



***PLYMOUTH HOUSING GROUP
AND SUBSIDIARIES***

Consolidated Financial Statements with
Independent Auditors' Report

December 31, 2007

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Independent Auditors' Report***Board of Trustees
Plymouth Housing Group and Subsidiaries
Seattle, Washington***Certified Public
Accountants
and Consultants

We have audited the accompanying consolidated statement of financial position of Plymouth Housing Group and Subsidiaries (collectively, the Organization) as of December 31, 2007, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated April 11, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of the Organization as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

CLARK NUBER

Certified Public
Accountants
and Consultants

Our audit was conducted for the purpose of forming an opinion on the basic 2007 consolidated financial statements, taken as a whole. The accompanying supplemental schedules on pages 21 and 22 for the year ended December 31, 2007 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. This supplemental information is the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in the audit of the basic 2007 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The supplemental information for the year ended December 31, 2006, presented on pages 23 and 24, is presented for additional analysis and is not as a required part of the basic financial statements. This supplemental information is the responsibility of the Organization's management. Such information was subjected to the auditing procedures applied in the audit of the basic 2006 consolidated financial statements and, in our report dated April 11, 2007, we expressed the opinion that the 2006 supplemental information was fairly stated in all material respects in relation to the basic 2006 consolidated financial statements taken as a whole.



Certified Public Accountants
March 28, 2008

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2007

(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,236,092	\$ 1,120,029
Cash restricted for Shelter Plus Care program	373,716	346,561
Accounts receivable, net	182,177	251,081
Grants and pledges receivable	312,387	338,880
Tenant security deposits and other current assets	<u>240,562</u>	<u>219,325</u>
Total Current Assets	2,344,934	2,275,876
Capital campaign cash and pledges receivable	699,912	2,171,894
Property and equipment held for sale	632,995	
Property and equipment, net	79,745,050	69,058,024
Board designated and restricted reserves	2,537,689	2,798,299
Deferred financing fees, net	<u>674,212</u>	<u>718,022</u>
Total Assets	<u>\$ 86,634,792</u>	<u>\$ 77,022,115</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 859,339	\$ 977,289
Advance for Shelter Plus Care program	373,348	343,543
Tenant deposits and prepaid rent	124,056	140,642
Current portion of long-term debt	<u>1,110,778</u>	<u>1,101,384</u>
Total Current Liabilities	2,467,521	2,562,858
Long-term debt, less current portion	47,903,032	38,157,845
Deferred interest on long-term debt	1,761,464	1,393,671
Forgivable long-term debt	<u>2,818,698</u>	<u>2,743,646</u>
Total Liabilities	54,950,715	44,858,020
Non-controlling interest in consolidated subsidiaries	14,818,824	16,484,972
Net Assets:		
Unrestricted:		
Undesignated	15,004,873	12,221,231
Board designated	<u>268,000</u>	<u>268,000</u>
Total unrestricted	15,272,873	12,489,231
Temporarily restricted	<u>1,592,380</u>	<u>3,189,892</u>
Total Net Assets	<u>16,865,253</u>	<u>15,679,123</u>
Total Liabilities and Net Assets	<u>\$ 86,634,792</u>	<u>\$ 77,022,115</u>

The accompanying notes are an integral part of the financial statements

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

**Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2007
(With Comparative Totals for 2006)**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total 2007</i>	<i>Total 2006</i>
Operating Activities				
Support and Revenue:				
Rental income - residential	\$ 5,404,146	\$ -	\$ 5,404,146	\$ 4,591,518
Rental income - commercial	860,474		860,474	776,231
Grants	1,934,426		1,934,426	1,180,850
Contributions	708,552		708,552	302,018
Developer fees	43,200		43,200	780,150
Investment income	48,270		48,270	158,759
Plymouth Café sales	71,518		71,518	179,828
Other	110,140		110,140	145,550
Net assets released from restrictions	110,107	(110,107)		
Total Support and Revenue	9,290,833	(110,107)	9,180,726	8,114,904
Expenses:				
Program services -				
Housing management	9,476,060		9,476,060	9,683,466
Housing development	281,610		281,610	189,251
	9,757,670		9,757,670	9,872,717
Management and general	1,025,744		1,025,744	780,608
Resource development	157,770		157,770	246,407
Plymouth Café expenses	151,493		151,493	367,593
Total Expenses	11,092,677		11,092,677	11,267,325
Change in Net Assets from Operating Activities	(1,801,844)	(110,107)	(1,911,951)	(3,152,421)
Non-operating Activities				
Capital campaign contributions and grants	207,289	1,332,483	1,539,772	1,786,731
Capital campaign expenses	(189,459)		(189,459)	(178,231)
Gain on sale of assets	11,816		11,816	301,566
Net assets released from restrictions	2,819,888	(2,819,888)		
Change in Net Assets from Non-operating Activities	2,849,534	(1,487,405)	1,362,129	1,910,066
Total Change in Net Assets before Non-controlling Interest	1,047,690	(1,597,512)	(549,822)	(1,242,355)
Non-controlling interest in net losses of subsidiaries	1,735,952		1,735,952	2,729,362
Total Change in Net Assets	2,783,642	(1,597,512)	1,186,130	1,487,007
Beginning of year net assets	12,489,231	3,189,892	15,679,123	14,192,116
End of Year Net Assets	\$ 15,272,873	\$ 1,592,380	\$ 16,865,253	\$ 15,679,123

The accompanying notes are an integral part of the financial statements

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2007
(With Comparative Totals for 2006)**

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,186,130	\$ 1,487,007
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Non-controlling interest in net losses of subsidiaries	(1,735,952)	(2,729,362)
Depreciation and amortization	2,534,812	2,476,408
Non-cash contribution for the forgiveness of debt	(8,447)	(8,447)
Contributions and grants restricted for capital campaign capital expenditures	(1,143,024)	(1,608,500)
Gain on sale of assets	(11,816)	(303,128)
Net realized and unrealized gains on investments and reserves	(13,133)	(58,778)
Changes in operating assets and liabilities:		
Shelter Plus Care related asset and liability	2,650	70,322
Accounts receivable	93,904	(5,953)
Grants and pledges receivable	26,493	(151,054)
Prepaid expenses and tenant security deposits	(21,237)	5,268
Accounts payable, accrued expenses, and interest	206,277	(378,578)
Tenant deposits and prepaid rent liability	(16,586)	2,027
Cash Provided (Used) by Operating Activities	1,100,071	(1,202,768)
Cash Flows from Investing Activities:		
Net change in board designated and restricted reserves	273,743	1,022,291
Net change in restricted debt proceeds		4,590,306
Proceeds from sale of assets	23,000	520,728
Cash set aside for capital campaign	1,836,893	(1,867,354)
Purchases of property and equipment	(13,847,207)	(9,355,225)
Cash Used by Investing Activities	(11,713,571)	(5,089,254)
Cash Flows from Financing Activities:		
Proceeds from contributions and grants restricted to capital campaign capital expenditures	778,113	2,965,153
Proceeds from long-term debt	10,852,534	3,926,899
Repayment of long-term debt	(970,888)	(7,961,992)
Payment of financing fees		(196,552)
Capital contributions from non-controlling owners	69,804	7,887,312
Cash Provided by Financing Activities	10,729,563	6,620,820
Net Change in Cash and Cash Equivalents	116,063	328,798
Cash and cash equivalents, beginning of year	1,120,029	791,231
Cash and Cash Equivalents, End of Year	\$ 1,236,092	\$ 1,120,029
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 201,136	\$ 130,868
Supplemental Disclosure of Non-Cash Investing and Financing Transactions:		
Non-cash contribution for the forgiveness of debt	\$ 8,447	\$ 8,447
Receipt of note receivable as proceeds for sale of assets	\$ 25,000	

The accompanying notes are an integral part of the financial statements

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 1 - Nature of the Organization

Plymouth Housing Group (PHG) is a Washington nonprofit organization. PHG works to eliminate homelessness and stabilize homeless and very low-income people in housing by preserving, developing and operating safe, decent, affordable housing, and by providing opportunities for homeless and very low-income people to improve their lives. PHG carries out this mission through a supportive housing services model which includes community building activities with residents, on-site social services staff, computer labs and strategic partnerships with local mental health, medical, drug and alcohol treatment programs that support residents. PHG also operates a tenant supply closet stocked with household goods for residents.

Since 1980, PHG has completed the purchase/lease and rehabilitation of twelve buildings. Four of these buildings are wholly owned by PHG (the Gatewood, Scargo, Haddon Hall and the William Tell); eight are owned by related entities created by PHG to meet requirements of funding from the U.S. Department of Housing & Urban Development (HUD) or Low Income Housing Tax Credit requirements. These buildings provide 806 homes to low-income people living in Seattle. PHG typically provides financial packaging, construction supervision and property management services for each property developed. One building, Simons Senior Apartments, was under construction as of December 31, 2007. Construction was completed January 4, 2008, and this building will provide an additional 95 units of housing.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation - These financial statements consolidate the statements of Plymouth Housing Group, Ponderosa Apartments, Open Door Ventures, Pacific Hotel Limited Partnership, Colwell Building Limited Partnership, Lewiston Hotel Limited Partnership, First & Denny Limited Partnership, St. Charles Hotel LLC, Plymouth Café LLC, Second & Stewart LLC, and Third & Blanchard LLC (collectively, the Organization). Inter-organization balances and transactions have been eliminated in the combination.

Ponderosa Apartments (the Ponderosa) was formed as a 501(c)(3) nonprofit corporation under the laws of the State of Washington on April 7, 1993. It was organized as a community-based organization for the purpose of developing and operating the Ponderosa Apartments, a 23-unit apartment building in Seattle, Washington. A board of directors governs the Ponderosa, the members of which are elected by PHG's board of trustees. See Note 9 for discussion of the pending sale of this property.

Open Door Ventures (ODV) was formed as a 501(c)(3) nonprofit corporation under the laws of the State of Washington on August 27, 1993. It was organized as a community-based organization for the purpose of developing and operating the Cal Anderson House, a 24-unit apartment building for AIDS disabled persons located in Seattle, Washington. Cal Anderson House is operated under Section 811 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) and is also subject to a Section 8 Housing Assistance Payments agreement with HUD. A board of directors governs ODV, the members of which are elected by PHG's board of trustees.

Plymouth Café LLC is a wholly owned for-profit subsidiary of PHG. Plymouth Café LLC was formed under the laws of the State of Washington on January 26, 2004 to own and operate the Plymouth Café, a restaurant, in the St. Charles building in Seattle, Washington. This LLC was dissolved on December 17, 2007.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 2 - Continued

Pacific Hotel Limited Partnership (the Pacific) was formed as a limited partnership under the laws of the State of Washington on September 3, 1993. The partnership agreement was amended and restated on October 21, 1994. PHG serves as the general partner with 1% ownership. The National Equity Fund 1993 Limited Partnership is the limited partner with 99% ownership. The partnership was organized for the purpose of developing and operating 112 units of low-income housing in a building known as the Pacific Hotel located in Seattle, Washington, and placed in service on October 16, 1995. This partnership is reported as a consolidated subsidiary of PHG due to the control PHG has over the partnership as the partnership's general partner.

Colwell Building Limited Partnership (the Colwell) was formed as a limited partnership under the laws of the State of Washington on August 31, 1998. PHG serves as the general partner with .01% ownership. National Equity Fund 1997 Limited Partnership is the limited partner with 99.99% ownership. The partnership was organized for the purpose of developing and operating 126 units of low-income housing in a building known as the David Colwell Building located in Seattle, Washington, and placed in service on May 8, 2000. This partnership is reported as a consolidated subsidiary of PHG due to the control PHG has over the partnership as the partnership's general partner.

Lewiston Hotel Limited Partnership (the Lewiston) was formed as a limited partnership under the laws of the State of Washington on November 2, 1999. The partnership agreement was amended and restated on December 15, 2000. PHG serves as the general partner with .01% ownership and the limited partners are WAMU Affordable Housing Fund Limited Partnership, with 49.995% ownership and Key Community Development Corporation, with 49.995% ownership. The partnership was organized for the purpose of developing and operating 50 units of low-income housing in a building known as the Lewiston Hotel located in Seattle, Washington, and placed in service on December 20, 2001. This partnership is reported as a consolidated subsidiary of PHG due to the control PHG has over the partnership as the partnership's general partner.

First & Denny Limited Partnership (Plymouth Place) was formed as a limited partnership under the laws of the State of Washington on March 14, 2001. The partnership agreement was amended and restated on December 14, 2001. PHG serves as the general partner with .01% ownership. NEF Assignment Corporation is the limited partner with 99.99% ownership. The partnership was organized for the purpose of developing and operating 73 units of low-income housing in a building known as Plymouth Place located in Seattle, Washington, and placed in service on January 31, 2003. This partnership is reported as a consolidated subsidiary of PHG due to the control PHG has over the partnership as the partnership's general partner.

St. Charles Hotel LLC (the St. Charles) was formed under the laws of the State of Washington on April 15, 2002. The LLC operating agreement was amended and restated on March 20, 2003. PHG serves as the managing member with .01% ownership. NEF Assignment Corporation is the investor member with 99.99% ownership. The LLC was organized for the purpose of developing and operating 64 units of low-income housing in a building known as the St. Charles Hotel located in Seattle, Washington, and placed in service on May 21, 2004. This LLC is reported as a consolidated subsidiary of PHG due to the control PHG has over the LLC as the LLC's managing member.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 2 - Continued

Second & Stewart LLC (Plymouth on Stewart) was formed as a Washington limited liability company on April 18, 2002. The LLC operating agreement was amended and restated on November 8, 2004. PHG serves as the managing member with .01% ownership. NEF Assignment Corporation is the investor member with 99.99%. The LLC was organized for the purpose of developing and operating 87 units of low-income housing in a building known as Plymouth on Stewart located in Seattle, Washington. The project was completed and placed in service on April 20, 2006. This LLC is reported as a consolidated subsidiary of PHG due to the control PHG has over the LLC as the LLC's managing member.

Third & Blanchard LLC was formed as a limited liability company under the laws of the State of Washington on June 23, 2005. The LLC operating agreement was amended and restated on August 31, 2006. PHG serves as the managing member with .01% ownership. NEF Assignment Corporation is the investor member with 99.99% ownership. The purpose of the LLC is to acquire and construct 95 residential units in Seattle, Washington. The project operates under the name of the Langdon & Anne Simons Senior Apartments (Simons Senior). Simons Senior was under construction at December 31, 2007. The project was completed and placed in service on January 4, 2008. As the managing member of the LLC, PHG obtained financing to purchase and construct the building, including an award of low-income housing tax credits. This LLC is reported as a consolidated subsidiary of PHG due to the control PHG has over the LLC as the LLC's managing member.

Non-controlling interest presented in the consolidated financial statements is comprised of the ownership interest of the tax credit investors related to the seven partnerships and LLCs described above.

Restrictions on Distributions from Subsidiaries to Parent Organization - The seven partnerships and LLCs described above are subject to operating and lending agreements that provide for certain restrictions on the distribution of net cash flow from the partnerships and LLCs to PHG, other owners, and lenders.

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. See Note 11 for the composition of temporarily restricted net assets as of December 31, 2007 and 2006.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes. As of December 31, 2007 and 2006, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents - For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with maturities of three months or less, except for those held in its investment and reserves portfolios, to be cash and cash equivalents. Management anticipates no material effect to the Organization's financial position as a result of cash held in a bank in excess of the available federal deposit insurance.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 2 - Continued

Receivables - Trade accounts, grants and pledges receivable are stated at the amount management expects to collect from outstanding balances. Once a tenant moves out, management considers any remaining balance in tenant accounts receivable to be uncollectible, and it is written off through a charge to bad debt expense. Grants and pledges receivable are also written off to bad debt expense when they are deemed uncollectible.

Restricted Reserves - Certain loan covenants require the Organization to maintain reserves for building replacement. Such reserves are held in the form of cash, money market funds, corporate and government bonds and equity investments. All investments are carried at fair market value. At December 31, 2006, restricted reserve accounts were pledged as collateral for certain loans. These restrictions were removed in 2007.

Property and Equipment - Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Fixed assets with a useful life of more than one year and a cost greater than \$3,000 are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation has been provided for furnishings and equipment on the straight-line basis over five to fifteen years. Depreciation has been provided for buildings on the straight-line basis over lives of twenty-five to forty years. Leasehold improvements have been amortized over the shorter of the asset useful life or lease term.

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2007 and 2006.

Deferred Financing Fees - The costs incurred to obtain financing of the Organization's projects have been capitalized and are being amortized using the straight-line basis over the lives of the related financing ranging from 10 to 50 years.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 2 - Continued

Restricted and Unrestricted Revenue and Support - Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Accounting for Shelter Plus Care Program - PHG serves as an administrator for funds from HUD under the direction of King County for the Shelter Plus Care Program. PHG retains an administration fee that is recorded in the financial statements. All other funds received (totaling \$3,961,749 and \$3,757,071 for the years ended December 31, 2007 and 2006, respectively) are forwarded to the landlords and are not reflected as revenue or expense in these financial statements as PHG is merely an agent for those funds.

Operating and Non-operating Activities - All activities are considered operating except for capital campaign revenues and expenses, and gains and losses on sales and disposals of assets.

Federal Income Tax - Plymouth Housing Group, Ponderosa Apartments, and Open Door Ventures have been notified by the Internal Revenue Service that they are exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Income from the Plymouth Café and commercial leasing activities not directly related to PHG's tax-exempt purpose is subject to taxation as unrelated business income. At December 31, 2007 and 2006, the Plymouth Café had net operating losses for which a deferred tax benefit has not been reported, as the Café is not likely to have taxable net income in the near future. Taxes paid on unrelated business income were not significant for 2007 and 2006. The Pacific Hotel Limited Partnership, Colwell Building Limited Partnership, Lewiston Hotel Limited Partnership, First & Denny Limited Partnership, St. Charles Hotel LLC, Plymouth Café LLC, Second & Stewart LLC and Third & Blanchard LLC have no provision or benefit for income taxes included in these financial statements since taxable income or loss passes through to, and is reportable by, each partner or member individually.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Amounts for 2006 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Reclassifications - Certain reclassifications were made to the December 31, 2006 financial statements to conform to the current year presentation. The reclassifications have no effect on change in net assets.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 3 - Capital Campaign

During 2004, the Organization launched a \$52 million capital campaign to fund the purchase and renovation or construction of the St. Charles, Plymouth on Stewart, Haddon Hall, and the Langdon & Anne Simons Senior Apartments, other capital projects and social services. The St. Charles was completed during 2004; Plymouth on Stewart and Haddon Hall were completed during 2006, and the Langdon & Anne Simons Senior Apartments was under construction as of December 31, 2007.

The capital campaign was completed in 2007. \$40 million of the \$52 million campaign goal came from public sources in the form of governmental loans and tax credit equity investments. \$12 million of the campaign goal came from private sources in the form of contributions, private loans, and sales of transferable development rights and view easements.

Included in capital campaign contribution revenue for 2007 is \$402,357 of net revenue (net of \$3,438 of direct expenses) raised through a special gala event which was organized by the Seattle Hotel Association. The funds from this event were restricted for the capital campaign. Also included in 2007 capital campaign contribution revenue is \$207,968 of net revenue (net of \$133,114 of direct expenses) and for 2006 is \$187,025 of net revenue (net of \$143,698 of direct expenses) raised at a special luncheon event. The funds from this event were board-designated for the capital campaign.

The Organization had the following pledges receivable and cash donor-restricted and board-designated for the capital campaign at December 31:

	<u>2007</u>	<u>2006</u>
Pledges receivable, due in less than one year	\$ 535,413	\$ 170,502
Cash	<u>164,499</u>	<u>2,001,392</u>
	<u>\$ 699,912</u>	<u>\$ 2,171,894</u>

Note 4 - Board Designated and Restricted Reserves

The Organization has operating and replacement reserves for the various properties and for general operations. All reserves are carried at fair market value and consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Cash and money market funds	\$ 2,537,689	\$ 1,917,411
Government bonds		159,272
Equity securities		<u>721,616</u>
	<u>\$ 2,537,689</u>	<u>\$ 2,798,299</u>

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2007**

Note 4 - Continued

Investment income consisted of the following for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 35,137	\$ 99,981
Realized and unrealized gains	<u>13,133</u>	<u>58,778</u>
	<u>\$ 48,270</u>	<u>\$ 158,759</u>

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Land	\$ 7,783,375	\$ 7,783,375
Buildings and improvements	64,943,516	64,821,844
Furnishings and equipment	2,885,433	2,924,535
Construction-in-progress (Note 8)	<u>22,165,515</u>	<u>8,466,880</u>
	97,777,839	83,996,634
Less: accumulated depreciation	<u>(17,399,794)</u>	<u>(14,938,610)</u>
	80,378,045	69,058,024
Less: property held for sale (Note 9)	<u>(632,995)</u>	<u> </u>
	<u>\$79,745,050</u>	<u>\$69,058,024</u>

Note 6 - Long-Term Debt and Forgivable Long-Term Debt

Long-term debt and forgivable long-term debt consisted of the following at December 31:

	<u>2007</u>	<u>2006</u>
Plymouth Housing Group:		
Note payable to a private foundation; interest at 2%; semi-annual interest payments due; matures August 20, 2008; secured by William Tell building	\$ 250,000	\$ 250,000
Margin loan on investment portfolio, variable interest based on Prime, 6.31% at December 31, 2007, monthly payments of interest required; no expiration date, balance includes \$43,566 of accrued interest added to the loan balance. Loan paid in full during 2007.		525,040

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 6 - Continued

Note payable to Plymouth Congregational Church, secured by the William Tell building; interest at 3%; monthly payments of principal and interest; matures December 31, 2008	359,620	217,658
Scargo Building: Rental rehabilitation loan payable to City of Seattle, secured by deed of trust, interest at 1% per year accrues until maturity, March 3, 2028; interest will be forgiven in increments from 2009 to 2028 provided the property continues to be used for low-income housing	227,417	227,417
Community development block grant loan payable to City of Seattle secured by deed of trust; zero percent interest; principal is forgiven March 31, 2013 if all loan terms are met, otherwise principal and contingent interest will be payable at maturity	246,840	246,840
Note payable to Banner Bank, secured by deed of trust; interest at 7.25% per year; payable in monthly installments of \$4,742 until maturity on September 1, 2018	424,040	449,205
William Tell Building: Development and rental rehabilitation loan payable to City of Seattle; secured by deed of trust; interest at 1% per year until December 2006; then forgiven over the next 20 years; loan matures November 5, 2026 but can be extended 61 years at which time the principal balance will be forgiven if in compliance with loan terms	95,314	95,314
Gatewood Building: Note payable to the City of Seattle; secured by deed of trust; interest at 1% per year until March 2006; payment of interest deferred to maturity in March 22, 2016 or at termination of the ground lease, whichever is earlier	775,447	775,447
Haddon Hall: Note payable to the City of Seattle; secured by deed of trust; interest at 1% per year until January 2017, at which time interest is forgiven until the maturity date, January 1, 2036	1,119,781	1,119,781
Note payable to Bank of America; secured by deed of trust; interest at 9.5%; monthly payments of \$4,625; matures June 1, 2017	490,359	498,830
Note payable to the State of Washington; secured by deed of trust; interest at 1% per year; payments of \$25,513 due annually; matures December 2046	820,563	837,700

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2007**

Note 6 - Continued

Ponderosa Apartments:

Note payable to Prudential Huntoon; secured by deed of trust; monthly payments of \$1,333 including interest at 6.0% per year due until maturity at October 1, 2009	27,692	41,567
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Open Door Ventures:

Non-interest bearing note payable to HUD; secured by a deed of trust; forgiven in 2035 provided compliance with terms and conditions of the loan agreement; otherwise, outstanding balance and accrued interest of 6.75% per year is due immediately	1,477,000	1,477,000
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Note payable to the City of Seattle; secured by a deed of trust; interest at 1% per year through September 2014; then forgiven over the next twenty years at 5% per year; the note requires the property be used for low-income rental housing or the outstanding balance due immediately, otherwise, the note due in 2034	623,725	623,725
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Note payable to Washington State Department of Community Trade and Economic Development; secured by a deed of trust; non-interest bearing; matures July 2044	250,000	250,000
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Note payable to City of Seattle; unsecured; non-interest bearing; forgiven over ten year period starting in 2005 provided that the project complies with terms and conditions of the loan agreement	59,133	67,580
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Pacific Hotel:

Note payable to Washington Mutual Savings Bank; interest at 6.25% per year; monthly installments of \$5,055 through November 1, 2009; secured by a deed of trust	109,300	161,349
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Note payable to City of Seattle; secured by a deed of trust; interest at 1% per year through April 2014; then forgiven over the next twenty years at 5% per year; note requires the property be used for low-income rental housing or the outstanding balance is due immediately, otherwise, the note matures April 1, 2034; payment of principal may be extended for up to seven five-year periods after maturity, if borrower has remained in continuous compliance with all terms and conditions of the loan documents	2,933,736	2,933,736
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Note payable to State of Washington; original note \$1,000,000; Interest at 1%, compounded monthly; annual installments of principal and interest in the amount of \$25,423; based on 50-year amortization beginning December 1, 1996 and continuing through November 1, 2045; secured by a deed of trust	803,448	820,743
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PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 6 - Continued

Colwell:

Note payable to Seattle Housing Authority; secured by a deed of trust; interest at 1% per year; note to be forgiven January 2041 provided the project complies with terms and conditions of the loan agreement; otherwise, the outstanding balance and accrued interest of 1% per year will be due in full

	856,912	856,912
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Note payable to Washington Mutual Savings Bank, original amount \$4,200,000, from proceeds of Series A bonds issued by Seattle Housing Authority; interest at 6.474% per year; principal and interest payable monthly based on a 28-year amortization; secured by a deed of trust

	2,973,869	3,037,951
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Note payable to the City of Seattle; original amount \$2,411,291; 1% simple interest per year accrues the first 20 years; note matures December 2038; secured by a deed of trust

	2,099,942	2,099,942
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Lewiston:

Note payable to City of Seattle; interest at 6.62% paid semi-annually, varying principal amounts paid annually on August 1; matures September 1, 2020; secured by a deed of trust

	880,834	905,834
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Note payable to the State of Washington; interest rate 0.5%; payment of principal and interest deferred until maturity, July 31, 2051; secured by a deed of trust

	650,000	650,000
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Note payable to the City of Seattle; interest at 1% per year; if the Partnership complies with terms of the loan agreement, interest will be forgiven at 5% per year beginning November 22, 2022 provided that the Partnership does not violate the terms of the note; payment of principal and interest deferred until maturity November 22, 2039; secured by a deed of trust

	1,081,410	1,081,410
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Plymouth Place:

Note payable to the City of Seattle; 1% simple interest; annual payments due beginning July 1, 2004 equal to fifty percent of net cash flow as defined in the partnership agreement; matures December 14, 2051; secured by a deed of trust

	2,545,617	2,545,617
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Note payable to the State of Washington, original amount \$2,000,000, subordinated to the City of Seattle note. Interest at zero percent. Loan deferred for fifty years; matures November 30, 2052

	2,000,000	2,000,000
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PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 6 - Continued

Note payable to Washington Mutual, original amount \$300,000, subordinated to the City of Seattle note; due in monthly payments of \$2,258, including interest at 8.27% per year; matures December 1, 2032	285,902	289,205
St. Charles: Note payable to the City of Seattle; interest at 1% per year; annual payments due beginning July 1, 2006 equal to fifty percent of net cash flow as defined in the LLC operating agreement; matures December 14, 2051; secured by a deed of trust	1,727,870	1,727,870
Note payable to the State of Washington; interest at zero percent; loan deferred for forty years; matures May 31, 2044; secured by a deed of trust	1,391,324	1,391,324
Plymouth on Stewart: Note payable to King County, secured by a deed of trust; interest accrues at 4% per year; payments of principal and interest from available net cash flow commencing January 2005; balance due at maturity in January 2055	600,000	600,000
Note payable to City of Seattle annual payments of 50% of net cash flow of the preceding calendar year; interest at 1% per year on unpaid principal; secured by a deed of trust; due December 31, 2055	3,750,000	3,750,000
Note payable to State of Washington Department of Community, Trade and Economic Development; interest at 0%, secured by a deed of trust; principal due December 31, 2055	2,000,000	2,000,000
Third and Blanchard: Note payable to the City of Seattle; 1% simple interest; annual payments due beginning June 30, 2009 equal to 41% of net cash flow as defined in the LLC operating agreement; matures July 10, 2055; may be extended an additional 25 years; secured by a deed of trust	5,128,631	4,628,631
Note payable to the City of Seattle; secured by a deed of trust; 1% simple interest; annual payments due beginning June 30, 2009 equal to 41% of net cash flow as defined in the LLC operating agreement; matures July 10, 2055; may be extended for an additional 25 years	821,369	821,369

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2007**

Note 6 - Continued

Note payable to State of Washington Department of Community, Trade and Economic Development; total principal available \$2,000,000 interest at 0%; secured by a deed of trust; principal due July 31, 2058	2,000,000	1,924,192
Note payable to City of Seattle, secured by deed of trust; interest at 3%; principal and interest due February 2, 2009	4,000,000	
Note payable to King County, secured by deed of trust; interest at 1%; principal and interest due July 31, 2058	1,800,000	
Construction note payable to Key Bank, secured by deed of trust; interest at 6.81%; principal and interest due November 1, 2008	3,884,558	73,686
First and Cedar:		
Note payable to National Equity Fund, Inc., secured by the William Tell Building; interest at 6.75%; maturity date dependent on the occurrence of certain future events; however, the note and accrued interest were paid in full on February 15, 2008	<u>260,857</u>	
Total debt	51,832,508	42,002,875
Less: forgivable long-term debt	(2,818,698)	(2,743,646)
Less: current portion of long-term debt	<u>(1,110,778)</u>	<u>(1,101,384)</u>
Non-Current Portion of Long-Term Debt	<u>\$ 47,903,032</u>	<u>\$ 38,157,845</u>

Future principal maturities of long-term debt (excluding forgivable long-term debt) are as follows:

2008	\$ 1,110,778
2009	8,132,682
2010	190,007
2011	198,833
2012	209,407
Thereafter	<u>39,172,103</u>
Total Long-term Debt	<u>\$ 49,013,810</u>

The maturities presented above for years 2008 through 2012 include estimated maturities under the City of Seattle notes described above. Payments of principal under some of the City of Seattle notes are based on net cash flow, as defined in the loan agreement, and may differ from those presented above.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 6 - Continued

Interest has not been imputed on any of the above mortgages that carry below-market rates as they are payable to governmental entities and carry legal restrictions. The restrictions require the Organization to use the property for low-income housing, as defined by the mortgages' regulatory agreements. Certain mortgages provide for the deferral of interest payments. Deferred interest on long-term and forgivable debt totaled \$1,761,464 and \$1,393,671 at December 31, 2007 and 2006, respectively.

Note 7 - Lease Commitments

Real Estate Leases - PHG has entered into a ground lease at the Gatewood building, which expires in the year 2016. Rent escalates annually by the Consumer Price Index (CPI). Rent expense for 2007 and 2006 was \$160,231 and \$160,155, respectively. The minimum future rental commitment under the above operating lease as of December 31, 2007 is as follows:

2008	\$	168,384
2009		174,277
2010		180,377
2011		186,690
2012		193,224
Thereafter		<u>900,306</u>
		<u>\$ 1,803,258</u>

Commercial Leases - The Gatewood, Scargo, Haddon Hall, Colwell, Lewiston, Plymouth Place, St. Charles, and Plymouth on Stewart properties have commercial tenants with non-cancelable operating leases. The future minimum rental income to be received by PHG as of December 31, 2007 under these leases is as follows:

2008	\$	799,962
2009		702,766
2010		470,457
2011		285,820
2012		169,687
Thereafter		<u>256,221</u>
		<u>\$ 2,684,914</u>

Note 8 - Project Development Commitments

Third & Blanchard Construction - PHG formed Third & Blanchard LLC in order to purchase property and construct the Langdon & Anne Simons Senior Apartments. Construction began in 2006. The total estimated cost of the property purchase and development is \$23 million of which \$21 million had been incurred and capitalized as construction-in-progress at December 31, 2007.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2007

Note 9 - Other Commitments and Contingencies

The Gatewood, Scargo, Haddon Hall, Ponderosa, Cal Anderson, Pacific, Colwell, Lewiston, Plymouth Place, St. Charles, and Plymouth on Stewart buildings receive rent subsidy payments through a variety of programs, including Section 8 programs funded through HUD, City of Seattle Housing Levy Operating & Maintenance Trust Fund, and the State of Washington Operations and Maintenance Fund.

The operations of the buildings are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

The Organization receives a substantial amount of its support from local, state and federal governmental agencies. For the years ended December 31, 2007 and 2006, support from governmental agencies totaled 54% and 55% of total operating revenues, respectively. Amounts received are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Organization. The amounts, if any, of expenditures that may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification by the governmental agency. During the years ended December 31, 2007 and 2006, no adjustments were made.

On December 14, 2007, Plymouth Housing Group entered into a Purchase & Sale Agreement to sell the Ponderosa Apartments to the Capital Hill Housing Improvement Program (CHHIP). The purchase price is the assumption of the balance of the HUD loan at closing, and will be accounted for in substance as a contribution from PHG to CHHIP. The sale is contingent upon HUD approval, but is expected to close in 2008.

On June 1, 2007, PHG entered into a Purchase & Sale Agreement to purchase an undeveloped property known as First & Cedar, located in Seattle, Washington. The property is currently leased as a parking lot. The purchase of the property closed subsequent to year end, on January 30, 2008, and PHG then transferred the property to First & Cedar LLC, also on January 30, 2008. The LLC is wholly owned by PHG. The LLC expects to construct a building on the First & Cedar property, which will contain 84 units of low-income residential housing. Subject to financing, construction is expected to begin in 2009, with completion scheduled for 2010.

During 2007, management of PHG committed to a plan to sell the William Tell property. All tenants were relocated to other housing during the year. Management is actively seeking a buyer for the property, and expects the property will be sold within the next year. Net property and equipment totaling \$632,995 for the William Tell is classified on the statement of financial position as held for sale as of December 31, 2007.

Note 10 - Pension Plan

PHG maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code, which covers all employees with at least one year of service. PHG contributes a minimum of five percent of employees' base compensation. Employees may make elective contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Plan expenses for 2007 and 2006 were \$132,095 and \$124,757, respectively.

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2007**

Note 11 - Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes at December 31:

	<u>2007</u>	<u>2006</u>
Capital campaign (Note 3)	\$ 684,489	\$ 2,171,894
City of Seattle grant	874,891	980,998
State of Washington grant	<u>33,000</u>	<u>37,000</u>
	<u>\$ 1,592,380</u>	<u>\$ 3,189,892</u>

City of Seattle Grant - In 1991 PHG received a contingently refundable grant from the City of Seattle in the amount of \$2,652,689 for the rehabilitation of the Gatewood building. The grant is secured by a deed of trust and security agreement on the Gatewood building along with an assignment of leases and rents. The grant is repayable only if the project is profitable above the level of the City's original loan balance of \$775,446 plus one percent simple interest over the 25-year term of the grant and loan agreement. Management believes that no refund to the City will be required. Thus the grant has been recorded as temporarily restricted net assets and is being released from restriction ratably over the 25-year term of the grant and loan agreement, which will end in 2016.

State of Washington Grant - In 1991 PHG received a repayable grant from the State of Washington Housing Trust Fund Program in the amount of \$100,000 for the rehabilitation of the Gatewood building. This grant is subject to the same terms as the City of Seattle's contingently refundable grant, above, with the exception that, at the end of the lease term, if there are funds available, the State of Washington will be repaid after the City's contingently refundable grant. The grant has also been recorded as temporarily restricted net assets and is being released from restriction ratably over the 25-year term of the grant and loan agreement, which will end in 2016.

SUPPLEMENTAL SCHEDULES

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Consolidating Statement of Financial Position
December 31, 2007

	<i>Plymouth Housing Group</i>	<i>Open Door Ventures</i>	<i>Ponderosa Apartments</i>	<i>Plymouth Café LLC</i>	<i>Colwell Building LP</i>	<i>Lewiston Hotel LP</i>	<i>Pacific Hotel LP</i>	<i>First & Denny LP</i>	<i>St. Charles Hotel LLC</i>	<i>Second & Stewart LLC</i>	<i>Third & Blanchard LLC</i>	<i>Eliminations</i>	<i>Consolidated Total</i>
Assets													
Current Assets:													
Cash and cash equivalents	\$ 1,158,987	\$ 3,235	\$ 200	\$ -	\$ 700	\$ 500	\$ 24,779	\$ 600	\$ 700	\$ 700	\$ 45,691	\$ -	\$ 1,236,092
Cash restricted for Shelter Plus Care program	373,716												373,716
Accounts receivable, net	103,211	1,962	(145)		11,118	42,305	5,404	5,134	7,242	5,946			182,177
Grants and operating pledges receivable	292,163						20,224						312,387
Intercompany receivables	901,150									21,704		(922,854)	
Tenant security deposits and other current assets	138,683	6,814	4,893		39,126	2,310	15,601	12,493	7,832	12,810			240,562
Total Current Assets	2,967,910	12,011	4,948	-	50,944	45,115	66,008	18,227	15,774	41,160	45,691	(922,854)	2,344,934
Capital campaign cash and pledges receivable	699,912												699,912
Property and equipment held for sale, net	632,995												632,995
Property and equipment, net	8,863,239	1,650,145	932,700		8,483,192	3,996,436	5,096,259	7,055,771	7,979,045	14,659,246	21,029,017		79,745,050
Investment in partnerships and LLCs	1,597,129											(1,597,129)	
Intercompany notes receivable	8,760,273											(8,760,273)	
Board designated and restricted reserves	697,670	107,940	314,518		167,731	343,771	123,423	262,494	299,357	220,785			2,537,689
Deferred financing fees, net					155,504	52,693	10,688	76,920	200,900	177,507			674,212
Total Assets	\$ 24,219,128	\$ 1,770,096	\$ 1,252,166	\$ -	\$ 8,857,371	\$ 4,438,015	\$ 5,296,378	\$ 7,413,412	\$ 8,495,076	\$ 15,098,698	\$ 21,074,708	\$ (11,280,256)	\$ 86,634,792
Liabilities and Net Assets													
Current Liabilities:													
Accounts payable and accrued expenses	\$ 487,518	\$ 6,268	\$ 2,064	\$ -	\$ 11,003	\$ 11,263	\$ 13,296	\$ 9,632	\$ 13,270	\$ 14,929	\$ 290,096	\$ -	\$ 859,339
Advance for Shelter Plus Care program	373,348												373,348
Inteccompany payables		1,494	29,578		145,542	209,168	150,971	165,193	180,951	22,327	17,630	(922,854)	
Tenant deposits and prepaid rent	50,857	5,541	3,447		30,366	2,792	11,874	10,431	3,097	5,651			124,056
Current portion of long-term debt	938,877				68,368	27,083	72,864	3,586					1,110,778
Total Current Liabilities	1,850,600	13,303	35,089	-	255,279	250,306	249,005	188,842	197,318	42,907	307,726	(922,854)	2,467,521
Long-term debt, less current portion	4,305,708	873,725	27,693		5,005,442	2,585,161	3,773,620	4,827,933	3,119,194	5,750,000	17,634,556		47,903,032
Deferred interest on long-term debt	441,024	81,270			201,316	111,071	388,316	138,427	73,017	122,652	204,371		1,761,464
Intercompany long-term debt					1,810,973		456,691	10,101	1,034,065	2,606,461	2,841,982	(8,760,273)	
Forgivable long-term debt	1,282,565	1,536,133											2,818,698
Total Liabilities	7,879,897	2,504,431	62,782	-	7,273,010	2,946,538	4,867,632	5,165,303	4,423,594	8,522,020	20,988,635	(9,683,127)	54,950,715
Non-controlling interest in combined subsidiaries												14,818,824	14,818,824
Net Assets and Equity:													
Unrestricted	14,746,851	(734,335)	1,189,384									70,973	15,272,873
Temporarily restricted	1,592,380												1,592,380
Total net assets	16,339,231	(734,335)	1,189,384	-	1,584,361	1,491,477	428,746	2,248,109	4,071,482	6,576,678	86,073	70,973	16,865,253
Owners' equity					1,584,361	1,491,477	428,746	2,248,109	4,071,482	6,576,678	86,073	(16,486,926)	
Total Net Assets and Equity	16,339,231	(734,335)	1,189,384	-	1,584,361	1,491,477	428,746	2,248,109	4,071,482	6,576,678	86,073	(16,415,953)	16,865,253
Total Liabilities, Net Assets, and Equity	\$ 24,219,128	\$ 1,770,096	\$ 1,252,166	\$ -	\$ 8,857,371	\$ 4,438,015	\$ 5,296,378	\$ 7,413,412	\$ 8,495,076	\$ 15,098,698	\$ 21,074,708	\$ (11,280,256)	\$ 86,634,792

See independent auditors' report

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

**Consolidating Statement of Activities
December 31, 2007**

	<i>Plymouth Housing Group</i>	<i>Open Door Ventures</i>	<i>Ponderosa Apartments</i>	<i>Plymouth Café LLC</i>	<i>Colwell Building LP</i>	<i>Lewiston Hotel LP</i>	<i>Pacific Hotel LP</i>	<i>First & Denny LP</i>	<i>St. Charles Hotel LLC</i>	<i>Second & Stewart LLC</i>	<i>Third & Blanchard LLC</i>	<i>Eliminations</i>	<i>Consolidated Total</i>
Operating Activities													
Support and Revenue:													
Rental income - residential	\$ 1,525,291	\$ 178,664	\$ 157,254	\$ -	\$ 833,794	\$ 237,545	\$ 688,195	\$ 586,926	\$ 503,743	\$ 692,734	\$ -	\$ -	\$ 5,404,146
Rental income - commercial	487,611				81,570	214,121		75,724	38,927	58,939		(96,418)	860,474
Grants	1,853,528						80,898						1,934,426
Contributions	700,105	8,447											708,552
Management fees	636,234											(636,234)	
Developer fee	43,200												43,200
Investment income	41,703	262	2,680		431	724	586	635	739	499	11		48,270
Intercompany interest income	245,069											(245,069)	
Plymouth Café sales				71,518									71,518
Other	(86,828)	540	152		18,177	37,369	6,590	15,348	18,653	5,754	1	94,384	110,140
Total Support and Revenue	5,445,913	187,913	160,086	71,518	933,972	489,759	776,269	678,633	562,062	757,926	12	(883,337)	9,180,726
Expenses:													
Program services -													
Housing management	3,989,546	256,818	165,926		1,174,186	638,118	1,090,376	936,987	987,841	1,201,449	7	(965,194)	9,476,060
Housing development	281,610												281,610
	4,271,156	256,818	165,926		1,174,186	638,118	1,090,376	936,987	987,841	1,201,449	7	(965,194)	9,757,670
Management and general	1,025,744												1,025,744
Resource development	157,770												157,770
Plymouth Café expenses				164,020								(12,527)	151,493
Total Expenses	5,454,670	256,818	165,926	164,020	1,174,186	638,118	1,090,376	936,987	987,841	1,201,449	7	(977,721)	11,092,677
Change in Net Assets from Operating Activities	(8,757)	(68,905)	(5,840)	(92,502)	(240,214)	(148,359)	(314,107)	(258,354)	(425,779)	(443,523)	5	94,384	(1,911,951)
Non-operating Activities													
Capital campaign contributions and grants	1,539,772												1,539,772
Capital campaign expenses	(189,459)												(189,459)
Gain on sale of assets				11,816									11,816
Intercompany debt forgiveness	(709,308)			709,308									
Change in Net Assets from Non-operating Activities	641,005			721,124									1,362,129
Total Change in Net Assets before Non-controlling Interest	632,248	(68,905)	(5,840)	628,622	(240,214)	(148,359)	(314,107)	(258,354)	(425,779)	(443,523)	5	94,384	(549,822)
Non-controlling interest in net losses of subsidiaries												1,735,952	1,735,952
Total Change in Net Assets	\$ 632,248	\$ (68,905)	\$ (5,840)	\$ 628,622	\$ (240,214)	\$ (148,359)	\$ (314,107)	\$ (258,354)	\$ (425,779)	\$ (443,523)	\$ 5	\$ 1,830,336	\$ 1,186,130

See independent auditors' report

PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Consolidating Statement of Financial Position
December 31, 2006

	<i>Plymouth Housing Group</i>	<i>Open Door Ventures</i>	<i>Ponderosa Apartments</i>	<i>Plymouth Café LLC</i>	<i>Colwell Building LP</i>	<i>Lewiston Hotel LP</i>	<i>Pacific Hotel LP</i>	<i>First & Denny LP</i>	<i>St. Charles Hotel LLC</i>	<i>Second & Stewart LLC</i>	<i>Third & Blanchard LLC</i>	<i>Eliminations</i>	<i>Consolidated Total</i>
Assets													
Current Assets:													
Cash and cash equivalents	\$ 859,519	\$ 25,068	\$ 3,424	\$ 14,400	\$ 15,412	\$ 85,294	\$ 30,241	\$ 25,339	\$ 6,441	\$ 47,843	\$ 7,048	\$ -	\$ 1,120,029
Cash restricted for Shelter Plus Care program	346,561												346,561
Accounts receivable, net less allowance for doubtful	107,699	277	802	7,137	16,071	67,024	28,268	6,365	12,588	4,850			251,081
Grants and operating pledges receivable	318,656						20,224						338,880
Intercompany receivables	1,882,547											(1,882,547)	
Tenant security deposits and other current assets	122,200	1,456	4,592	168	36,319	2,171	16,010	13,067	8,239	9,282	5,821		219,325
Total Current Assets	3,637,182	26,801	8,818	21,705	67,802	154,489	94,743	44,771	27,268	61,975	12,869	(1,882,547)	2,275,876
Capital campaign cash and pledges receivable	2,171,894												2,171,894
Cash - construction loan proceeds													
Property and equipment, net	8,748,547	1,725,430	957,525	93,240	8,827,344	4,109,366	5,369,465	7,342,010	8,326,791	15,091,426	8,466,880		69,058,024
Investment in partnerships and LLCs	1,691,413											(1,691,413)	
Intercompany notes receivable	6,386,356											(6,386,356)	
Restricted reserves	1,076,644	90,960	318,416		129,228	231,662	242,096	235,454	283,645	190,194			2,798,299
Deferred financing fees, net					168,236	55,003	5,906	88,960	211,675	188,242			718,022
Total Assets	\$ 23,712,036	\$ 1,843,191	\$ 1,284,759	\$ 114,945	\$ 9,192,610	\$ 4,550,520	\$ 5,712,210	\$ 7,711,195	\$ 8,849,379	\$ 15,531,837	\$ 8,479,749	\$ (9,960,316)	\$ 77,022,115
Liabilities And Net Assets													
Current Liabilities:													
Accounts payable and accrued expenses	\$ 528,182	\$ 5,112	\$ 1,296	\$ 11,779	\$ 9,135	\$ 8,813	\$ 17,046	\$ 10,886	\$ 14,136	\$ 23,770	\$ 347,134	\$ -	\$ 977,289
Advance for Shelter Plus Care program	343,543												343,543
Intecompany payables		5,256	43,301	381,788	224,426	164,602	220,587	28,096	139,736	132,080	542,675	(1,882,547)	
Tenant deposits and prepaid rent	60,683	4,915	3,371		30,908	3,139	11,491	9,852	11,983	4,300			140,642
Current portion of long-term debt	939,648				64,093	25,000	69,343	3,300					1,101,384
Total Current Liabilities	1,872,056	15,283	47,968	393,567	328,562	201,554	318,467	52,134	165,855	160,150	889,809	(1,882,547)	2,562,858
Long-term debt, less current portion	4,561,429	873,725	41,567		5,073,800	2,612,244	3,846,485	4,831,522	3,119,194	5,750,000	7,447,879		38,157,845
Deferred interest on long-term debt	372,502	75,033			180,317	96,886	358,978	112,971	55,739	85,152	56,093		1,393,671
Intercompany long-term debt				350,000	1,785,356		445,427	208,105	1,011,330	2,586,138		(6,386,356)	
Forgivable long-term debt	1,199,066	1,544,580											2,743,646
Total Liabilities	8,005,053	2,508,621	89,535	743,567	7,368,035	2,910,684	4,969,357	5,204,732	4,352,118	8,581,440	8,393,781	(8,268,903)	44,858,020
Non-controlling interest in combined subsidiaries												16,484,972	16,484,972
Net Assets and Equity:													
Unrestricted	12,517,091	(665,430)	1,195,224									(557,654)	12,489,231
Temporarily restricted	3,189,892												3,189,892
Total net assets	15,706,983	(665,430)	1,195,224									(557,654)	15,679,123
Owners' equity				(628,622)	1,824,575	1,639,836	742,853	2,506,463	4,497,261	6,950,397	85,968	(17,618,731)	
Total Net Assets and Equity	15,706,983	(665,430)	1,195,224	(628,622)	1,824,575	1,639,836	742,853	2,506,463	4,497,261	6,950,397	85,968	(18,176,385)	15,679,123
Total Liabilities, Net Assets, and Equity	\$ 23,712,036	\$ 1,843,191	\$ 1,284,759	\$ 114,945	\$ 9,192,610	\$ 4,550,520	\$ 5,712,210	\$ 7,711,195	\$ 8,849,379	\$ 15,531,837	\$ 8,479,749	\$ (9,960,316)	\$ 77,022,115

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PLYMOUTH HOUSING GROUP AND SUBSIDIARIES

Consolidating Statement of Activities
For the Year Ended December 31, 2006

	<i>Plymouth Housing Group</i>	<i>Open Door Ventures</i>	<i>Ponderosa Apartments</i>	<i>Plymouth Café LLC</i>	<i>Colwell Building LP</i>	<i>Lewiston Hotel LP</i>	<i>Pacific Hotel LP</i>	<i>First & Denny LP</i>	<i>St. Charles Hotel LLC</i>	<i>Second & Stewart LLC</i>	<i>Third & Blanchard LLC</i>	<i>Eliminations</i>	<i>Consolidated Total</i>
Operating Activities													
Support and Revenue:													
Rental income - residential	\$ 1,286,611	\$ 167,026	\$ 150,945	\$ -	\$ 725,837	\$ 232,125	\$ 635,343	\$ 559,451	\$ 460,169	\$ 374,011	\$ -	\$ -	\$ 4,591,518
Rental income - commercial	414,050				79,194	223,720		63,291	37,704	13,375	33,274	(88,377)	776,231
Grants	1,160,626						20,224						1,180,850
Contributions	293,571	8,447											302,018
Management fees	543,268											(543,268)	
Developer fee	780,150												780,150
Investment income	127,929	460	3,558		1,027	1,338	1,363	1,045	1,241	20,777	21		158,759
Intercompany interest income	173,228											(173,228)	
Plymouth Café sales				179,828									179,828
Other	63,256	514	13		18,381	35,999	6,116	6,036	9,834	1,235		4,166	145,550
Total Support and Revenue	4,842,689	176,447	154,516	179,828	824,439	493,182	663,046	629,823	508,948	409,398	33,295	(800,707)	8,114,904
Expenses:													
Program services -													
Housing management	3,771,514	242,945	161,387		1,277,322	610,844	1,056,268	925,589	1,029,703	1,362,638	12,831	(767,575)	9,683,466
Housing development	189,251												189,251
	3,960,765	242,945	161,387		1,277,322	610,844	1,056,268	925,589	1,029,703	1,362,638	12,831	(767,575)	9,872,717
Management and general	780,608												780,608
Resource development	246,407												246,407
Plymouth Café expenses				404,891								(37,298)	367,593
Total Expenses	4,987,780	242,945	161,387	404,891	1,277,322	610,844	1,056,268	925,589	1,029,703	1,362,638	12,831	(804,873)	11,267,325
Change in Net Assets from Operating Activities	156,475	(66,498)	(6,871)	(225,063)	(452,883)	(117,662)	(393,222)	(295,766)	(520,755)	(953,240)	20,464	4,166	(3,152,421)
Non-operating Activities													
Capital campaign contributions and grants	1,786,731												1,786,731
Capital campaign expenses	(178,231)												(178,231)
Gain on sale of assets	301,566												301,566
Change in Net Assets from Non-operating Activities	1,910,066												1,910,066
Total Change in Net Assets before Non-controlling Interest	1,764,975	(66,498)	(6,871)	(225,063)	(452,883)	(117,662)	(393,222)	(295,766)	(520,755)	(953,240)	20,464	4,166	(1,242,355)
Non-controlling interest in net losses of subsidiaries												2,729,362	2,729,362
Total Change in Net Assets	\$ 1,764,975	\$ (66,498)	\$ (6,871)	\$ (225,063)	\$ (452,883)	\$ (117,662)	\$ (393,222)	\$ (295,766)	\$ (520,755)	\$ (953,240)	\$ 20,464	\$ 2,733,528	\$ 1,487,007

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