

**LENNAR CHARITABLE HOUSING FOUNDATION**  
**FINANCIAL STATEMENTS**  
**December 31, 2006**

## INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report .....	1
Statement of Financial Position .....	2
Statement of Activity .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements .....	5

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Lennar Charitable Housing Foundation

We have audited the accompanying statement of financial position of Lennar Charitable Housing Foundation (the "Foundation") as of December 31, 2006 and the related statements of activity and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the financial position of Lennar Charitable Housing Foundation as of December 31, 2006 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Squar Milner Peterson Miranda & Williamson, LLP". The signature is written in a cursive, flowing style.

Newport Beach, California  
July 23, 2007

**SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP**  
*Certified Public Accountants & Financial Advisors, Serving Clients Since 1951*

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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2006**

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**ASSETS**

**Assets**

Cash and cash equivalents	\$ 1,139,470
Certificates of deposit	2,000,000
Accounts receivable, net	66,316
Interest receivable	<u>27,101</u>

Total assets \$ 3,232,887

**NET ASSETS**

**Commitments and Contingencies**

**Net Assets**

Unrestricted	<u>\$ 3,232,887</u>
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Total net assets \$ 3,232,887

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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**STATEMENT OF ACTIVITY**  
**For the Year Ended December 31, 2006**

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**Support and Revenue**

Fees from home sales	\$ 2,187,036
Other contributions	490,506
Contributed services	447,036
Investment income	124,116
Total support and revenue	<u>3,248,694</u>

**Expenses**

Program expense	
Distributions to organizations for the transitionally homeless	1,229,890
Title search fees	32,098
Total program expense	<u>1,261,988</u>

Support services expense	
Management and general	511,470
Total support services expense	<u>511,470</u>

Total expenses 1,773,458

**Change in net assets** 1,475,236

**Net assets, beginning of year** 1,757,651

**Net assets, end of year** \$ 3,232,887

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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2006**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets \$ 1,475,236

Adjustments to reconcile change in net assets to net cash provided  
by operating activities:

Bad debt expense 66,498

Increase in accounts receivable (83,368)

Increase in interest receivable (27,101)

**Net cash provided by operating activities** 1,431,265

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of certificates of deposit (2,000,000)

**Net cash used in investing activities** (2,000,000)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (568,735)

**CASH AND CASH EQUIVALENTS** – beginning of year 1,708,205

**CASH AND CASH EQUIVALENTS** – end of year \$ 1,139,470

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW  
INFORMATION**

Noncash contributed services \$ 447,036

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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

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**1. ORGANIZATION**

Lennar Charitable Housing Foundation (“Foundation”) is a non-profit, tax exempt 501(c)(3) public benefit corporation created to help with the overwhelming need of housing assistance for the homeless and transitionally homeless, as well as to serve working, low-income families and individuals. The transitionally homeless encompass the men, women and children forced out onto the streets due to a variety of causes including but not limited to domestic violence, unemployment, crisis pregnancies or catastrophic illness.

The original transferor of a home in the Foundation’s program encumbers the home with a lien at the time of home purchase, which results in an endowment fee due. Subsequently, every time a participating home is sold, the transferor and transferee are jointly and severally obligated to pay this fee. This endowment fee is equal to a small percentage of the sales price of a home (1/20th of 1%) and is typically paid to the Foundation through escrow.

Lennar Corporation is a primary sponsor of the Foundation and contributes resources such as management and administrative personnel and other facility related costs at a largely reduced charge.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Use of 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 amounts reported in those statements and accompanying notes. Actual results could differ from such estimates.

*Basis of Accounting*

The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

*Financial Statement Presentation*

Contributions, net assets, and changes in net assets are classified and reported based on the existence or absences of donor-imposed restrictions. For the year ended December 31, 2006, all activities of the Foundation were classified as unrestricted due to the lack of donor-imposed restrictions.

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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Cash and Cash Equivalents*

The Foundation maintains cash and cash equivalents with certain financial institutions. The Foundation performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Foundation's investment strategy. The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

*Certificates of Deposit*

Certificates of deposit are reported in the accompanying statement of financial position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments.

*Accounts receivable*

Accounts receivable represents fee revenue on home sales from participating communities which has not been received as of December 31, 2006. Accounts receivable is presented net of an allowance for uncollectible amounts. An allowance is established for amounts which are deemed to be uncollectible based primarily on the age of the amounts due.

*Revenue Recognition*

The Foundation receives a majority of its support from fees paid by purchasers of homes in participating communities upon close of escrow. Fees received subsequent to year-end related to homes that closed prior to year-end are classified as accounts receivable in the accompanying statement of financial position. The Foundation recognizes other contributions as revenue in the period received.

*Contributed Services*

Contributed services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed services recorded in the accompanying statement of activity consists of management and administrative salaries, facility and other administrative costs contributed by Lennar Corporation and an outside legal firm. Contributed services are reflected as support and revenue, and as support services expense.

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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Distributions*

Distributions are amounts paid to tax exempt, 501(c)(3) nonprofit, public benefit charities and are recognized in the period the distribution is approved.

*Presentation of Expenses on the Statement of Activity*

The costs of Foundation have been summarized on a functional basis in the statement of activity. Program expenses represent, in large part, the direct distribution of funds to various charitable organizations. Support services represent the program administration and other general and administrative expenses of the Foundation.

*Concentration of Credit Risk*

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of certificates of deposit. The Foundation also maintains substantially all of its day-to-day operating cash at financial institutions in the United States. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation. At December 31, 2006, the amounts in excess were approximately \$1,118,000 in cash balances and \$1,900,000 in certificates of deposit.

*Income Taxes*

The Foundation and Charitable Fund are exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable, net consists of the following at December 31, 2006:

Receivable from new home sales	\$ 17,907
Receivable from resale home sales	148,722
Total accounts receivable, gross	166,629
Less allowance for uncollectible amounts	<u>(100,313)</u>
Accounts receivable, net	<u>\$ 66,316</u>

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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

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**4. DISTRIBUTIONS TO ORGANIZATIONS FOR THE TRANSITIONALLY HOMELESS**

Distributions made to organizations for the transitionally homeless consist of the following for the year ended December 31, 2006:

HomeAid America	\$ 356,627
Rancho Damacitas	124,915
House of Ruth	103,849
Alternatives to Domestic Violence	90,340
Habitat for Humanity	76,165
Catholic Charities	65,520
Community Resource Center	65,520
Operation Safehouse, Inc.	54,867
Poverello House	45,000
Coalition on Urban Renewal and Education	40,000
Human Options	37,733
Bakersfield Homeless Center	32,241
Families Forward	30,000
Interfaith Community Services	29,184
Casa De Amparo	22,457
South Bay Community Services	20,066
YWCA of San Diego	17,106
Orange County Rescue Mission	10,000
East Bay Habitat For Humanity	8,300
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	\$ 1,229,890
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**5. SUPPORT SERVICES – MANAGEMENT AND GENERAL**

Support services related to management and general costs consist of the following for the year ended December 31, 2006:

Salaries and benefits	\$ 270,237
Legal fees	145,381
Office rent and expense	25,437
Bad debts	66,498
Other	3,917
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Total	\$ 511,470
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**LENNAR CHARITABLE HOUSING FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006**

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**6. CONTRIBUTED SERVICES**

Contributed services consist of the following for the year ended December 31, 2006:

Salaries and benefits	\$ 240,203
Legal fees	145,381
Title search fees	32,098
Office rent and expenses	25,437
Other administrative costs	<u>3,917</u>
Total	<u>\$ 447,036</u>

**7. COMMITMENTS AND CONTINGENCIES**

*Legal*

The Foundation is subject to legal actions normally associated with not-for-profit organizations. In the opinion of management, the Foundation had no contingencies that would be material to the financial position of the Foundation.