

FRUITVALE DEVELOPMENT CORPORATION

(A California Corporation)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

FRUITVALE DEVELOPMENT CORPORATION

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SEPTEMBER 30, 2009 AND 2008

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Independent Auditors' Report

The Board of Directors
Fruitvale Development Corporation

We have audited the accompanying statement of financial position of Fruitvale Development Corporation (a California corporation) as of September 30, 2009 and September 30, 2008, and the related statements of activities and functional expenses and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Fruitvale Development Corporation as of September 30, 2009 and September 30, 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RINA accountancy corporation

Certified Public Accountants

Oakland, California
January 5, 2010

FRUITVALE DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION - SEPTEMBER 30, 2009

(With comparative totals at September 30, 2008)

	General/ Real Property	Fruitvale Village	Interdepart. Eliminations	Totals	
				09/30/09	09/30/08
ASSETS:					
Current assets					
Cash and cash equivalents	\$ -	\$ 206,219	\$ -	\$ 206,219	\$ 357,098
Cash and cash equivalents held by:					
Trustee for early bond redemption	-	6,373	-	6,373	7,775
Citibank for Rate Cap Sinking Fund (2012)	-	2,448	-	2,448	83,222
Accounts and grants receivable, net allowance	430	34,767	-	35,197	42,586
Total current assets	430	249,807	-	250,237	490,681
Deferred charge	-	9,030,125	-	9,030,125	8,906,088
Other prepaid expenses and deposits (incl. rate cap)	-	86,100	-	86,100	46,983
Fixed assets, net of accumulated depreciation	1,081,910	43,702,002	-	44,783,912	46,360,375
Interdepartmental asset	356,476	6,851,931	(7,208,407)	-	-
TOTAL ASSETS	\$ 1,438,816	\$ 59,919,965	\$ (7,208,407)	\$ 54,150,374	\$ 55,804,126
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable and accrued expenses	14,182	62,532	-	76,714	274,526
Prepaid rents/deferred revenues	-	61	-	61	1,834
Security deposits	3,545	167,468	-	171,013	184,447
Mortgages payable - current portion	15,564	2,514,558	-	2,530,122	463,177
Total current liabilities	33,291	2,744,619	-	2,777,910	923,984
Mortgages and notes payable - long-term					
Accrued interest	10,830	154,717	-	165,547	224,664
Mortgages (Fruitvale Village)	-	19,592,084	-	19,592,084	21,967,083
Note payable (Spanish Speaking Unity Council)	-	2,015,669	-	2,015,669	2,159,402
Mortgages (Masonic Temple)	1,592,872	-	-	1,592,872	1,644,056
Total mortgages and notes payable - long term	1,603,702	21,762,470	-	23,366,172	25,995,204
Interdepartmental liability	-	7,208,407	(7,208,407)	-	-
Total liabilities	1,636,993	31,715,496	(7,208,407)	26,144,082	26,919,188
Net assets:					
Unrestricted	(198,177)	28,204,469	-	28,006,292	28,884,939
Total net assets	(198,177)	28,204,469	-	28,006,292	28,884,939
TOTAL LIABILITIES AND NET ASSETS	\$ 1,438,816	\$ 59,919,965	\$ (7,208,407)	\$ 54,150,374	\$ 55,804,126

See notes to financial statements.

FRUITVALE DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2009
(With comparative totals at September 30, 2008)

	General & Real Property	Fruitvale Village	Total	
			9/30/2009	9/30/2008
SUPPORT AND REVENUES:				
Rents and Common Area Maintenance (CAM)	\$ 204,219	\$ 3,348,029	\$ 3,552,248	\$ 3,476,488
Government contracts and grants	-	-	-	74,800
Interest	28	234,734	234,762	398,754
Other	1,000	11,771	12,771	29,335
	<u>205,247</u>	<u>3,594,534</u>	<u>3,799,781</u>	<u>3,979,377</u>
EXPENSES:				
Program Services	266,163	4,412,265	4,678,428	5,343,214
	<u>266,163</u>	<u>4,412,265</u>	<u>4,678,428</u>	<u>5,343,214</u>
CHANGE IN NET ASSETS	(60,916)	(817,731)	(878,647)	(1,363,837)
NET ASSETS, beginning of year	(137,261)	29,022,200	28,884,939	30,248,776
NET ASSETS, end of year	<u>\$ (198,177)</u>	<u>\$ 28,204,469</u>	<u>\$ 28,006,292</u>	<u>\$ 28,884,939</u>

See notes to financial statements.

FRUITVALE DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL SUPPORT, REVENUES AND EXPENSES

YEAR ENDED SEPTEMBER 30, 2009
(With comparative totals at September 30, 2008)

	General	Real Property	Fruitvale Village	Grand Total 09/30/09	Grand Total 09/30/08
SUPPORT AND REVENUES:					
Rents and Common Area Maintenance (CAM)	\$ -	\$ 204,219	\$ 3,348,029	\$ 3,552,248	\$ 3,476,488
Grants and contracts	-	-	-	-	74,800
Interest	28	-	234,734	234,762	398,754
Other	1,000	-	11,771	12,771	29,335
Total support and revenues	1,028	204,219	3,594,534	3,799,781	3,979,376
EXPENSES:					
Operating Expenses					
Cleaning expense	-	-	273,011	273,011	269,837
General Building repair & maintenance	-	7,690	225,539	233,229	316,221
Security expense	-	-	258,046	258,046	282,590
Administration expense	2,848	27	323,969	326,844	308,981
Insurance expense	-	8,831	131,428	140,259	142,162
Property taxes	-	9,018	250,972	259,990	223,577
Utilities	-	28,995	246,715	275,710	246,091
Parking and bike station expenses	-	-	193,960	193,960	299,339
Ground lease rent	-	-	110,696	110,696	98,208
Total operating expenses	2,848	54,561	2,014,336	2,071,745	2,187,005
Non-operating expenses					
Leasing expenses	-	-	25,313	25,313	151,785
Marketing expenses	-	-	6,503	6,503	5,236
Audit and legal expenses	27,218	-	15,294	42,512	139,117
D&O insurance	-	2,480	10,404	12,884	11,567
Ownership management expenses	7,450	14,412	10,442	32,304	78,000
Total non-operating expenses	34,668	16,892	67,956	119,516	385,705
Interest	-	110,111	592,110	702,221	995,631
Financing charges	45	-	28,906	28,951	38,821
Amortization	-	-	44,560	44,560	44,561
Depreciation	13,715	33,323	1,664,397	1,711,435	1,691,491
Total expenses	51,276	214,887	4,412,265	4,678,428	5,343,214
CHANGE IN NET ASSETS	(50,248)	(10,668)	(817,731)	(878,647)	(1,363,837)
NET ASSETS, beginning of year	(310,910)	173,649	29,022,200	28,884,939	30,248,776
NET ASSETS, end of year	\$ (361,158)	\$ 162,981	\$ 28,204,469	\$ 28,006,292	\$ 28,884,939

See notes to financial statements.

FRUITVALE DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2009
(With comparative totals at September 30, 2008)

	September 30, 2009	September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (878,647)	\$ (1,363,837)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation (included in fixed assets)	1,711,435	1,691,491
(Increase) decrease in:		
Accounts and grants receivable	7,389	2,155
Deferred charge	(124,038)	(299,961)
Prepaid expense	(39,118)	44,417
Increase (decrease) in:		
Prepaid rent	(1,773)	(37,515)
Security deposit	(13,434)	37,076
Accrued interest on SSUC note	81,267	84,249
Accrued interest on Fruitvale Village notes	82,452	28,674
Accrued interest on Masonic Temple notes	(6,177)	9,242
Accounts payable and accrued expenses	(197,812)	208,281
	<u>621,544</u>	<u>404,271</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits/Withdrawals to/from sinking fund for rate cap purchase	80,774	(29,376)
Tenant improvements	(134,969)	(534,162)
	<u>(54,195)</u>	<u>(563,538)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Redemption - 501c3 Bonds	(315,000)	(220,000)
Principal payments - HUD Section 108 loan	(129,166)	(104,167)
Principal payments - WFB Loan	(14,964)	(9,481)
Principal payments - City Loan (Masonic Temple)	(35,500)	-
Loan proceeds from Wells Fargo Bank	-	500,000
Loan proceeds/payments from/to Unity Council	(225,000)	195,663
	<u>(719,630)</u>	<u>362,015</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(152,281)	202,748
CASH AND CASH EQUIVALENTS, beginning of year	<u>364,873</u>	<u>162,125</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 212,592</u>	<u>\$ 364,873</u>
SUPPLEMENTAL DATA:		
Interest paid	<u>\$ 467,459</u>	<u>\$ 596,878</u>

See notes to financial statements.

FRUITVALE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of business:

Fruitvale Development Corporation, Inc. (Corporation) is a nonprofit public benefit corporation. The Corporation was organized on February 5, 1996 to plan, develop, rehabilitate, construct and manage housing (for moderate and low-income families and the elderly), commercial, transit and other facilities to combat the deterioration of the Fruitvale area in Oakland. The Corporation completed the construction of the Fruitvale Village (the Project) in 2004.

A majority of the Corporation's directors are also directors of the Spanish Speaking Unity Council of Alameda County, Inc (Unity Council), a nonprofit, public benefit charitable organization. The Unity Council's mission is to enrich the quality of life of families and children in the Fruitvale neighborhood, the City of Oakland and Alameda County. The Corporation is a related entity of the Unity Council, but it is not consolidated with the Unity Council's financial statements.

The operations of the Corporation are funded primarily through rentals but also through various contracts and grants from federal, state and local governments, foundations, and corporations.

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recognized in the period in which they are earned and become measurable, and expenses are recognized in the period incurred.

Financial statement presentation:

In accordance with professional accounting standards, the Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Corporation 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 Corporation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At September 30, 2009, the Corporation has no temporarily restricted net assets.

FRUITVALE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued):

Financial statement presentation (Continued):

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes. At September 30, 2009, the Corporation has no permanently restricted net assets.

Revenue recognition:

Support and revenues from donations without donor-imposed restrictions are reported as unrestricted support in the period received. Support and revenues from donations with donor-imposed restrictions are reported as temporarily restricted support in the period received. Government and local grants and contracts are recognized as revenue to the extent of qualifying expenditures being incurred, most of which have been capitalized and reported as fixed assets or construction in progress. In addition, government and local grants and contracts with donor-imposed restrictions whose restrictions are met in the same year are reported as unrestricted revenues.

Contributions of long-lived assets without stipulations that limit the use of the donated asset are reported as unrestricted support. Contributions of long-lived assets with stipulations that limit the use of the donated assets are reported as temporarily or permanently restricted support. 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.

Cash and cash equivalents:

The Corporation considers all cash and cash equivalent accounts with an initial maturity of three months or less to be cash and cash equivalents for purposes of the statement of cash flows.

Bad debts:

Uncollectible tenant accounts receivable are expensed using the direct write-off method.

Inter-departmental asset and liability:

The Corporation manages the Project under contract with the Unity Council, which acts as an agent for the Corporation. Financial activity from the Project is consolidated with other Corporation financial activity to form these consolidated financial statements. Cash transfer activity between the property management agent and the corporate entity is eliminated upon consolidation.

FRUITVALE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued):

Fixed assets:

Land and buildings are recorded at cost or, if donated, at the estimated fair market value at the time of donation. In addition, the Corporation capitalized predevelopment and construction costs related to the Project.

With the exception of land and construction in progress, depreciation is recorded on the straight-line method over the estimated useful life of the asset. The estimated useful life for buildings is 30-40 years. Building improvements have an estimated useful life of 15 years.

Professional accounting standards require recording of an asset and related liability for costs associated with the retirement of long-lived tangible assets when an unconditional legal obligation to perform a retirement activity exists. The Corporation is not aware of any specific unconditional legal obligations, which, individually or in the aggregate, are material to the Corporation's financial position.

Income taxes:

The Corporation is a tax-exempt corporation under section 501(c) (3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code.

Accounting for uncertain tax positions:

Effective for the Corporation's annual financial statements ending on September 30, 2010, professional accounting standards will require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Corporation does not expect that the adoption of this standard will have a material effect on its financial position, results of operations or cash flows. The Corporation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

Note 2. NATURE 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. These estimates and assumptions affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3. CONCENTRATIONS:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. Cash and cash equivalents are maintained in financial institutions in the United States of America. Non-interest bearing deposits in these financial institutions are fully insured by the FDIC until June 30, 2010; interest-bearing accounts are insured up to \$250,000 until December 31, 2013. The Company has not experienced any losses in such accounts.

FRUITVALE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

Note 4. ACCOUNTS AND GRANTS RECEIVABLE:

Accounts and grants receivable as of September 30, 2009 and 2008 consisted of the following:

	September 30,	
	2009	2008
Fruitvale Village tenant receivables	\$ 33,962	\$ 40,346
Miscellaneous	1,235	2,240
Total accounts and grants receivable	\$ 35,197	\$ 42,586

Note 5. FIXED ASSETS:

Fixed assets as of September 30, 2009 and 2008 comprised of the following:

	<u>Balance</u> <u>10/01/08</u>	<u>Additions</u>	<u>Reclassification/</u> <u>Disposals</u>	<u>Balance</u> <u>9/30/09</u>
Fixed assets:				
Land	\$ 3,588,023	\$ -	\$ -	\$ 3,588,023
Buildings and improvements	50,305,215	104,454	-	50,409,669
Furniture and equipment	56,119	11,211	-	67,330
Construction in progress	-	21,348	(2,041)	19,307
Less accumulated depreciation	(7,588,982)	(1,711,435)	-	(9,300,417)
Total fixed assets, net	\$46,360,375	\$ (1,574,422)	\$ (2,041)	\$44,783,912
	<u>Balance</u> <u>10/1/07</u>	<u>Additions</u>	<u>Reclassification/</u> <u>Disposals</u>	<u>Balance</u> <u>9/30/08</u>
Fixed assets:				
Land	\$ 3,588,023	\$ -	\$ -	\$ 3,588,023
Buildings and improvements	49,771,051	534,162	-	50,305,215
Furniture and equipment	56,119	-	-	56,119
Construction in progress	-	-	-	-
Less accumulated depreciation	(5,897,491)	(1,691,491)	-	(7,588,982)
Total fixed assets, net	\$47,517,702	\$ (1,157,329)	\$ -	\$46,360,375

FRUITVALE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

Note 6. NOTES PAYABLE:

	September 30,	
	2009	2008
<p>A \$3,300,000 loan through the City of Oakland Enhanced Enterprise Community (EEC) HUD Section 108 funds for development and construction of the Project. The Section 108 loan is subject to the terms and conditions of the promissory note. Pursuant to the terms of the promissory note, interest payments commenced on August 1, 1999 at a rate ranging from 2.0% to 6.9%. Principal payments commenced in July 2004, with principal payments starting at \$25,000 per year and increasing \$25,000 per year. Outstanding principal and interest is due on the earliest of a) June 1, 2016 or b) the Corporation's sale of the permanent collateral property.</p>	\$ 2,931,251	\$ 3,060,416
<p>A note payable for \$970,000 from Wells Fargo Bank (WFB), secured by the Masonic Temple and corporate guarantee of Spanish Speaking Unity Council. Interest on principal amounts outstanding accrues at a fixed annual rate of 7.25%, paid monthly. The term of the loan is 10 years, due in June 2017, with a 30-year amortization.</p>	948,820	958,900
<p>A note payable for \$500,000 from Wells Fargo Bank (WFB), secured by the Masonic Temple and corporate guarantee of Spanish Speaking Unity Council. The proceeds of this loan were used to finance improvements in the Project. Interest on principal amounts outstanding accrues at a fixed annual rate of 6.95%, paid monthly. The term of the loan is 10 years, due in September 2018, with a 30-year amortization.</p>	495,116	500,000
<p>A residual receipts note payable for \$200,000 to the City of Oakland. The loan was secured to provide a landlord contribution to the Unity Council for the Community Cultural Center in the Masonic Temple. The note accrues interest at 3%, and principal payments are based on annual excess cash flows.</p>	164,500	200,000
<p>A note payable for a total amount of \$1,400,000 from Citicorp USA Inc. The proceeds of this note were used for construction and development of the Project. The note accrues interest at a fixed annual rate of 4%. The note will be retired in July 2010.</p>	1,400,000	1,400,000

FRUITVALE DEVELOPMENT CORPORATION

**NOTES TO FINANCIAL STATEMENTS -
SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008**

Note 6. NOTES PAYABLE (Continued):

	September 30,	
	2009	2008
<p>The Oakland Joint Powers Authority issued tax-exempt 501 (c) (3) revenue bonds series 2001A (\$19.8 million) dated December 1, 2001, which were issued and sold on December 20, 2001. The proceeds of the bond issuance resulted in a loan to the Corporation that was used to finance the construction of the Project. The bonds mature on July 1, 2033. During construction, the bonds paid interest semi-annually at a fixed rate of 3.125%. Effective July 1, 2004, the bonds converted to a floating weekly rate, the BMA Index Rate. That index has been replaced by the SIFMA Index. The interest rate paid on the bonds ranged from 0.10% to 5.48% between October 1, 2008 and September 30, 2009, and from 1.05% to 7.68% between October 1, 2007 and September 30, 2008. Interest on the bonds is due and payable on the first Wednesday of each calendar month. On August 18, 2009, the Corporation purchased a 6% interest rate cap hedging instrument for the 39-month period from October 1, 2009 through December 31, 2012 for \$86,100.</p>	\$ 16,890,000	\$ 17,205,000
<p>A \$750,000 loan was approved by the City of Oakland, Housing Department, in August 2001. However, the loan was not funded to the Corporation until FY 2002-2003. The loan accrues interest at an annual rate of 3%. Principal and interest payments are paid with excess operating revenue over operating expenses from the Project and are due within 90 days after each calendar year. Final principal and interest payment, if not earlier paid in full from excess operating revenues over operating expenses, is due August 31, 2031.</p>	750,000	750,000
<p>The Spanish Speaking Unity Council made a loan to the Corporation to fund predevelopment expenses for the Project, for a total amount of \$2,015,669, including \$532,180 accrued interest through September 30, 2009. The loan was converted from a construction loan to a permanent loan at the completion of the Project. Interest accrues at 5%. Final principal and interest payment is deferred until September 30, 2012.</p>	<u>2,015,669</u>	<u>2,159,402</u>
<p>Totals</p>	<u>\$ 25,595,356</u>	<u>\$ 26,233,718</u>

FRUITVALE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS - SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

Note 6. NOTES PAYABLE (Continued):

Principal maturities of notes payable for the next five fiscal years ending September 30 and thereafter are as follows:

	City of Oakland (EEC/ Section 108)	WFB	Citicorp	Oakland Joint Powers Authority	City of Oakland Loans	Spanish Speaking Unity Council	Total
2010	\$ 156,250	\$ 14,844	\$ 1,400,000	\$ 835,000	\$ -	\$ -	\$ 2,406,094
2011	181,250	14,844	-	350,000	-	-	546,094
2012	200,000	14,844	-	370,000	-	2,015,669	2,600,513
2013	200,000	14,844	-	465,000	-	-	679,844
2014	200,000	14,844	-	420,000	-	-	634,844
Thereafter	<u>1,993,751</u>	<u>1,369,716</u>	<u>-</u>	<u>14,450,000</u>	<u>914,500</u>	<u>-</u>	<u>18,727,967</u>
Total notes payable	<u>\$ 2,931,251</u>	<u>\$ 1,443,936</u>	<u>\$ 1,400,000</u>	<u>\$ 16,890,000</u>	<u>\$ 914,500</u>	<u>\$ 2,015,669</u>	<u>\$ 25,595,356</u>

The Wells Fargo Bank and City of Oakland residual receipt notes are secured by the Masonic Temple property, which had net book values of \$1,081,910 and \$1,099,748 as of September 30, 2009 and September 30, 2008, respectively. The City of Oakland EEC note, the Citicorp USA note, the Citibank letter or credit securing the 510(c) (3) bonds series 2001A, and the City of Oakland Housing note are all secured by the Fruitvale Village Project, which had net book values of \$43,702,000 and \$45,260,627 as of September 30, 2009 and September 30, 2008, respectively. The Spanish Speaking Unity Council note is unsecured.

Note 7. GROUND LEASE WITH THE BAY AREA RAPID TRANSIT DISTRICT:

On October 1, 2001, the Corporation entered into a 95-year ground lease, including options, with the San Francisco Bay Area Rapid Transit District (BART) for constructing commercial, community service and residential improvements for the Project. During the fiscal year ended September 30, 2002, the Corporation received a rent credit from BART at a value of \$7,247,134, which was recorded as a deferred charge on the statement of financial position. Based on the BART ground lease agreement, the Corporation has earned simple interest (at Prime) on this asset since December 1, 2003. In addition, on December 1, 2003, rent commenced on the ground lease. The balance of the prepayment credit, net of rent expense, as of September 30, 2009 and 2008, is \$9,030,125 and \$8,906,088, respectively, which is the net result of accrued interest less the annual rent expense. The Corporation does not anticipate incurring cash cost for rent expense during the initial 75-year term of this ground lease.

Note 8. RELATED PARTY TRANSACTIONS:

The Unity Council provides general management, property management, accounting and construction management services for the Corporation. During the fiscal years ended September 30, 2009 and 2008, the Corporation was billed \$121,430 and \$78,000, respectively for these services. The Unity Council has also loaned funds to the Project (see Note 6). At September 30, 2009 and 2008, the Corporation has a note payable to the Unity Council for \$2,015,669 and \$2,159,402, respectively. The Unity Council is a major tenant in buildings owned by the Corporation. Rental income from the Unity Council of \$711,135 was recorded by the Corporation for the fiscal year ended September 30, 2009.