

, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash - and Subsidiaries	\$ 695,085	\$ 210,385
Cash - Multifamily Properties	3,402,865	2,744,649
Accounts Receivable - Rental Activities	304,640	176,531
Accounts and Notes Receivable - Other	268,382	259,043
Prepaid Expenses	700,225	599,965
Miscellaneous Current Assets	-	120,830
Total Current Assets	5,371,197	4,111,403
RESTRICTED CASH		
Mortgage Escrow Deposits	522,314	381,153
Tenant Security Deposits	490,767	407,198
Replacement Reserves	6,489,536	5,023,800
Other Reserves or Restricted Funds	4,316,925	2,656,666
Total Restricted Funds	11,819,542	8,468,817
FIXED ASSETS		
Land and Improvements	13,791,496	10,750,111
Property and Equipment	76,663,103	61,820,050
Total Fixed Assets	90,454,599	72,570,161
Less: Accumulated Depreciation	15,949,222	13,372,746
Total Fixed Assets - Net	74,505,377	59,197,415
OTHER ASSETS		
Intangible Assets	1,361,369	649,345
Miscellaneous Other Assets	306,592	211,484
Total Other Assets	1,667,961	860,829
TOTAL ASSETS	\$ 93,364,077	\$ 72,638,464

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

COMMUNITY DEVELOPMENT FINANCIAL SERVICES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

(Continued)

	2008	2007
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable - Trade: . . . and Subsidiaries	\$ 27,681	\$ 21,590
Accounts Payable - Trade: Multifamily Properties	767,068	573,198
Accounts Payable - Construction	1,096,604	1,171,961
Unearned Income	82,514	52,639
Accrued Liabilities	710,106	318,304
Accrued Property Taxes	119,069	51,723
Notes Payable - Current Portion	434,072	288,617
First Lien Mortgages Payable - Current Portion	794,373	737,102
Flexible Subsidy Note Payable - Short-Term	2,245,022	-
Other Mortgages Payable - Current Portion	435,860	429,421
Miscellaneous Current Liabilities	1,813	73,779
Total Current Liabilities	6,714,182	3,718,334
DEPOSIT LIABILITIES		
Tenant Security Deposits	399,487	347,962
LONG-TERM LIABILITIES		
Accounts Payable - Long-Term	1,151,448	-
First Lien Mortgages Payable - Less Current Portion	20,740,247	13,794,235
Flexible Subsidy Notes Payable - Less Current Portion	3,114,788	5,359,810
Other Mortgages Payable - Less Current Portion	7,649,350	5,216,961
Interest on Loans Payable - Long-Term	564,704	708,397
Notes Payable - Less Current Portion	1,590,628	870,663
Forgivable Mortgage Loans	1,104,000	1,104,000
Miscellaneous Long-Term Liabilities	93,689	181,269
Total Long-Term Liabilities	36,008,854	27,235,335
MINORITY INTEREST IN PARTNERSHIPS	17,160,842	10,437,859
UNRESTRICTED NET ASSETS	33,080,712	30,898,974
TOTAL LIABILITIES AND NET ASSETS	\$ 93,364,077	\$ 72,638,464

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

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS JUNE 30, 2008 AND 2007

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED REVENUES AND SUPPORT		
Rental Activities	\$ 16,405,149	\$ 14,203,372
Management Fees	171,360	179,945
Grant Revenue	118,443	613,239
Interest and Investment Income	270,769	227,863
Charitable Contribution	997,345	436,534
Other	130,055	105,563
Bingo - Net of operating Expenses and Prizes	175,347	248,164
Total Unrestricted Revenues and Support	<u>18,268,468</u>	<u>16,014,680</u>
EXPENSES		
Administrative - Rental Activities	3,604,855	3,101,047
Administrative - Other	947,461	816,197
Utilities	2,592,637	2,491,346
Operating and Maintenance	3,683,960	3,576,125
Taxes and Insurance	1,617,016	1,416,118
Interest and Other Financial	1,370,341	964,578
Depreciation	2,644,875	1,969,229
Amortization	37,729	32,723
Other	338,741	209,071
Total Expenses	<u>16,837,615</u>	<u>14,576,434</u>
Changes in Net Assets before Minority Interest and Income Taxes	1,430,853	1,438,246
* Minority Interest in Partnerships' (Income) Expense	794,766	(178,627)
Benefit (Provision) for Income Taxes	<u>(43,881)</u>	<u>2,558</u>
CHANGE IN NET ASSETS	2,181,738	1,262,177
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>30,898,974</u>	<u>29,636,797</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 33,080,712</u>	<u>\$ 30,898,974</u>

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

INC. AND AFFILIATES

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

SCHEDULE I

	ASSETS		Operations	Bingo	LLCs	Tax Credit Entries	Management, Inc.	Other Affiliates	Eliminating Entries	Consolidated Balances	
	2008	2007								2008	2007
ASSETS											
CURRENT ASSETS											
Cash - HCS and Subsidiaries	\$ 519,130	\$ 26,773	\$ -	\$ -	\$ -	\$ 61,950	\$ 81,843	\$ 5,389	\$ -	\$ 695,085	\$ 210,385
Cash - Multifamily Properties	-	-	521,796	-	942,052	1,939,017	-	3,402,865	-	3,402,865	2,744,649
Accounts Receivable - Rental Activities	-	-	97,412	-	38,269	105,207	-	203,986	(140,234)	304,640	176,531
Accounts and Notes Receivable - Other	139,924	50,197	-	-	56,882	-	-	48,331	(26,952)	268,382	259,043
Prepaid Expenses	-	-	139,579	-	146,568	-	-	414,078	-	700,225	599,965
Miscellaneous Current Assets	-	-	-	-	-	-	-	-	-	-	120,830
Total Current Assets	\$ 659,054	\$ 76,970	\$ 758,787	\$ -	\$ 1,245,721	\$ 1,245,721	\$ 187,050	\$ 2,610,801	\$ (167,186)	\$ 5,371,197	\$ 4,111,403
RESTRICTED CASH											
Mortgage Escrow Deposits	-	-	140,977	-	67,299	-	-	314,038	-	522,314	381,153
Tenant Security Deposits	-	-	95,966	-	65,200	-	-	329,601	-	490,767	407,198
Replacement Reserves	-	-	2,635,615	-	41,095	-	-	3,812,826	-	6,489,536	5,023,800
Other Reserves or Restricted Funds	-	-	477,453	-	3,413,000	-	-	426,472	-	4,316,925	2,656,666
Total Restricted Funds	-	-	\$ 3,350,011	\$ -	\$ 3,586,594	\$ -	\$ -	\$ 4,882,937	\$ -	\$ 11,819,542	\$ 8,468,817
FIXED ASSETS											
Land and Improvements	-	-	2,296,727	-	2,668,377	-	-	9,051,580	(225,188)	13,791,496	10,750,111
Property and Equipment	73,234	-	11,643,011	-	24,844,585	224,658	224,658	44,542,862	(4,665,247)	76,663,103	61,820,050
Total Fixed Assets	73,234	-	13,939,738	-	27,512,962	224,658	224,658	53,594,442	(4,890,435)	90,454,599	72,570,161
Less: Accumulated Depreciation	33,636	-	644,382	-	1,747,549	216,443	216,443	13,307,212	-	15,949,222	13,372,746
Total Fixed Assets - Net	\$ 39,598	\$ -	\$ 13,295,356	\$ -	\$ 25,765,413	\$ 8,215	\$ 8,215	\$ 40,287,230	\$ (4,890,435)	\$ 74,505,377	\$ 59,197,415
OTHER ASSETS											
Intangible Assets	-	-	262,996	-	791,837	8,980	8,980	297,556	-	1,361,369	649,345
Miscellaneous Other Assets	9,697,744	1,249	18,103	1,249	52,465	77,337	77,337	73,221	(9,613,527)	306,592	211,484
Total Other Assets	\$ 9,697,744	\$ 1,249	\$ 281,099	\$ 1,249	\$ 844,302	\$ 86,317	\$ 86,317	\$ 370,777	\$ (9,613,527)	\$ 1,667,961	\$ 860,829
TOTAL ASSETS	\$ 10,396,396	\$ 78,219	\$ 17,685,253	\$ 78,219	\$ 31,442,030	\$ 281,582	\$ 281,582	\$ 48,151,745	\$ (14,671,148)	\$ 93,364,077	\$ 72,638,464

INC. AND AFFILIATES

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007**

SCHEDULE 1 (Continued)

	Operations	Bingo	LLCs	Tax Credit Entities	Management, Inc.	Other Affiliates	Eliminating Entries	Consolidated Balances 2008	Consolidated Balances 2007
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts Payable - Trade: HCS and Subsidiaries	\$ 5,347	\$ 13,418	\$ -	\$ 275	\$ 8,641	\$ -	\$ -	\$ 27,681	\$ 21,590
Accounts Payable - Trade: Multifamily Properties	-	-	310,874	253,446	-	510,336	(307,588)	767,068	573,198
Accounts Payable - Construction	-	-	391,572	674,031	-	31,001	-	1,096,604	1,171,961
Unearned Income	-	-	5,169	18,388	-	58,957	-	82,514	52,639
Accrued Liabilities	29,742	-	153,079	39,751	100,819	728,480	(341,765)	710,106	318,304
Accrued Property Taxes	-	-	53,884	37,948	-	27,237	-	119,069	51,723
Notes Payable - Current Portion	-	-	173,289	434,072	-	-	-	434,072	288,617
First Lien Mortgages Payable - Current Portion	-	-	-	-	-	621,084	-	794,373	737,102
Flexible Subsidy Note Payable-Short Term	-	-	53,167	-	-	2,245,022	-	2,245,022	-
Other Mortgages Payable - Current Portion	-	-	8,055	-	-	393,790	(11,097)	435,860	429,421
Capital Recovery Payments Payable (M2M) - Current	-	-	-	-	-	23,385	(31,440)	-	-
Miscellaneous Current Liabilities	750	-	-	-	1,063	-	-	-	73,779
Total Current Liabilities	35,839	13,418	1,149,089	1,457,911	110,523	4,639,292	(691,890)	6,714,182	3,718,334
DEPOSIT LIABILITIES									
Tenant Security Deposits	-	-	82,789	55,951	-	260,747	-	399,487	347,962
LONG-TERM LIABILITIES									
Accounts Payable - Long-Term	-	-	582,003	1,062,764	-	185,502	(678,821)	1,151,448	-
First Lien Mortgages Payable - Less Current Portion	-	-	6,931,170	6,419,407	-	7,389,670	-	20,740,247	13,794,235
Other Mortgages Payable - Less Current Portion	-	-	6,105,562	2,400,698	-	3,114,788	(5,440,436)	3,114,788	5,359,810
Capital Recovery Payments Payable (M2M)	-	-	262,439	-	-	4,583,526	(390,008)	7,649,350	5,216,961
Interest on Loans Payable - Long-Term	-	-	238,033	105,314	-	519,469	(298,112)	-	-
Notes Payable - Less Current Portion	1,590,628	-	-	-	-	-	-	564,704	708,397
Forgivable Mortgage Loans	4,485,428	-	4,031	13,888	35,090	1,104,000	-	1,590,628	870,663
Miscellaneous Long-Term Liabilities	6,076,056	-	14,123,238	10,002,071	35,090	411,147	(4,855,895)	1,104,000	1,104,000
Total Long-Term Liabilities	-	-	-	-	-	17,435,671	(11,663,272)	36,008,854	27,235,335
* MINORITY INTEREST IN PARTNERSHIPS									
	-	-	-	17,160,832	-	-	10	17,160,842	10,437,859
UNRESTRICTED NET ASSETS									
	4,284,501	64,801	2,330,137	2,765,265	135,969	25,816,035	(2,315,996)	33,080,712	30,898,974
TOTAL LIABILITIES AND NET ASSETS									
	\$ 10,396,396	\$ 78,219	\$ 17,685,253	\$ 31,442,030	\$ 281,582	\$ 48,151,745	\$ (14,671,148)	\$ 93,364,077	\$ 72,638,464

INC. AND AFFILIATES

CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008 AND 2007

SCHEDULE 2

	Operations	Bingo	LLCs	Tax Credit Entities	Management, Inc.	Other Affiliates	Eliminating Entries	Consolidated Balances 2008	2007
UNRESTRICTED REVENUES AND SUPPORT									
Rental Activities	\$ 801,566	-	\$ 2,996,404	\$ 1,608,908	\$ -	\$ 11,393,193	\$ (394,922)	\$ 16,405,149	\$ 14,203,372
Management Fees	-	-	-	-	1,299,118	-	(1,127,758)	171,360	179,945
Grant Revenue	109,021	-	-	-	-	9,422	-	118,443	613,239
Interest and Investment Income	318,909	-	23,576	105,957	808	94,445	(272,926)	270,769	227,863
Charitable Contribution	997,345	-	-	-	-	-	-	997,345	436,534
Other	476	-	42,973	92,020	-	77,366	(82,780)	130,055	105,563
Bingo - Net of operating Expenses and Prizes	72,750	19,790	-	-	-	82,807	-	175,347	248,164
Total Unrestricted Revenues and Support	2,300,067	19,790	3,062,953	1,806,885	1,299,926	11,657,233	(1,878,386)	18,268,468	16,014,680
EXPENSES									
Administrative - Rental Activities	-	-	610,944	487,126	1,342,282	2,870,058	(1,705,555)	3,604,855	3,101,047
Administrative - Other	925,565	-	-	21,495	-	401	-	947,461	816,197
Utilities	-	-	259,334	277,135	-	2,056,168	-	2,592,637	2,491,346
Operating and Maintenance	-	-	642,136	341,503	-	2,700,321	-	3,683,960	3,576,125
Taxes and Insurance	3,532	-	308,749	300,926	5,667	998,142	-	1,617,016	1,416,118
Interest and Other Financial	25,198	-	591,702	373,445	-	640,439	(260,443)	1,370,341	964,578
Depreciation	12,383	-	265,407	746,139	14,942	1,606,004	-	2,644,875	1,969,229
Amortization	-	-	8,570	15,715	-	13,444	-	37,729	32,723
Other	-	-	109,875	110,340	-	201,306	(82,780)	338,741	209,071
Total Expenses	966,678	-	2,796,717	2,673,824	1,362,891	11,086,283	(2,048,778)	16,837,615	14,576,434
Changes in Net Assets before Minority Interest and Income Taxes	1,333,389	19,790	266,236	(866,939)	(62,965)	570,950	170,392	1,430,853	1,438,246
Minority Interest in Partnerships' (Income) Expense Benefit (Provision) for Income Taxes	(24,313)	-	-	794,766	-	(19,568)	-	794,766	(178,627)
CHANGE IN NET ASSETS	1,309,076	19,790	266,236	(72,173)	(62,965)	551,382	170,392	2,181,738	1,262,177
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	2,975,425	45,011	1,196,362	2,821,224	198,934	25,264,653	(1,602,635)	30,898,974	29,636,797
DIVIDENDS, DISTRIBUTIONS, CONTRIBUTIONS, TRANSFERS:	-	-	867,539	16,214	-	-	(883,753)	-	-
UNRESTRICTED NET ASSETS AT END OF YEAR	\$ 4,284,501	\$ 64,801	\$ 2,330,137	\$ 2,765,265	\$ 135,969	\$ 25,816,035	\$ (2,315,996)	\$ 33,080,712	\$ 30,898,974

* Minority Interest in Partnerships' (Income) Expense Benefit (Provision) for Income Taxes