Operating and development advances	\$ 28,101	\$ 46,546
Amount due in:		
Less than one year	\$ 28,101	\$ 46,546

⁽¹⁾ TNDC earns fees for developing affordable housing projects, and the fees are generally paid out of loan proceeds, capital contributions from investors or other applicable financing. In certain instances, fees represent reimbursement of staff and overhead costs. Fees earned and recognized as revenue in 2007 and 2006 on non-owned properties and properties in which TNDC has a temporary ownership interest are \$549,254 and \$428,480, respectively.

⁽²⁾ Management fees earned on projects owned by TNDC are not recognized as revenue and totaled \$496,313 and \$452,442 in 2007 and 2006, respectively. Fees earned and recognized as revenue on non-owned properties totaled \$1,525,244 and \$1,497,383 in 2007 and 2006, respectively, and include fees earned from partnerships that own affordable housing, whose general partners are TNDC or affiliates of TNDC.

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NOTE 6 – NOTES RECEIVABLE

Notes receivable are unsecured and consist of the following:

	2007	2006
Borrower:		
McAllister Street, Inc. ⁽¹⁾	\$ 54,608	\$ 52,533
Klimm Apartments, L.P. ⁽²⁾	733,055	700,999
North of Market Neighborhood Improvement ⁽³⁾	10,000	-
	\$ 797,663	\$ 753,532

⁽¹⁾ Unsecured promissory note from McAllister Street, Inc., which includes \$20,024 and \$17,949 of accrued interest in 2007 and 2006, respectively. The note bears interest at 6% per annum. Principal and interest are due on demand.

⁽²⁾ Unsecured promissory note from Klimm Apartments, L.P., which includes \$89,430 and \$57,374 of accrued interest in 2007 and 2006, respectively. The note bears interest at 4.63% compounded on an annual basis. Payments are to be made from surplus cash with the entire principal and interest due in February 2060.

⁽³⁾ Unsecured promissory note from North of Market Neighborhood Improvement Corporation. The note bears no interest. TNDC subsequently received the full payment in 2008.

NOTE 7 – DEVELOPMENT IN PROGRESS

Development in progress consists of the following:

	2007	2006
Turk and Eddy Project	\$ 592,288	\$ 72,936
Sierra Madre Residence	-	11,350
Civic Center Residence	950,159	131,381
Eddy and Taylor Project – Commercial	45,613	-
Total	\$ 1,588,060	\$ 175,570

Additional development in progress has been recorded on projects for which TNDC serves as the developer, but which are not directly owned by TNDC or its subsidiaries. These assets appear on TNDC's financial statements only to the extent of the percentage interest of TNDC's ownership, as detailed in Note 8 and further described under the heading "Projects under Development" in the Schedule of Properties Developed on the last page of the Supplementary Information.

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NOTE 8 – INVESTMENT IN OTHER COMPANIES

TNDC has financial interests in the following companies:

	<i>Percentage Interest</i>		<i>Amount of Investment</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
AR Preservation L.P. ⁽⁷⁾⁽¹⁰⁾	.01%	.01%	\$ 418,355	\$ 418,358
AM Preservation L.P. ⁽⁷⁾⁽¹⁰⁾	.1%	.1%	(315,192)	(315,002)
MM Preservation L.P. ⁽⁷⁾⁽¹⁰⁾	.1%	.1%	261,904	262,104
Mid-Market Development Joint Venture ⁽¹⁾	50%	50%	3,490,654	3,492,645
Klimm Apartments, L.P. ⁽²⁾⁽⁷⁾	.01%	.01%	116,028	116,066
CHP Eddy LLC ⁽³⁾	50%	50%	63,738	535,652
1166 Howard Street Commercial, LLC	50%	50%	49,012	(13,552)
Polk Senior Housing LLC	50%	50%	12,500	12,500
Mason Street Housing LLC ⁽⁴⁾	50%	50%	(889)	-
CHP Arendt LLC ⁽⁵⁾	50%	50%	310,200	-
1036 Mission Associates, L.P. ⁽⁶⁾⁽⁷⁾	.01%	.01%	6	-
220 Golden Gate Associates, L.P. ⁽⁷⁾⁽⁸⁾	.005%	-	-	-
Eddy and Taylor Associates, L.P. ⁽⁷⁾⁽⁹⁾	.01%	-	-	-
			<u>\$ 4,406,316</u>	<u>\$ 4,508,771</u>

⁽¹⁾ TNDC acquired a 50% interest in this Venture which received a property contribution from Bank of America in October 2000 at a below-market price. The Venture intended to develop a rental project on one portion of the property and the City and County of San Francisco had proposed to build a municipal office building on the remaining portion of the property. In 2005, the City and County of San Francisco notified the Venture that it had reversed its intention to build a municipal office building on the remainder of the property. The Venture placed this portion of the property on the market for sale upon receiving the notification. The subject portion of the property was sold in 2006 and the Venture realized a net gain of approximately \$4,800,000 from the sale. TNDC received net distribution proceeds from the Venture totaling \$6,610,133 in 2006.

⁽²⁾ TNDC is the sole member of TNDC-GP LLC, which is the general partner of Klimm Apartments L.P. The accounts of TNDC-GP, LLC are consolidated in TNDC's financial statements. Accordingly, the investment in Klimm Apartments, L.P. is reflected in the financial statements.

⁽³⁾ TNDC is a co-member of CHP Eddy LLC which is the general partner of 650 Eddy L.P. and owns a 0.01% interest in the partnership. TNDC intends to withdraw its membership interest in CHP Eddy LLC after the project is constructed.

⁽⁴⁾ TNDC is a co-member of Mason Street Housing LLC which is the general partner of Mason Street Housing Associates, L.P. and owns a 99.99% interest in the partnership. TNDC also owns a 0.005% interest as a temporary co-limited partner of Mason Street Housing Associates, L.P. TNDC intends to withdraw its membership interest in Mason Street Housing LLC after the project is constructed. TNDC also intends to withdraw as a co-limited partner once the investor limited partner is admitted. There were no investment transactions during 2006.

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- ⁽⁵⁾ TNDC is a co-member of CHP Arendt LLC which is the general partner of Arendt House L.P. and owns a 0.02% interest in the partnership. TNDC also owns a 49.99% interest as a temporary co-limited partner of Arendt House, L.P. TNDC intends to withdraw its membership interest in CHP Arendt LLC after the project is constructed. TNDC also intends to withdraw as a co-limited partner once the investor limited partner is admitted. There were no investment transactions during 2006.
- ⁽⁶⁾ TNDC is the sole member of 1036 Mission GP LLC, which is the general partner of 1036 Mission Associates, L.P. with 0.01% general partner interest. There were no investment transactions during 2007 and 2006.
- ⁽⁷⁾ TNDC, or the limited liability companies where TNDC is the sole member, intends to transfer its general partnership interest on these partnerships to corporations commonly-controlled by TNDC's board of directors. Thus, the financial information of these partnerships is not consolidated in the attached financial statements. The general purpose combined financial statements of TNDC and affiliates will however, include the full consolidation of the partnerships controlled by TNDC's affiliates. In relation to the transfer of TNDC's general partnership interests to its affiliates, a contribution expense equal to the combined value of TNDC's investment in these entities amounting to \$481,101 was recorded as of December 31, 2007.
- ⁽⁸⁾ TNDC is a sole member of 220 Golden Gate GP LLC which is the co-general partner of 220 Golden Gate Associates, L.P. and owns a .005% interest in the partnership. There were no investment transactions during 2007.
- ⁽⁹⁾ TNDC is a sole member of Eddy and Taylor Housing GP LLC, which is the general partner of Eddy and Taylor Associates, L.P. and owns a 0.01% interest in the partnership. There were no investment transactions during 2007.
- ⁽¹⁰⁾ During 2007, TNDC transferred its general partnership interest on the partnerships to separate limited liability companies where TNDC is the sole member.

The following is a summary of the financial position of these companies for the years ended December 31, 2007 and 2006:

	<i>Total Assets</i>		<i>Total Liabilities</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
AR Preservation L.P.	\$ 17,400,715	\$ 18,425,797	\$ 6,578,761	\$ 7,606,805
AM Preservation L.P.	11,898,671	12,574,652	9,484,207	9,933,015
MM Preservation L.P.	11,263,776	11,848,334	8,483,283	8,827,173
Mid-Market Development Joint Venture	7,113,322	7,013,390	132,015	28,101
Klimm Apartments, L.P.	7,652,502	8,035,766	5,595,739	6,114,382
CHP Eddy LLC	137,765	1,078,904	10,285	7,600
1166 Howard Street Commercial, LLC	1,909,646	1,815,008	1,811,623	1,842,112
Polk Senior Housing LLC	25,000	25,000	-	-
Mason Street Housing LLC	560,086	-	857	-
CHP Arendt LLC	620,400	-	-	-
1036 Mission Associates, L.P.	5,926,868	70,484	5,863,758	70,484
220 Golden Gate Associates, L.P.	13,850,645	-	13,847,872	-
Eddy and Taylor Associates, L.P.	565,860	-	565,860	-
	<u>\$ 78,925,256</u>	<u>\$ 60,887,335</u>	<u>\$ 52,374,260</u>	<u>\$ 34,429,672</u>

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	<i>Equity (Deficit)</i>			
	<i>TNDC</i>		<i>Others</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
AR Preservation L.P.	\$ 418,355	\$ 418,358	\$ 10,403,599	\$ 10,400,634
AM Preservation L.P.	(315,192)	(315,002)	2,729,656	2,956,639
MM Preservation L.P.	261,904	262,104	2,518,589	2,759,057
Mid-Market Development Joint Venture	3,490,654	3,492,645	3,490,653	3,492,644
Klimm Apartments, L.P.	116,028	116,066	1,940,735	1,805,318
CHP Eddy LLC	63,738	535,652	63,742	535,652
1166 Howard Street Commercial, LLC	49,012	(13,552)	49,011	(13,552)
Polk Senior Housing LLC	12,500	12,500	12,500	12,500
Mason Street Housing LLC	(889)	-	560,118	-
CHP Arendt LLC	310,200	-	310,200	-
1036 Mission Associates, L.P.	6	-	-	-
220 Golden Gate Associates, L.P.	-	-	2,773	-
Eddy and Taylor Associates, L.P.	-	-	-	-
	<u>\$ 4,406,316</u>	<u>\$ 4,508,771</u>	<u>\$ 22,144,680</u>	<u>\$ 21,948,892</u>

Investment income (loss) from other companies at December 31, 2007 and 2006 was \$(102,455) and \$2,434,317, respectively.

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2007	2006
Land	\$ 12,437,194	\$ 8,708,623
Buildings and improvements	27,132,259	23,313,799
Furniture, fixtures and equipment	799,109	799,110
Offsite Improvements	9,550	-
Leasehold improvements	327,222	327,222
	<u>40,705,334</u>	<u>33,148,754</u>
Less: accumulated depreciation	(11,397,421)	(10,470,308)
Total property and equipment	<u>\$ 29,307,913</u>	<u>\$ 22,678,446</u>

NOTE 10 – LINE OF CREDIT

TNDC had a \$1,500,000 revolving line of credit with Bank of America, of which \$139,359 and \$990,264 was outstanding at December 31, 2007 and 2006, respectively. Bank advances on the credit line are required to be used for working capital and predevelopment costs only. Interest on the credit line is payable monthly and carries an interest rate at the bank's prime rate. The credit line is secured by the assets of TNDC and matures in March 2009.

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NOTE 11 – NOTES PAYABLE

Notes payable are secured by the property and are under simple interest rates unless otherwise noted:

<i>Lender</i>	<i>Total Commitment</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Payment Terms</i>	<i>Principal Balance</i>	
					<i>2007</i>	<i>2006</i>
<u>Amortizing Loans</u>						
<u>Citibank:</u>						
Pierce Street Apartments	\$ 185,620	October 2013	6.87% ⁽⁴⁾	\$596/month	\$ 33,461	\$ 37,983
Yosemite Apartments	205,000	September 2014	7.55% ⁽⁴⁾	\$1,658/month	101,502	113,403
Total amortizing loans					134,963	151,386
<u>Deferred Loans</u>						
<u>City and County of San Francisco</u>						
Yosemite Apartments	479,501	December 2005	6%	-0- ⁽²⁾	479,501	479,501
Yosemite Apartments	85,937	July 1999	6%	-0- ⁽²⁾	85,937	85,937
Sierra Madre Apartments	3,169,849	November 2049	0% ⁽⁵⁾⁽⁷⁾	-0- ⁽¹⁾	3,161,649	3,157,368
Civic Center Residence	1,245,607	November 2070	0% ⁽⁵⁾	-0- ⁽¹⁾	1,245,607	1,245,607
Civic Center Residence	268,690	June 1996	6%	-0- ⁽²⁾	268,690	268,690
Civic Center Residence	125,000	November 2043	6%	-0- ⁽¹⁾	125,000	125,000
Civic Center Residence	100,000	March 1994	3%	-0- ⁽²⁾	100,000	100,000
Aarti Hotel	638,256	December 2069	0% ⁽⁵⁾	-0- ⁽¹⁾	638,256	638,256
Aarti Hotel	205,000	January 2002	6%	-0- ⁽²⁾	205,000	205,000
Klimm Apartments	1,498,638	February 2059	3% ⁽⁶⁾	-0- ⁽⁷⁾	500,000	500,000
Pierce Apartments	728,274	March 2056	3% ⁽⁶⁾	-0- ⁽¹⁾	728,274	728,274
Franciscan Towers	2,982,448	February 2072	0% ⁽⁵⁾	-0- ⁽¹⁾	2,891,141	2,891,141
Franciscan Towers	1,500,000	December 2042	6% ⁽⁶⁾	-0- ⁽¹⁾	1,343,813	1,343,813
Franciscan Towers	1,060,333	October 2017	0% ⁽⁵⁾	-0- ⁽¹⁾	1,060,333	1,060,333
Franciscan Towers	883,339	February 1999	6%	-0- ⁽²⁾	883,339	883,339
Haight Street Apartments	602,785	November 1998	6%	-0- ⁽²⁾	602,785	602,785
Haight Street Apartments	228,750	June 2018	0% ⁽⁵⁾	-0- ⁽¹⁾	225,000	225,000
Howard Street Apartments	1,006,534	January 2054	0% ⁽⁵⁾	-0- ⁽¹⁾	790,803	790,803
Cameo Apartments	2,107,108	September 2071	0% ⁽⁵⁾	-0- ⁽¹⁾	2,009,425	2,009,425
Ellis Street Apartments	600,000	June 2055	2%	-0- ⁽¹⁾	600,000	600,000
Plaza and Ramona Apartments	605,100	December 2069	0% ⁽⁵⁾	-0- ⁽¹⁾	605,000	605,000
Ambassador Hotel	3,583,251	March 2049	3%	-0- ⁽¹⁾	2,508,186	2,508,186
Ambassador Hotel	2,000,000	March 2049	5.67%	-0- ⁽¹⁾	2,000,000	2,000,000
Turk and Eddy Apartments	7,064,831	January 2062	3%	-0- ⁽¹⁾	5,114,667	-
					28,172,406	23,053,458
<u>California Department of Housing and Community Development:</u>						
Civic Center Residence	1,280,875	November 2043	3% ⁽⁶⁾	-0- ⁽¹⁾	1,280,875	1,280,875
Aarti Hotel	630,100	November 2044	3% ⁽⁶⁾	-0- ⁽¹⁾	630,100	630,100
					1,910,975	1,910,975
Total deferred loans					30,083,381	24,964,433

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<i>Lender</i>	<i>Total Commitment</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Payment Terms</i>	<i>Principal Balance</i>	
					<i>2007</i>	<i>2006</i>
<u>Demand Notes Payable To Commonly - Controlled Nonprofit Corporations</u>						
Ellis Street, Inc.	50,000	December 2018	0%	-0- ⁽³⁾	50,000	50,000
McAllister Street, Inc.	170,000	December 2054	6.55% ⁽⁴⁾	-0- ⁽³⁾	170,000	170,000
Eddy Street, Inc.	20,000	December 2035	0%	-0- ⁽³⁾	20,000	20,000
Ellis Street, Inc.	50,000	December 2016	0%	-0- ⁽³⁾	50,000	50,000
Turk Street, Inc.	100,000	December 2035	0%	-0- ⁽³⁾	100,000	100,000
					<u>390,000</u>	<u>390,000</u>
<u>Demand Notes Payable to Dual - Member LLCs</u>						
Polk Senior Housing LLC	12,500	December 2061	0%	-0- ⁽³⁾	12,500	12,500
CHP Eddy LLC	25,000	August 2055	0%	-0- ⁽³⁾	25,000	25,000
					<u>37,500</u>	<u>37,500</u>
Total demand notes					<u>427,500</u>	<u>427,500</u>
<u>Other Notes Payable</u>						
<u>Wells Fargo Bank Equity Equivalent Investments (EQ2):</u>						
Working Capital	300,000	September 2009	2%	-0- ⁽¹⁾	300,000	300,000
1036 Mission Project Working Capital	1,000,000	July 2012	2% ⁽⁹⁾	\$5,000/quarter	1,000,000	-
					<u>1,300,000</u>	<u>300,000</u>
<u>California Housing Finance Agency:</u>						
Turk and Eddy Apartments	\$ 2,400,000	January 2009	4.50% ⁽⁸⁾	\$9,000/month	2,400,000	-
<u>Enterprise Community Loan:</u>						
Civic Center Residence	1,250,000	December 2008	7%	-0- ⁽¹⁾	746,503	-
Total other notes					<u>4,446,503</u>	<u>300,000</u>
Grand total					<u>\$ 35,092,347</u>	<u>\$ 25,843,319</u>

⁽¹⁾ Principal and interest are deferred until maturity date.

⁽²⁾ The City and County of San Francisco had given its informal approval for the extension of these notes and is currently in the process of extending the maturity dates. Pending the loan extensions, TNDC continues to accrue interest on these notes in compliance with the City's policy.

⁽³⁾ Principal and interest are unsecured.

⁽⁴⁾ Compounded interest rate.

⁽⁵⁾ Interest is only due upon violation of loan terms, accordingly, no interest expense is accrued.

⁽⁶⁾ Interest is due annually to the extent of surplus cash generated from the project.

⁽⁷⁾ Principal is due annually to the extent of surplus cash generated from the project.

⁽⁸⁾ Interest is due monthly.

⁽⁹⁾ Interest is due quarterly.

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Interest expense incurred on notes for which payments are expected to be deferred totaled \$857,240 and \$548,602 in 2007 and 2006, respectively. Mortgage and other interest expense was \$123,254 and \$15,360 in 2007 and 2006, respectively. Management anticipates that city and state loans will be extended or refinanced as each loan matures. Interest payable for all notes was \$7,675,239 and \$6,816,499 at December 31, 2007 and 2006, respectively. Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

2008	\$ 764,369
2009	319,218
2010	20,672
2011	22,236
2012	23,919

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

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

	<i>December 31,</i> <i>2006</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2007</i>
Housing development activities	\$ 125,000	\$ 75,000	\$ 200,000	\$ -
Tenant services	787,731	567,813	372,350	983,194
Time-restricted net assets	221,000	150,000	180,000	191,000
Administration – salaries	30,000	-	30,000	-
	<u>\$ 1,163,731</u>	<u>\$ 792,813</u>	<u>\$ 782,350</u>	<u>\$ 1,174,194</u>

	<i>December 31,</i> <i>2005</i>	<i>Contributions</i>	<i>Releases from</i> <i>Restrictions</i>	<i>December 31,</i> <i>2006</i>
Housing development activities	\$ 141,000	\$ 125,000	\$ 141,000	\$ 125,000
Tenant services	895,638	296,526	404,433	787,731
Time-restricted net assets	-	221,000	-	221,000
Administration – salaries	-	30,000	-	30,000
	<u>\$ 1,036,638</u>	<u>\$ 672,526</u>	<u>\$ 545,433</u>	<u>\$ 1,163,731</u>

NOTE 13 – EQUITY TRANSFERS FOR DEMAND NOTES

TNDC entered into promissory demand note agreements in 2003, 2004 and 2006 with Eddy Street, Inc., Ellis Street, Inc. and Turk Street, Inc., which are commonly-controlled nonprofit corporations. The demand notes, as detailed in Note 11 are unsecured and non-interest bearing. TNDC's unrestricted net assets were reduced by the addition to the face amount of the notes which totaled to \$390,000.

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NOTE 14 – OPERATING LEASES

TNDC leases equipment under several operating lease agreements ranging from 1 to 5 years. The following represents the future minimum lease payments:

2008	\$	28,074
2009		15,330
2010		14,656
2011		3,198
		3,198
	\$	61,258

TNDC entered into a lease agreement for office space in January 2004 for a term of 55 years with Curran House, L.P., a related entity. The lease term commenced in 2005. Lease payments for the first 15 years are based on a table and rent amount is conditional upon whether or not Curran House, L.P. has a Section 8 rental assistance contract. Lease payments are \$4,512 per month for years 16 through 30 and \$1 per month for the rest of the lease term. Curran House, L.P. entered into a Section 8 contract for a term of 10 years. The future lease obligations, subject to factors identified in the lease agreement, are as follows:

2008	\$	45,012
2009		45,012
2010		45,012
2011		45,012
2012		45,012
Thereafter		1,431,972
		1,431,972
	\$	1,657,032

Total equipment and office rent expenses for the years ended December 31, 2007 and 2006 is \$83,923 and \$94,064, respectively.

NOTE 15 – RETIREMENT PLAN

TNDC established a 403(b) retirement plan effective March 1, 2003 covering employees after one year of service, as defined in the plan. Employees are not required to contribute to the plan and are immediately vested for their own savings accounts, and fully vested in employer contributions after three years. The plan requires employer matching contributions of up to a maximum of 2% of salary. The employer contribution to the plan is determined on an annual basis and was \$34,105 and \$33,159 for the years ended December 31, 2007 and 2006, respectively.

NOTE 16 – CONTRIBUTION TO AFFILIATE

TNDC established the TNDC Supporting Fund, a 509(a)(3) corporation (the Fund) in December 2006 and contributed \$6,801,672 to the Fund during 2006. Those funds are the net distribution of proceeds from the sale of the 10th and Market parcel described in footnote (1) of Note 8 together with earnings from the partial year investment of these funds and have been designated by the board of directors for long-term investment.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 17 – COMMITMENTS AND CONTINGENCIES

TNDC has provided loan and operating deficit guarantees as well as indemnifications with regard to tax benefits projected for its various affiliates and projects. TNDC will be responsible for repaying a loan if, when the loan becomes due, the respective affiliate or project does not make payment on the loan. TNDC will cover operating deficits as needed up to stated limits which vary by project. TNDC does not require any collateral or other security from its affiliates and projects related to these guarantees. Estimation of the amount of such guarantees is now required by FIN 45, *Guarantor's Accounting and Disclosure Requirements*. A reasonable estimate of the outstanding loan, construction completion guarantees, and operating deficit guarantees at December 31, 2007 amounted to approximately \$8,500,000. In addition, TNDC has guaranteed an aggregate amount of approximately \$61,000,000 to the investor limited partners for tax credits and other deductions for various affiliated limited partnerships as of December 2007. Management believes that the likelihood of funding a material amount of any of the guarantees is remote.

In connection with the development of affordable housing projects, which are owned by limited partnerships, TNDC has acquired the options to purchase the projects at the close of the projects' 15-year compliance periods.

SUPPLEMENTARY INFORMATION

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
SCHEDULE OF NET OPERATING CASH FLOWS – BUILDING AND GENERAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	<i>Yosemite Apartments</i>	<i>Sierra Madre</i>	<i>Civic Center Residence</i>	<i>AARTI Hotel</i>	<i>Pierce Street</i>	<i>Franciscan Towers</i>	<i>Haight Street</i>	<i>Howard Street</i>	<i>Cameo</i>	<i>Turk Eddy</i>	<i>Subtotal</i>
Revenue:											
Residential rental income, net	\$ 242,938	\$ 340,607	\$ 988,401	\$ 157,363	\$ 83,900	\$ 840,784	\$ 126,094	\$ 109,624	\$ 238,753	\$ 1,011,821	\$ 4,140,285
Commercial rental income	14,962	-	-	51,146	-	-	-	66,917	-	-	133,025
Contribution and special events income	-	-	-	-	-	-	-	-	-	-	-
Program service fees	-	-	277,411	-	-	49,511	-	-	-	-	326,922
Developer fees	-	-	-	-	-	-	-	-	-	-	-
Property management, asset management and other fees	-	-	-	-	-	-	-	-	-	-	-
Ground lease	-	-	-	-	-	-	-	-	-	-	-
Loss from investment in other companies	-	-	-	-	-	-	-	-	-	-	-
Interest and investment income	2,543	5,335	1,311	5,597	800	8,017	1,384	1,257	962	18,263	45,469
Other income	3,052	10,515	12,824	1,252	145	6,064	3,502	155	2,776	5,622	45,907
Total revenue	263,495	356,457	1,279,947	215,358	84,845	904,376	130,980	177,953	242,491	1,035,706	4,691,608
Expenses:											
Payroll costs	110,019	114,923	633,390	138,008	26,756	457,317	33,336	25,919	79,788	139,840	1,759,296
Administrative costs	15,190	18,715	72,532	9,901	3,061	56,500	9,740	17,532	17,532	35,513	245,394
Utilities	45,066	62,282	152,778	15,520	6,967	108,119	15,158	5,468	22,881	81,931	516,170
Security	-	2,412	(20)	-	-	-	-	-	-	50,064	52,456
Repairs and maintenance	31,028	47,605	153,123	94,634	15,464	97,916	26,838	10,850	29,768	91,321	598,547
Program expenses	1,406	1,569	12,715	12	381	11,626	701	615	1,767	5,928	36,720
Taxes and insurance	25,448	33,204	73,810	16,648	6,182	72,519	12,717	21,289	18,808	74,151	354,776
Interest expense	104,070	-	81,242	31,203	23,749	133,629	89,226	-	-	245,289	708,408
Contribution to affiliates	-	-	-	-	-	-	-	-	-	-	-
Depreciation	40,773	114,076	143,085	66,471	20,698	230,096	28,819	45,443	75,071	87,569	852,101
Total expenses	373,000	394,786	1,322,655	372,397	103,258	1,167,722	216,535	116,294	245,615	811,606	5,123,868
Change in net assets	(109,505)	(38,329)	(42,708)	(157,039)	(18,413)	(263,346)	(85,555)	61,659	(3,124)	224,100	(432,260)
Adjustments for noncash items and management fees:											
TNDC Office - commercial expenses	-	-	-	-	-	68,104	-	-	-	-	68,104
Internal recovery for development-related vacancy	6,085	34,018	1,123	-	-	46,267	-	-	10,522	-	98,015
Management fees	(28,323)	(39,969)	(184,662)	(14,240)	(6,995)	(96,399)	(10,492)	(10,492)	(27,546)	(76,153)	(495,271)
Contribution payable to affiliates	-	-	-	-	-	-	-	-	-	-	-
Loss from investment in other companies	-	-	-	-	-	-	-	-	-	-	-
Deferred interest	96,984	-	81,241	31,202	21,850	133,629	89,226	-	-	144,489	598,621
Depreciation	40,773	114,076	143,085	66,471	20,698	230,096	28,819	45,443	75,071	87,569	852,101
Total adjustments	115,519	108,125	40,787	83,433	35,553	381,697	107,553	34,951	58,047	155,905	1,121,570
ADJUSTED CHANGES IN NET ASSETS	6,014	69,796	(1,921)	(73,606)	17,140	118,351	21,998	96,610	54,923	380,005	689,310
Less:											
Funding of operating reserve	-	-	-	-	-	-	-	(8,759)	-	-	(8,759)
Funding of replacement reserve	-	(42,344)	-	-	(8,000)	-	(8,519)	(16,573)	(27,167)	-	(102,603)
Income earned on reserve accounts	(2,543)	(5,335)	(1,311)	(5,597)	(800)	(8,017)	(1,384)	(1,257)	(962)	(15,716)	(42,922)
Furniture, fixtures and equipment additions, and building improvements	-	(15,630)	-	(14,450)	-	-	-	-	-	-	(30,080)
Release from replacement reserves	-	-	4,527	14,450	3,902	-	-	-	-	-	22,879
Release from operating reserves	-	-	180	-	-	-	-	-	-	-	180
Debt service payments (principal only)	(11,902)	-	-	-	(4,522)	-	-	-	-	-	(16,424)
Total reserves and debt service payments	(14,445)	(63,309)	3,396	(5,597)	(9,420)	(8,017)	(9,903)	(26,589)	(28,129)	(15,716)	(177,729)
NET OPERATING CASH FLOW	\$ (8,431)	\$ 6,487	\$ 1,475	\$ (79,203)	\$ 7,720	\$ 110,334	\$ 12,095	\$ 70,021	\$ 26,794	\$ 364,289	\$ 511,581

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
SCHEDULE OF NET OPERATING CASH FLOWS – BUILDING AND
GENERAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	<i>TNDC Shared Social Services</i>	<i>Ambassador Commerical and Social Services</i>	<i>Total Building Fund (Includes subtotal from previous page)</i>	<i>General Fund</i>	<i>Total</i>
Revenue:					
Residential rental income, net	\$ -	\$ -	\$ 4,140,285	\$ -	\$ 4,140,285
Commercial rental income	-	88,904	221,929	14,544	236,473
Contribution and special events income	-	-	-	1,725,383	1,725,383
Program service fees	29,626	-	356,548	389,167	745,715
Developer fees	-	-	-	549,254	549,254
Property management, asset management and other fees	-	-	-	1,525,244	1,525,244
Ground lease	-	-	-	307,446	307,446
Loss from investment in other companies	-	-	-	(102,455)	(102,455)
Interest and investment income	136	2,690	48,295	238,920	287,215
Other income	-	138,579	184,486	39,946	224,432
Total revenue	29,762	230,173	4,951,543	4,687,449	9,638,992
Expenses:					
Payroll costs	17,565	92,551	1,869,412	3,708,636	5,578,048
Administrative costs	1,530	21,987	268,911	829,969	1,098,880
Utilities	-	219	516,389	28,326	544,715
Security	-	-	52,456	3,629	56,085
Repairs and maintenance	13	1,634	600,194	23,287	623,481
Program expenses	7,494	16,730	60,944	165,279	226,223
Taxes and insurance	-	35,593	390,369	39,874	430,243
Interest expense	-	-	708,408	272,086	980,494
Contribution to affiliates	-	-	-	481,101	481,101
Depreciation	-	-	852,101	75,012	927,113
Total expenses	26,602	168,714	5,319,184	5,627,199	10,946,383
Change in net assets	3,160	61,459	(367,641)	(939,750)	(1,307,391)
Adjustments for noncash items and management fees:					
TNDC Office - commercial expenses	-	-	68,104	(68,104)	-
Internal recovery for development-related vacancy	-	-	98,015	(98,015)	-
Management fees	-	-	(495,271)	495,271	-
Contribution payable to affiliates	-	-	-	481,101	481,101
Loss from investment in other companies	-	-	-	102,455	102,455
Deferred interest	-	-	598,621	258,619	857,240
Depreciation	-	-	852,101	75,012	927,113
Total adjustments	-	-	1,121,570	1,246,339	2,367,909
ADJUSTED CHANGES IN NET ASSETS	3,160	61,459	753,929	306,589	1,060,518
Less:					
Funding of operating reserve	-	-	(8,759)	-	(8,759)
Funding of replacement reserve	-	-	(102,603)	-	(102,603)
Income earned on reserve accounts	-	(2,394)	(45,316)	(195,531)	(240,847)
Furniture, fixtures and equipment additions, and building improvements	-	-	(30,080)	(8,000)	(38,080)
Release from replacement reserve	-	-	22,879	-	22,879
Release from operating reserve	-	-	180	-	180
Debt service payments (principal only)	-	-	(16,424)	-	(16,424)
Total reserves and debt service payments	-	(2,394)	(180,123)	(203,531)	(383,654)
NET OPERATING CASH FLOW	\$ 3,160	\$ 59,065	\$ 573,806	\$ 103,058	\$ 676,864

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
SCHEDULE OF FINANCIAL POSITION – BUILDING AND
GENERAL FUNDS
DECEMBER 31, 2007

ASSETS

	<i>Building Fund</i>	<i>General Fund</i>	<i>Total</i>
Unrestricted cash and cash equivalents	\$ 723,065	\$ 2,199,863	\$ 2,922,928
Receivables:			
Rent	55,841	-	55,841
Contributions	-	329,102	329,102
Contracts	20,094	202,645	222,739
Others	63,651	3,309	66,960
Related parties	45,279	5,115,088	5,160,367
Prepaid expenses	256,537	25,291	281,828
Restricted cash	1,408,810	1,536,159	2,944,969
Restricted deposits	848,023	3,001	851,024
Restricted investments	449,508	864,276	1,313,784
Development in progress	1,542,447	45,613	1,588,060
Notes receivable	645,432	152,231	797,663
Investment in other companies	-	4,406,316	4,406,316
Property and equipment – net	20,851,171	8,456,742	29,307,913
	<u>\$ 26,909,858</u>	<u>\$ 23,339,636</u>	<u>\$ 50,249,494</u>

LIABILITIES AND NET ASSETS

Liabilities:			
Accounts payable and accrued expenses	\$ 377,714	\$ 514,643	\$ 892,357
Development costs payable	494,483	-	494,483
Related-party payable	25,376	2,725	28,101
Deferred revenue	13,082	184,515	197,597
Tenant security deposits	196,912	3,000	199,912
Line of credit	-	139,359	139,359
Contribution payable to affiliates	-	481,101	481,101
Interest payable	5,736,674	1,938,565	7,675,239
Notes payable:			
Amortizing	134,963	-	134,963
Deferred	24,325,895	5,757,486	30,083,381
Demand	-	427,500	427,500
Other notes payable	3,146,503	1,300,000	4,446,503
	<u>34,451,602</u>	<u>10,748,894</u>	<u>45,200,496</u>
Net assets:			
Unrestricted	(7,541,744)	11,416,548	3,874,804
Temporarily restricted	-	1,174,194	1,174,194
	<u>(7,541,744)</u>	<u>12,590,742</u>	<u>5,048,998</u>
Total liabilities and net assets	<u>\$ 26,909,858</u>	<u>\$ 23,339,636</u>	<u>\$ 50,249,494</u>

CALIFORNIA HOUSING REHABILITATION PROGRAM – RENTAL

Aarti Hotel

**Actual Cash Flow Analysis
Year Ended December 31, 2007**

Project No.: 90-CHRP-R-075

ANNUAL REPORT

Actual Cash Flow Analysis

California Housing Rehabilitation Program-Rental

Project Name: Aarti Hotel
Contract Number: 90-CHRP-R-075
Budget Period: 12/31/2007

Maximum Distribution:

Description of Account	Account Number	Assisted	Non-Assisted	Total
Rent Revenue - 5100				
Rent Revenue - Gross Potential	5120&25	157,363	-	157,363
Tenant Assistance Payments	5121	-	-	-
Furniture and Equipment	5130	-	-	-
Rent Revenue - Stores and Commercial	5140	-	51,146	51,146
Garage and Parking Spaces	5170	-	-	-
Miscellaneous	5190	-	-	-
Total Potential Rent Revenue		157,363	51,146	208,509
Vacancies - 5200				
Apartments	5220	-	-	-
Stores and Commercial	5240	-	-	-
Garage and Parking Spaces	5270	-	-	-
Miscellaneous	5290	-	-	-
Total Vacancies		-	-	-
Net Rental Revenue		157,363	51,146	208,509
Supportive Services Income - 5300				
Total Supporting Services		-	-	-
Financial Revenue - 5400				
Financial Revenue - Project Operations	5410	4	-	4
Interest Income - Security Deposit	5415	4	-	4
Revenue from Investments - Replacement Reserve	5440	2,860	-	2,860
Revenue from Investments - Operating Reserve	5450	2,302	-	2,302
Revenue from Investments - Debt Service Reserve	5490&5550	427	-	427
Revenue from Investments - Unrealized	5500	-	-	-
Total Financial Revenue		5,597	-	5,597
Other Revenue - 5900				
Laundry and Vending	5910	1,160	-	1,160
NSF and Late Charges	5920	-	-	-
Damage and Cleaning Fees	5930	-	-	-
Forfeited Tenant Security Deposits	5940	-	-	-
Other Revenue	5990	93	-	93
Total Other Revenue		1,253	-	1,253
Total Revenue		164,213	51,146	215,358
Operating Expenses (Form CHRP 180)				
		286,312	2,652	288,964
Replacement Reserve Expenses				
		-	-	-
Furniture, Fixture, and Equipments				
	1530 & 1540	14,450	-	14,450
Funded Reserve - 1300				
Replacement Reserve Deposit	7225	-	-	-
Revenue from Investment - Replacement Reserve	5440	2,860	-	2,860
Operating Reserve Deposit	7230	-	-	-
Release from Replacement Reserve	1023	(14,450)	-	(14,450)
Revenue from Investment - Operating Reserve	5450	2,302	-	2,302
Other Reserves	7235	435	-	435
Replacement Reserve Expenses	7228	-	-	-
Debt Service (Principal and/or Interest) - 2300				
CHRP-R Interest		-	-	-
Other		-	-	-
Other		-	-	-
Other		-	-	-
Total Expenses		291,909	2,652	294,561
Cash Flow for Distribution		(127,696)	48,493	(79,203)
Uses of Cash Flow in Priority Order				
Reapportioned Net Income		-	-	-
Residual Receipts Debt Service		-	-	-
Sponsor Distribution		-	-	-
CHRP-R Prepayments		-	-	-
Sponsor Incentive		-	-	-

CALIFORNIA HOUSING REHABILITATION PROGRAM – RENTAL

Aarti Hotel

**Report of Actual Expenses
Year Ended December 31, 2007**

Project No.: 90-CHRP-R-075

ANNUAL REPORT

Report of Actual Expenses

California Housing Rehabilitation Program - Rental

Project Name: Aarti Hotel
Contract Number: 90-CHRP-R-075
Fiscal Year: 12/31/2007

Description of Account	Account Number	Assisted	Non-Assisted	Total
Management Fee	6320&23	11,340	2,652	13,992
Administrative Expenses - 6300				
Advertising	6210	-	-	-
Miscellaneous Renting Expenses	6250	-	-	-
Office Salaries	6310	367	-	367
Office Supplies	6311	497	-	497
Office Rent	6312	-	-	-
Office Equipment	6313	-	-	-
Office Equipment Lease/Rental	6314	17	-	17
Printing	6317	-	-	-
Manager's Salary	6330	-	-	-
Manager Rent Free Unit	6331	4,000	-	4,000
Temporary Employees - Agency	6335	6,771	-	6,771
Desk Clerk Salaries (TNDC Empl)	6334	44,625	-	44,625
Employee Incentives	6336	127	-	127
Legal Expense	6340	1,375	-	1,375
Audit Expense	6350	1,535	-	1,535
Bookkeeping/Accounting Service Fees	6351	-	-	-
Tech Support & Maintenance	6352	-	-	-
Computers/Software	6353	185	-	185
Professional Fees	6355	904	-	904
Telephone and Answering Service	6360	1,271	-	1,271
Subscription & Dues	6365	66	-	66
Interest on Security Deposit	6371	-	-	-
Recruitment	6375	12	-	12
Training	6376	388	-	388
Food & Beverage	6383	-	-	-
Holiday Gifts	6385	-	-	-
Holiday Party	6386	-	-	-
Program Expense	6387	-	-	-
Bank Service Charges	6388	523	-	523
Miscellaneous Administrative Expenses	6390	-	-	-
Sponsor Overhead	6391	2,900	-	2,900
Commercial Asset Mngt	6392	-	-	-
Admin Ass't Payroll - bldg	6534	9,840	-	9,840
Total Admin Expense		75,403	-	75,403
Utilities Expense - 6400				
Fuel Oil/Coal	6420	-	-	-
Electricity	6450	5,772	-	5,772
Water	6451	7,352	-	7,352
Gas	6452	2,396	-	2,396
Utilities - Cable	6454	-	-	-
Total Utilities Expense		15,520	-	15,520
Operating & Maintenance Expenses - 6500				
Assistant Facilities Mangers Payroll	6501	1,075	-	1,075
Night Manager	6508,6338	(369)	-	(369)
Janitor and Cleaning Payroll	6510	17,671	-	17,671
Janitor and Cleaning Supplies	6515	2,179	-	2,179
Janitor and Cleaning Contract	6517	1,790	-	1,790
Exterminating Payroll/Contract	6519	40,290	-	40,290
Security Equipment	6532	-	-	-
Garbage and Trash Removal	6525	12,600	-	12,600
Security service contract	6531	-	-	-
Fire Systems	6533	779	-	779
Maintenance Payroll	6535	24,537	-	24,537
Grounds Contract	6537	-	-	-
Repairs Payroll	6540	-	-	-
Repairs Material	6541	5,756	-	5,756
Repairs Contract	6542	20,137	-	20,137
Carpet Cleaning & Replacement	6543	1,176	-	1,176
Maintenance-Work Clothes	6544	582	-	582
Heating/Cooling Repairs and Maintenance	6546	1,190	-	1,190
Plumbing Repairs	6547	-	-	-
Appliance Repair & Replacement	6548	-	-	-
Unit Furnishing	6549	-	-	-
Vehicle & Transportation	6551	236	-	236
Miscellaneous Operating and Maintenance Expenses	6560	2,343	-	2,343
Bad Debt Expenses	6570	-	-	-
Replacement Expenses	7228	5,577	-	5,577
Total O & M Expense		137,549	-	137,549
Taxes and Insurance - 6700				
Real Estate Taxes	6709&6710	2,188	-	2,188
Payroll Taxes	6711	8,607	-	8,607
Payroll Service Charge	6712	488	-	488
Miscellaneous Taxes, Licenses, and Permits	6719	-	-	-
Property and Liability Insurance	6720	14,464	-	14,464
Lodgin Tax -SDI for	6709	-	-	-
Workmen's Compensation	6722	6,232	-	6,232
Health Insurance and Other Employee Benefits	6723	14,521	-	14,521
Other Insurance	6729	-	-	-
Total Taxes & Insurance		46,500	-	46,500
Supportive Service Expenses - 6900				
Counseling	6930	-	-	-
Food	6932	-	-	-
Day Programs	6950	-	-	-
Recreation	6951	-	-	-
Total Service Expenses		-	-	-
Total Operating Expenses		286,312	2,652	288,964

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
YEAR ENDED DECEMBER 31, 2007 AND 2006

Project Name: Aarti Hotel
Project No.: 90-CHRP-R-075

Replacement Reserve Account

Restricted cash is held by Bank of America. These funds are federally insured. Details follow:

Balance, December 31, 2006	\$	123,014
Deposits		-
Interest and investment income		2,860
Withdrawals		(14,450)
Balance, December 31, 2007	\$	111,424

Operating Reserve Account

Restricted cash is held by Phoenix-Seneca Funds and Bank of America. Phoenix-Seneca Funds are uninsured. Funds held by Bank of America are federally insured. Details follow:

Balance, December 31, 2006	\$	69,324
Deposits		-
Interest and investment income		2,302
Withdrawals		-
Balance, December 31, 2007	\$	71,626

Tenant Security Deposits

Tenant security deposits are held in a separate account by Bank of America.

Debt Service

There was no debt service payments required in 2007.

Taxes

Taxes were current as of December 31, 2007. Both tax installments were paid on time and incurred no late fees. Taxes are paid when due, not impounded monthly.

Insurance

Insurance premiums were paid current as of December 31, 2007.

CALIFORNIA HOUSING REHABILITATION PROGRAM – RENTAL

**Civic Center Residence
Actual Cash Flow Analysis
Year Ended December 31, 2007**

Project No.: 91-CHRP-R-087

**ANNUAL REPORT
Actual Cash Flow Analysis
California Housing Rehabilitation Program-Rental**

Project Name: Civic Center Residence
Contract Number: 91-CHRP-R-087
Budget Period: 12/31/2007

Maximum Distribution:

Description of Account	Account Number	Assisted	Non-Assisted	Total
Rent Revenue - 5100				
Rent Revenue - Gross Potential	5120&5125	918,690	-	918,690
Tenant Assistance Payments	5121	75,141	-	75,141
DPH Revenue	5126	67,310	-	67,310
HD Relocation Rent	5128	-	-	-
Rent Revenue - Stores and Commercial	5140	-	-	-
Garage and Parking Spaces	5170	-	-	-
Miscellaneous	5190	-	-	-
Total Potential Rent Revenue		1,061,141	-	1,061,141
Vacancies - 5200				
Apartments	5220	76,216	-	76,216
3rd Party Paid vacancy Loss	5127&5225	(4,599)	-	(4,599)
Miscellaneous	5290	-	-	-
Total Vacancies		71,617	-	71,617
Net Rental Revenue		989,524	-	989,524
Supportive Services Income - 5320&5321				
Total Supportive Service Income		-	277,411	277,411
Financial Revenue - 5400				
Financial Revenue - Project Operations	5410	24	-	24
Interest Income - Security Deposit	5415	18	-	18
Revenue from Investments - Replacement Reserve	5440	26	-	26
Revenue from Investments - Operating Reserve	5450	5	-	5
Revenue from Investments - Debt Service Reserve	5490&5550	1,238	-	1,238
Revenue from Investments - Unrealized	5500	-	-	-
Total Financial Revenue		1,311	-	1,311
Other Revenue - 5900				
Laundry and Vending	5910	6,516	-	6,516
Concession-Promotion	5200	(1,433)	-	(1,433)
NSF and Late Charges	5920	633	-	633
Damage and Cleaning Fees	5930	1,935	-	1,935
Attorney's fee charge to Tenant	5925	665	-	665
Other Revenue	5990	4,508	-	4,508
Total Other Revenue		12,824	-	12,824
Total Revenue		1,003,659	277,411	1,281,070
Operating Expenses (Form CHRP 180)				
		1,273,499	9,492	1,282,991
Replacement Reserve Expenses				
		-	-	-
Furniture, Fixtures, and Equipments				
	1540	-	-	-
Funded Reserves - 1300				
Replacement Reserve Deposit	7225	-	-	-
Release from Replacement Reserve	1024	(4,527)	-	(4,527)
Revenue from Investments - Replacement Reserve	5440	26	-	26
Operating Reserve Deposit	7230	-	-	-
Release from Operating Reserve	1025	(180)	-	(180)
Revenue from Investment - Operating Reserve	5450	5	-	5
Other Reserves	7235	1,280	-	1,280
Replacement Reserve Expenses	7228	-	-	-
Debt Service (Principal and/or Interest) - 2300				
CHRP-R Interest		-	-	-
Other		-	-	-
Other		-	-	-
Other		-	-	-
Total Expenses		1,270,103	9,492	1,279,595
Net Cash Flow		(266,444)	267,919	1,475
Uses of Cash Flow in Priority Order				
Reapportioned Net Income		-	-	-
Residual Receipts Debt Service		-	-	-
Sponsor Distribution		-	-	-
CHRP-R Prepayments		-	-	-
Sponsor Incentive		-	-	-

CALIFORNIA HOUSING REHABILITATION PROGRAM – RENTAL

**Civic Center Residence
Report of Actual Expenses
Year Ended December 31, 2007**

Project No.: 91-CHRP-R-087

**ANNUAL REPORT
Report of Actual Expenses
California Housing Rehabilitation Program - Rental**

Project Name: Civic Center Residence
Contract Number: 91-CHRP-R087
Fiscal Year: 12/31/2007

Description of Account	Account Number	Assisted	Non-Assisted	Total
Management Fee	6320&6351	138,802	-	138,802
Administrative Expenses - 6300				
Advertising	6210	55	-	55
Miscellaneous Renting Expenses	6250&60	1,706	-	1,706
Office Salaries	6310	1,869	-	1,869
Office Supplies	6311	2,428	-	2,428
Office Equipment Lease	6313&14	2,308	-	2,308
Postage	6316	27	-	27
Printing	6317	187	-	187
Manager's Salary	6330	52,484	-	52,484
Manager Rent Free Unit	6331	17,724	-	17,724
Assistant Manager's Salary	6332	35,514	-	35,514
Desk Clerk Salaries (TNDC Empl.)	6334	85,743	-	85,743
Temporary Employee - Agency	6335	512	-	512
Employee Incentives	6336	451	-	451
Rent Allowance-Included in Payroll Exp.	6338	(9,422)	-	(9,422)
Legal Expense	6340&45	24,149	-	24,149
Audit Expense	6350	7,190	-	7,190
Bookkeeping/Accounting Services	6351	19,584	-	19,584
Tech Support & Maintenance	6352	625	-	625
Computer Software	6353	2,250	-	2,250
Professional Fees	6355	703	-	703
Telephone and Answering Service	6360	7,635	-	7,635
Subscription & Dues	6365	279	-	279
Public Relations	6366	-	-	-
Interest on Security Deposit	6371	-	-	-
Recruitment	6375	678	-	678
Training	6376	3,089	-	3,089
Food & Beverage	6383	905	-	905
Holiday Gifts	6385	2,250	-	2,250
Program Expense	6387	7,477	-	7,477
Bank Service Charges	6388	435	-	435
Miscellaneous Administrative Expenses	6390	358	-	358
Asset Management Fee	6391	3,478	-	3,478
Admin. Assistant Payroll	6534	33,522	-	33,522
Total Admin Expense		306,193	-	306,193
Utilities Expense - 6400				
Electricity	6450	33,574	-	33,574
Water	6451	66,311	-	66,311
Gas	6452	52,045	-	52,045
Utilities-Cable	6454	848	-	848
Total Utilities Expense		152,778	-	152,778
Operating & Maintenance Expenses - 6500				
Assistant Facilities Manager Payroll	6501	6,196	-	6,196
Leasing Manager Payroll	6502	6,419	-	6,419
Night Manager	6508	31,407	-	31,407
Janitor and Cleaning Payroll	6510	81,402	-	81,402
Janitor and Cleaning Supplies	6515	19,229	-	19,229
Janitor and Cleaning Contract	6517	2,025	-	2,025
Exterminating Payroll/Contract	6519	28,154	-	28,154
Garbage and Trash Removal	6525	44,132	-	44,132
Security Payroll/Contract	6531	(38)	-	(38)
Security Equipment	6532	18	-	18
Fire Systems	6533	3,873	-	3,873
Maintenance Payroll	6535	79,035	-	79,035
Repairs Material	6541	13,544	-	13,544
Repairs Contract	6542&47	8,585	-	8,585
Carpet Cleaning & Replacement	6543	4,090	-	4,090
Maintenance-Work Clothes	6544	4,390	-	4,390
Elevator Maintenance/Contract	6545	5,270	-	5,270
Heating/Cooling Repairs and Maintenance	6546	8,070	-	8,070
Appliance Repair & Replacement	6548	930	-	930
Unit Furnishing	6549	5,549	-	5,549
Vehicle and Transportation	6551	384	-	384
Misc. Oper & Mainte. Expenses	6560	372	-	372
Bad Debt Expenses	6570	12,360	-	12,360
Tenant Misc write off	6571	-	-	-
Replacement Expenses	7228	4,528	-	4,528
Total O & M Expense		369,924	-	369,924
Taxes and Insurance - 6700				
Lodgin Tax-SDI	6709	67	-	67
Real Estate Taxes	6710	3,552	-	3,552
Payroll Taxes	6711	36,217	-	36,217
Payroll Service Charge	6712	2,480	-	2,480
Miscellaneous Taxes, Licenses, and Permit	6719	600	-	600
Property and Liability Insurance	6720	69,658	-	69,658
Workmen's Compensation	6722	28,128	-	28,128
Health Insurance and Other Employee Ben	6723	53,554	-	53,554
403 B Plan	6724	2,388	-	2,388
Other Insurance	6729	-	-	-
Total Taxes & Insurance		196,644	-	196,644
Supportive Service Expenses - 6900				
Program Expenses & Counseling	6901-30	109,158	9,492	118,650
Food	6932	-	-	-
Day Programs	6950	-	-	-
Recreation	6951	-	-	-
Total Service Expenses		109,158	9,492	118,650
Total Operating Expenses		1,273,499	9,492	1,282,991

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION REQUIRED BY THE
CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
YEAR ENDED DECEMBER 31, 2007

Project Name: Civic Center Residence
Project No.: 91-CHRP-R-087

Replacement Reserve Account

Restricted cash is held by Bank of America. Funds held by Bank of America are federally insured. Details follow:

Balance, December 31, 2006	\$ 10,400
Deposits	-
Interest and investment income	26
Withdrawals	(4,527)
Balance, December 31, 2007	\$ 5,899

Operating Reserve Account

Restricted cash is held by Bank of America. Funds held by Bank of America are federally insured. Details follow:

Balance, December 31, 2006	\$ 1,626
Deposits	-
Interest and investment income	5
Withdrawals	-
Bank charge	(180)
Balance, December 31, 2007	\$ 1,451

Tenant Security Deposits

Tenant security deposits are held by Bank of America.

Debt Service

There was no debt service payments required in 2007.

Taxes

Taxes were current as of December 31, 2007. Both tax installments were paid on time and incurred no late fees. Taxes are paid when due, not impounded monthly.

Insurance

Insurance premiums were paid current as of December 31, 2007.

TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION
AND SUBSIDIARIES
SCHEDULE OF PROPERTIES DEVELOPED
YEAR ENDED DECEMBER 31, 2007

Operating Projects	Units Project Owner	Notes
Cameo Apartments	31 TNDC	
Civic Center Residence	204 TNDC	
Franciscan Towers	105 TNDC	
Haight Street Apartments	12 TNDC	
Howard Street	12 TNDC	
Pierce Street Apartments	8 TNDC	
Sierra Madre Apartments	47 TNDC	
Yosemite Apartments	32 TNDC	
249 Eddy	55 TNDC	
161 Turk	27 TNDC	
Aarti Hotel	40 TNDC	Master leased to Conard House commencing November 2007
Klimm Apartments	42 Klimm Apartments LP (limited partnership)	TNDC is sole member of General Partner LLC; TNDC owns land
Plaza Apartments	29 McAllister Street Associates (limited partnership)	TNDC affiliate corporation is General Partner; TNDC owns land
Ramona Apartments	34 McAllister Street Associates (limited partnership)	TNDC affiliate corporation is General Partner; TNDC owns land
864 Ellis Street	25 Ellis Street Associates (limited partnership)	TNDC affiliate corporation is General Partner; TNDC owns land
Ritz Hotel	89 Ritz Hotel LP (limited partnership)	TNDC affiliate corporation is General Partner
Dalt Hotel	178 Dalt Hotel LP (limited partnership)	TNDC affiliate corporation is General Partner
Ambassador Hotel	134 Ambassador SRO Associates (limited partnership)	TNDC affiliate corporation is General Partner; TNDC master leases commercial spaces and owns land
Alexander Residence	179 AR Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC; San Francisco Redevelopment Agency owns land
Antonia Manor	134 AM Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC; San Francisco Redevelopment Agency owns land
Maria Manor	119 MM Preservation LP (limited partnership)	TNDC is sole member of General Partner LLC; San Francisco Redevelopment Agency owns land
8th & Howard Streets (residential)	162 1166 Howard Street Associates LP (limited partnership)	Affiliate corporation co-controlled by TNDC and Citizens Housing Corporation is General Partner; San Francisco Redevelopment Agency owns land
8th & Howard Streets (commercial)	1166 Howard Street Commercial LLC	TNDC is co-Managing Member with affiliate of Citizens Housing Corporation
West Hotel	105 West Hotel LP (limited partnership)	TNDC affiliate corporation is General Partner; TNDC affiliate owns land
Curran House	67 Curran House Limited Partnership	TNDC affiliate corporation is General Partner; TNDC affiliate owns land
Projects Under Construction		
990 Polk	110 Polk Senior Housing Associates, LP	Affiliate corporation co-controlled by TNDC and Citizens Housing Corporation owns land; dual member LLC (TNDC & Citizens) is General Partner
650 Eddy	83 650 Eddy LP (limited partnership)	TNDC and Community Housing Partnership are co-members of LLC General Partner; TNDC to withdraw at completion
Projects Under Development		
10th & Mission	162 TNDC and Citizens Housing Corporation	50/50 Joint Venture with Citizens Housing Corporation
850 Broderick	47 Arendt House, L.P.	TNDC and Community Housing Partnership are co-members of General Partner LLC; TNDC to withdraw at completion. City and County of San Francisco owns land.
149 Mason	56 Mason Street Housing Associates, LP (limited partnership)	TNDC and Glide Economic Development Corporation are co-members of General Partner LLC; TNDC to withdraw at completion
Civic Center Residence	211 TNDC (see above under Operating Projects)	Anticipated syndication to partnership in 2008 at start of rehabilitation
249 Eddy	55 TNDC (see above under Operating Projects)	Acquired by TNDC in January 2007; anticipated syndication to partnership in 2009 at start of rehabilitation
161 Turk	27 TNDC (see above under Operating Projects)	Acquired by TNDC in January 2007; anticipated syndication to partnership in 2009 at start of rehabilitation
1036 Mission	112 1036 Mission Associates, L.P.	TNDC is sole member of General Partner LLC
Eddy & Taylor	131 Eddy and Taylor Associates, L.P.	TNDC affiliate corporation is sole member of General Partner LLC
Central YMCA	174 220 Golden Gate Associates, L.P.	TNDC and A.F. Evans were each sole member of General Partner LLCs at December 31, 2007; Evans withdrew from project April 2008
5th & Howard	134 TNDC and Citizens Housing Corporation	Property is under Citizens Housing Site Control; to be acquired fall 2008

Note: unless otherwise noted, Project Owner owns land and improvements