AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2009

BROWN, GRAHAM & COMPANY
PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Member
AHF Florida, LLC
Amarillo, Texas

We have audited the accompanying statement of financial position of AHF Florida, LLC (a non-profit limited liability company) (the Company), a wholly owned subsidiary of American Housing Foundation, as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 AHF Florida, LLC, as of December 31, 2009, 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Company taken as a whole. The accompanying supplemental schedule on pages 15 and 16 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Company. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been prepared assuming that AHF Florida, LLC will continue as a going concern. The Company's Multifamily Housing Revenue Bonds Series 2003C are currently in default. In addition, American Housing Foundation, the sole member of AHF Florida, LLC filed for voluntary Chapter 11 Bankruptcy in June, 2009. This factor as further discussed in Note 1, raise substantial doubt about AHF Florida, LLC's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event AHF Florida, LLC is unable to continue as a going concern.

Austin, Texas
July 22, 2010

Brown, Graham & Company P.C.

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

Current assets:		
Cash and cash equivalents	$	265,662
Restricted cash (Note 2)		5,044,279
Accounts receivable:		
Tenants		53,328
Related party (Note 5)		1,347,049
Interest (Note 5)		58,741
Other		40,563
Prepaid expenses		155,443
Total current assets		6,965,065
Restricted deposits and funded reserves (Note 3)		190,861
Property and equipment, at cost (Note 4)		
Land		2,900,000
Buildings and improvements		23,727,776
Furnishings and equipment		185,161
Total property and equipment		26,812,937
Less: Accumulated depreciation		(4,130,423)
Net property and equipment		22,682,514
Other assets:		
Utility deposits		13,240
Loan costs, net of accumulated amortization of $178,515		839,611
Investments in AHF Community Development, LLC (Note 5)		244,812
Total other assets		1,097,663
Total assets	$	30,936,103

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

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
STATEMENT OF FINANCIAL POSITION - CONTINUED
DECEMBER 31, 2009

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable - trade	$ 56,934
Accrued expenses:	
Interest and investment fees	592,641
Other	58,346
Prepaid rents	13,753
Current maturities of long-term debt (Note 4)	185,000
Total current liabilities	906,674
Tenant security deposits	35,635
Long-term debt, net of current maturities (Note 4)	26,600,000
Total liabilities	27,542,309
Net assets - unrestricted	3,393,794
Total liabilities and net assets	$ 30,936,103

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

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

Revenues and gains:	
Gross rents	$ 3,485,040
Less: vacancies	(1,270,052)
Net rental revenue	2,214,988
Other operating revenue	175,927
Total revenues and gains	2,390,915
Expenses and losses:	
Administrative	103,453
Residential housing:	
Advertising	24,763
Amortization	29,017
Bad debts	63,211
Depreciation	746,794
Insurance	108,465
Legal and accounting	16,041
Management fees (Note 6)	74,518
Payroll taxes and employee benefits	86,182
Real estate taxes	70,071
Repairs and maintenance	152,897
Resident services	146,698
Salaries and wages	329,423
Telephone	19,530
Utilities	392,567
Total expenses and losses	2,363,630
Income from operations	27,285
Other income (expenses):	
Interest income	89,545
Interest expense	(2,184,000)
Investment fees	(66,828)
Scholarships and other housing programs	(9,939)
Trust legal and advisor fees	(108,899)
Total other income (expenses)	(2,280,121)

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

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
STATEMENT OF ACTIVITIES - CONTINUED
YEAR ENDED DECEMBER 31, 2009

Decrease in net assets	$	(2,252,836)
Net assets - unrestricted:		
Beginning of year		5,646,630
End of year	$	3,393,794

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

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

Cash flows from operating activities:	
Decrease in net assets	$ (2,252,836)
Adjustments to reconcile decrease in net assets to net cash flows from operating activities:	
Depreciation	746,794
Amortization	29,017
(Increase) decrease in:	
Accounts receivable:	
Tenants	(11,254)
Interest	(20,566)
Other	(26,416)
Prepaid expenses	(98,792)
Utility deposits	(7,739)
Increase (decrease) in:	
Accounts payable - trade	(41,028)
Accrued expenses:	
Real estate taxes	(21,938)
Investment fees	40,243
Other	48,405
Prepaid rents	(11,331)
Tenant security deposits	(13,872)
Net cash flows from operating activities	(1,641,313)
Cash flows from investing activities:	
Purchase of property and equipment	(185,867)
Decrease in restricted cash	1,526,233
Decrease in restricted deposits and funded reserves:	
Reserve for replacements and repairs	18,010
Stabilization fund	1,500,961
Net cash flows from investing activities	2,859,337
Cash flows from financing activities:	
Net advances to related party	(836,496)
Principal payments on long-term debt	(125,000)
Net cash flows from financing activities	(961,496)

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

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED DECEMBER 31, 2009

Net increase in cash and cash equivalents	$	256,528
Cash and cash equivalents:		
Beginning of year		9,134
End of year	$	265,662
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$	2,184,000

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

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:
AHF Florida, LLC (a non-profit limited liability company) (the Company) owns one apartment complex (Ashton Park Apartments) located in Tampa, Florida and one apartment complex (The Huntington at Hidden Hills) located in Jacksonville, Florida. The Company filed a certificate of organization effective October 17, 2003. The Company's sole member is American Housing Foundation (a Texas non-profit Corporation) (the Foundation).

On December 23, 2003, the Company purchased three apartment complexes, subsequently selling one of the apartment complexes during the year ended December 31, 2006, with funding from Capital Trust Agency (the Issuer). The Issuer issued bonds consisting of Multifamily Housing Revenue Bonds (AHF Affordable Housing Portfolio) Series 2003 A Bonds and Series 2003C Bonds, secured by a trust indenture dated as of December 31, 2003, by and between the Issuer and Wells Fargo Bank, National Association, as the Master Trustee under an Amended and Restated Master Trust Agreement dated as of December 1, 2004, including a first amendment dated June 11, 2006, to the Amended and Restated Master Trust Agreement (the Master Trust Agreement). The Master Trust Agreement covers various series of bonds and covers the Company and other related entities (AHF Arizona, LLC, AHF Tulsa, LLC, DHEOP, LLC, THEOP, LLC and WHEOP, LLC). Subsequent to the year ended December 31, 2009, the Master Trustee changed to UMB.

Also, the Company has entered into a Regulatory Agreement and Declaration of Restrictions Covenants between the Issuer and the Master Trustee to require a portion of the real property to be occupied at all times by low and moderate income persons as defined by the Internal Revenue Code of 1986, Section 151(c)(4).

Basis of reporting:
The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Since the sole member of the Company is a non-profit corporation, the Company's financial statements are reported in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*.

Going concern:
As of December 31, 2009, the Company's Multifamily Housing Revenue Bonds Series 2003C are in default (see Note 3). In addition, the Foundation filed for voluntary Chapter 11 Bankruptcy On June 11, 2009. The impact of the Chapter 11 Bankruptcy by the Foundation on the Company cannot be determined at present time.

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of reporting – continued:
In view of these matters, realization of a major portion of the assets in the accompanying statement of financial position is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements, and the success of its future operations. Management believes that actions presently being taken to revise the Company's operating and financial requirements provide the opportunity for the Company to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company is unable to continue as a going concern.

Contributions:
The Company reports contributions of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the contributed assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2009, there were no temporarily or permanently restricted net assets.

The Company reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the contributed or acquired long-lived assets are placed in service.

Property and equipment:
Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. Repairs and maintenance are charged to expenses as incurred. Renewals and betterments which add significantly to the utility or useful life of the asset are capitalized. Upon retirement or disposition of assets, related gains or losses are reflected in operations.

Property and equipment are being depreciated using the straight-line method over the estimated useful lives stated in years as follows:

	Years
Buildings and improvements	39
Furnishings and equipment	5

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Federal income taxes:
Federal income taxes are not payable by, or provided for AHF Florida, LLC. The Company's revenue and expenses are consolidated with the Foundation and its other affiliates. The Foundation is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3) and is a publicly supported organization. Upon dissolution, all its assets will be distributed to another similar organization.

Other assets:
Loan costs associated with Multifamily Housing Revenue Bonds (see Note 1 - Organization) are being amortized on the straight-line method over thirty-six years. Amortization charged to expense for the year ended December 31, 2009, was $29,017.

Cash and cash equivalents:
The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts receivable:
The Company follows the direct write-off method of accounts receivable when considered uncollectible. Based on the Company's historical bad debt experience and management's judgment, the effects of using this method (as compared to an allowance method required under GAAP) on the statement of activities are immaterial.

Rental income:
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and tenants of the property are operating leases.

Advertising costs:
Advertising costs are charged to expense as they are incurred and totaled $24,763, for the year ended December 31, 2009.

Estimates:
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-lived assets:
The Company evaluates its long-lived assets in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10-50-2 (formerly known as FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), which requires the Company under certain circumstances to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived assets may not be recoverable. Recoverability of the long-lived assets is measured by comparison of the carrying amount to future undiscounted cash flows that the assets are expected to generate. If the long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the long-lived assets exceed their fair market value and is recorded in the period the determination is made.

NOTE 2 - RESTRICTED CASH

In accordance with the Master Trust Agreement, certain escrows for real estate taxes, property insurance, revenue fund, project fund, administrative fees and bond expenses, and reserves for debt service are required to be maintained by the Master Trustee. Interest income is allocated to the Company based on the total number of units in the Master Trust Agreement to the total number of units in the Company. Monthly deposits and disbursements maintained by the Master Trustee are charged to the specific Company. Restricted cash as of December 31, 2009, consists of the following:

Taxes and insurance escrow	$	32,359
Revenue escrow		168,663
Administrative fees and bond expenses escrow		27,487
Reserves for debt service		4,815,770
Total restricted cash	$	5,044,279

The balances in revenue escrow and administrative fees and bond expenses escrow for the Company are the cumulative effects of increases and decreases from inception of the Master Trust Agreement. These amounts are commingled and shared with escrow funds among the Company and related entities under the Master Trust Agreement (see Note 1).

NOTE 3 - RESTRICTED DEPOSITS AND FUNDED RESERVES

In accordance with the Master Trust Agreement, a reserve for replacements and repairs and a Stabilization Fund are to be maintained by the Master Trustee. At December 31, 2009, the reserve for replacements has a zero balance, and the Stabilization Fund has a balance of $190,861.

NOTE 4 - LONG-TERM DEBT

Long-term debt consists of the following:

Notes payable to Capital Trust Agency (see Note 1); interest and principal is payable semi-annually; interest is fixed at 8.125%; secured by a trust indenture and the Master Trust Agreement (see Note 1).	$ 26,785,000
Less: current maturities of long-term debt	(185,000)
Long-term debt, net of current maturities	$ 26,600,000

Aggregate annual maturities of long-term debt are as follows:

2010	185,000
2011	210,000
2012	260,000
2013	295,000
2014	360,000
Thereafter	25,475,000
Total	$ 26,785,000

As of December 31, 2009, the Company is in default under the Master Trust Agreement.

NOTE 5 - RELATED PARTY TRANSACTIONS

As of December 31, 2009, the Company has accounts receivable from related entities under the Master Trust Agreement (see Note 1) in the amount of $1,412,803, and accounts payable to the Foundation (see Note 1) in the amount of $65,754, which resulted in a net accounts receivable from related party in the amount of $1,347,049.

NOTE 5 - RELATED PARTY TRANSACTIONS - CONTINUED

On December 11, 2006, the Foundation purchased $6,830,000, of the outstanding Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (American Housing Foundation Portfolio), Series 2002B Junior Bonds from Capmark Securities, Inc., formerly GMAC Financial. The Series 2002B Junior Bonds were originally issued by Texas State Affordable Housing Corporation on behalf of AHF Community Development, LLC, a wholly owned subsidiary of the Foundation. During the year ended December 31, 2006, the Foundation transferred the Series 2002B Junior Bonds in the amount of $117,660, to the Company. During the year ended December 31, 2009, interest income in the amount of $20,566, was earned from the investments in AHF Community Development, LLC and was included in interest income in the statement of activities. As of December 31, 2009, unpaid interest income in the amount of $58,741 was recorded in accounts receivable – interest in the statement of financial position.

NOTE 6 – MANAGEMENT FEES

From January 2009 through April 2009, the Company had a management agreement with Walden Affordable Group, LLC requiring it to pay approximately $210 per unit annually, subject to annual adjustment based on the consumer price index (CPI). In May 2009, the Company entered into a management agreement with Asset Plus Corporation (the Manager) requiring it to pay a monthly fee of $3,000 per Project or $20 per occupied unit, whichever is greater, but not to exceed 4% of the Projects' gross receipts. Management fees for the year ended December 31, 2009 were $74,518. As of December 31, 2009, unpaid management fees totaled $4,953, which were included in the accrued expenses – other on the accompanying statement of financial position.

NOTE 7 – DATE OF MANAGEMENT EVALUATION OF SUBSEQUENT EVENTS

Management of the Company has evaluated the effects of subsequent events that have occurred subsequent to the year ended December 31, 2009, and through July 22, 2010, which is the date the financial statements are available to be issued.

SUPPLEMENTAL SCHEDULE

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
SUPPLEMENTAL SCHEDULE
YEAR ENDED DECEMBER 31, 2009

	Ashton Park	Huntington at Hidden Hills	Total
Revenues and gains:			
Gross rents	$ 1,480,560	$ 2,004,480	$ 3,485,040
Less: vacancies	(576,911)	(693,141)	(1,270,052)
Net rental revenue	903,649	1,311,339	2,214,988
Other operating revenue	74,180	101,747	175,927
Total revenues and gains	977,829	1,413,086	2,390,915
Expenses and losses:			
Administrative	47,567	55,886	103,453
Residential housing:			
Advertising	7,941	16,822	24,763
Amortization	11,652	17,365	29,017
Bad debts	29,620	33,591	63,211
Depreciation	325,676	421,118	746,794
Insurance	49,027	59,438	108,465
Legal and accounting	9,541	6,500	16,041
Management fees	34,686	39,832	74,518
Payroll taxes and employee benefits	47,798	38,384	86,182
Real estate taxes	56,907	13,164	70,071
Repairs and maintenance	82,796	70,101	152,897
Residential services	42,174	104,524	146,698
Salaries and wages	178,721	150,702	329,423
Telephone	10,808	8,722	19,530
Utilities	181,093	211,474	392,567
Total expenses and losses	1,116,007	1,247,623	2,363,630
Income (loss) from operations	(138,178)	165,463	27,285

See independent auditor's report.

AHF FLORIDA, LLC
(A NON-PROFIT LIMITED LIABILITY COMPANY)
SUPPLEMENTAL SCHEDULE - CONTINUED
YEAR ENDED DECEMBER 31, 2009

	Ashton Park	Huntington at Hidden Hills	Total
Other income (expenses):			
Interest income	$ 41,328	$ 48,217	$ 89,545
Interest expense	(1,007,958)	(1,176,042)	(2,184,000)
Investment fees	(30,446)	(36,382)	(66,828)
Scholarships and other housing programs	-	(9,939)	(9,939)
Trust legal and advisor fees	(50,261)	(58,638)	(108,899)
Total other income (expenses)	(1,047,337)	(1,232,784)	(2,280,121)
Decrease in net assets	$ (1,185,515)	$ (1,067,321)	$ (2,252,836)

See independent auditor's report.