

# LENNAR CHARITABLE HOUSING FOUNDATION

Financial Statements

Year Ended December 31, 2007

**Lennar Charitable Housing Foundation**  
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**Year Ended December 31, 2007**

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## 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 (a non-profit organization) as of December 31, 2007 and the related statement 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 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 consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the internal controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, 2007 and the statement of activities and 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.

*Stonefield Josephson, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

Los Angeles, California  
August 26, 2008

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**Lennar Charitable Housing Foundation**  
**Statement of Financial Position**  
**December 31, 2007**

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**Assets**

**Cash:**

Cash and cash equivalents	\$ 918,093
Certificates of deposit	2,000,000
Accounts receivable, net of allowance for doubtful accounts of \$39,593	37,198
Interest receivable	23,830
Prepaid expenses	13

Total assets \$ 2,979,134

**Net Assets**

**Liabilities:**

Accrued expenses	\$ 39,135
Other liabilities	2,470

Total liabilities, all current 41,605

**Unrestricted net assets**

2,937,529

\$ 2,979,134

**Lennar Charitable Housing Foundation**  
**Statement of Activities and Changes in Net Assets**  
**December 31, 2007**

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<b>Support and Revenue:</b>	
Fees from home sales	\$ 1,678,847
Other contributions	43,000
Contributed services	334,784
Investment income	<u>155,139</u>
Total support and revenue	2,211,770
<b>Expenses:</b>	
Program expense - distributions to organizations for the transitionally homeless	1,939,860
Support services expenses:	
Contributed services	334,784
Management and general	<u>232,484</u>
Total support services expenses	567,268
Total expenses	<u>2,507,128</u>
<b>Changes in net assets</b>	(295,358)
<b>Net assets, beginning of year</b>	<u>3,232,887</u>
<b>Net assets, end of year</b>	<u><u>\$ 2,937,529</u></u>

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

**Lennar Charitable Housing Foundation**  
**Statement of Cash Flows**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**Year Ended December 31, 2007**

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<b>Cash flows provided by (used for) operating activities:</b>	
Change in net assets	\$ (295,358)
<b>Adjustments to reconcile change in net assets to net cash used for operating activities -</b>	
Bad debt expense	(44,365)
<b>Changes in assets:</b>	
<b>Decrease (increase) in assets:</b>	
Accounts receivable, net	73,483
Interest receivable	3,271
Prepaid expense	(13)
<b>Increase (decrease) in liabilities:</b>	
Accrued expense	39,135
Other liabilities	2,470
Total adjustments	<u>73,981</u>
<b>Net decrease in cash and cash equivalents</b>	(221,377)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,139,470</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 918,093</u></u>
<b>Supplemental disclosure of cash flow information:</b>	
Interest paid	<u>\$ -</u>
Taxes paid	<u><u>\$ -</u></u>

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

**(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.

**Tax Status**

The Foundation has received a tax determination letter from governmental authorities advising that it is exempt from federal and state income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. As a public charity, the Foundation does not pay federal excise taxes nor is it subject to the requirement to make qualifying distributions.

**(2) Summary of Significant Accounting Policies:**

**Use of Accounting Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**(2) Summary of Significant Accounting Policies (Continued):**

**Net Assets**

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets – based on the existence or absence of donor-imposed restrictions.

Temporarily restricted net assets include those where use by the Foundation has been limited by donors to later periods of time or for specified purposes. Permanently restricted net assets include those net assets that must be maintained in perpetuity; the investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, for purposes as approved by the Board of Directors.

At December 31, 2007, the Foundation did not have any temporarily or permanently restricted net assets.

**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.

**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 represent fee revenue on home sales in participating communities that have not been received as of December 31, 2007. The Foundation provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Foundation's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Foundation's estimate of the allowance for doubtful accounts will change. Accounts receivable are presented net of an allowance for doubtful accounts of \$39,593 at December 31, 2007.

