



**Reznick
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CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTAL INFORMATION

MERCY HOUSING, INC.

DECEMBER 31, 2010 AND 2009

Mercy Housing, Inc.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mercy Housing, Inc.

We have audited the accompanying consolidated statements of financial position of Mercy Housing, Inc. (a non-profit organization) and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of activities, changes in net assets and cash flows for the years ended December 31, 2010 and 2009. These consolidated financial statements are the responsibility of Mercy Housing, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mercy Housing, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years ended December 31, 2010 and 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2011, on our consideration of Mercy Housing, Inc. and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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 audits.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of Mercy Housing, Inc. and Subsidiaries taken as a whole. The accompanying supplemental information on pages 46 through 195, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The independent auditors' report has been reissued for a correction of a typographical error on the original report to the Schedule of Federal Expenditures as an item was grouped with the incorrect CFDA number on the detail listing.

Reznick Group, P.C.

Charlotte, North Carolina
April 27, 2011

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 12,591,194	\$ 22,060,365
Cash, tenant security deposits	5,732,471	5,491,032
Cash, restricted	30,368,986	27,210,005
Investments	490,000	95,000
Investments, restricted	2,484,442	2,129,461
Accounts receivable, net	10,417,260	5,088,614
Pledges receivable, net	2,185,940	1,544,054
Grants receivable	12,175,942	12,863,463
Current portion of notes and interest receivable	15,504,366	15,415,471
Prepaid expenses and other assets	6,127,820	6,324,890
Inventory	11,115,889	2,522,926
Assets held for sale	829,708	5,396,898
Total current assets	110,024,018	106,142,179
Property and equipment, net	1,387,712,448	1,281,459,471
Other long-term assets		
Restricted property reserves	100,508,516	83,813,973
Long-term investments	4,441,704	1,307,174
Long-term investments, restricted	5,760,000	7,595,000
Pledges receivable, net	1,334,748	1,807,002
Investments in limited partnerships, net	264,444	562,408
Notes and interest receivable, net	17,773,682	11,207,312
Other assets, net	22,025,898	19,805,946
Total other long-term assets	152,108,992	126,098,815
Total assets	\$ 1,649,845,458	\$ 1,513,700,465

(continued)

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2010 and 2009

	2010	2009
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 48,829,130	\$ 40,816,593
Accrued interest	4,379,923	2,641,179
Current portion of notes payable	67,848,752	68,636,719
Deferred revenue	2,467,024	2,277,216
Tenant security deposits	5,248,131	4,981,305
	<u>128,772,960</u>	<u>119,353,012</u>
Total current liabilities		
Long-term liabilities		
Accrued interest	58,519,883	52,810,786
Notes payable, less current portion, net	849,040,713	753,908,053
Notes payable, less current portion, affiliates	415,801	415,801
Deferred revenue and other liabilities	23,175,334	13,643,013
	<u>931,151,731</u>	<u>820,777,653</u>
Total long-term liabilities		
Total liabilities	<u>1,059,924,691</u>	<u>940,130,665</u>
Net assets		
Unrestricted net assets, controlling	25,928,512	25,760,213
Unrestricted net assets, noncontrolling	372,697,366	354,284,639
	<u>398,625,878</u>	<u>380,044,852</u>
Total unrestricted net assets		
Temporarily restricted net assets	187,329,183	189,559,242
Permanently restricted net assets	3,965,706	3,965,706
	<u>589,920,767</u>	<u>573,569,800</u>
Total net assets		
Total liabilities and net assets	<u>\$ 1,649,845,458</u>	<u>\$ 1,513,700,465</u>

See notes to financial statements

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2010

	Programs						Total	Unrestricted	Temporarily Restricted	Permanently Restricted
	Property Operations & Management	Resident Services	Housing Development	MLF	Neighborhood Stabilization	Corporate Operations				
Revenues										
Rent - net of vacancies	\$ 116,203,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,203,509	\$ 116,203,509	\$ -	\$ -
Developer fees	-	-	7,204,439	-	-	-	7,204,439	7,204,439	-	-
Services fees	1,901,051	182,328	1,931	1,101,613	-	58,897	3,245,820	3,245,820	-	-
Philanthropy	3,952,178	5,949,676	5,027,381	59,021	100,000	1,685,350	16,773,606	11,675,931	5,097,675	-
Capital grants	1,498,000	-	11,673,337	-	-	20,000	13,191,337	1,420,000	11,771,337	-
Consulting	10,214	180,390	1,225,116	-	3,091,019	10,087	4,516,826	4,516,826	-	-
Interest	978,450	2,485	174,277	1,544,126	4,895	59,326	2,763,559	2,763,559	-	-
Other	7,898,896	36,147	202,981	234,168	419,324	60,708	8,852,224	8,852,224	-	-
Release of restricted assets	-	-	-	-	-	-	-	13,856,994	(13,856,994)	-
Total revenues	<u>132,442,298</u>	<u>6,351,026</u>	<u>25,509,462</u>	<u>2,938,928</u>	<u>3,615,238</u>	<u>1,894,368</u>	<u>172,751,320</u>	<u>169,739,302</u>	<u>3,012,018</u>	<u>-</u>
Expenses and losses										
Compensation	36,758,028	8,340,735	8,003,706	609,652	1,852,029	5,964,105	61,528,255	61,528,255	-	-
Administrative	7,334,768	1,272,728	850,103	120,704	430,599	2,258,011	12,266,913	12,266,913	-	-
Professional services	4,172,752	696,896	476,205	114,555	319,127	632,700	6,412,235	6,412,235	-	-
Depreciation and amortization	58,630,640	6,450	109,909	-	53,570	443,799	59,244,368	59,244,368	-	-
Grants	1,101,986	250,113	36,628	-	-	50,661	1,439,388	1,439,388	-	-
Facility	40,815,378	46,334	689,217	658	104,828	776,454	42,432,869	42,432,869	-	-
Interest and fees	25,026,921	39	403,496	734,030	12,619	93,806	26,270,911	26,270,911	-	-
Bad debts	815,707	-	91,968	-	-	-	907,675	907,675	-	-
Provision for impaired assets	2,041,832	-	(22,125)	493,514	-	150,000	2,663,221	2,663,221	-	-
Project expenses	6,507	-	1,168,301	-	-	-	1,174,808	1,174,808	-	-
Allocation	2,739,043	891,346	3,080,676	214,668	493,604	(7,419,337)	-	-	-	-
(Gain)/loss on sale of assets	633,104	-	334,362	-	-	-	967,466	967,466	-	-
(Gain)/loss on investment in limited partnership	-	-	212,105	60	-	-	212,165	212,165	-	-
Total expenses and losses	<u>180,076,666</u>	<u>11,504,641</u>	<u>15,434,551</u>	<u>2,287,841</u>	<u>3,266,376</u>	<u>2,950,199</u>	<u>215,520,274</u>	<u>215,520,274</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses										
Consolidated	(47,634,368)	(5,153,615)	10,074,911	651,087	348,862	(1,055,831)	(42,768,954)	(45,780,972)	3,012,018	-
Attributable to non-controlling interest	<u>(45,134,212)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,134,212)</u>	<u>(45,134,212)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses attributable to Mercy Housing, Inc.	<u>\$ (2,500,156)</u>	<u>\$ (5,153,615)</u>	<u>\$ 10,074,911</u>	<u>\$ 651,087</u>	<u>\$ 348,862</u>	<u>\$ (1,055,831)</u>	<u>\$ 2,365,258</u>	<u>\$ (646,760)</u>	<u>\$ 3,012,018</u>	<u>\$ -</u>

(continued)

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

Year ended December 31, 2009

	Programs						Total	Unrestricted	Temporarily Restricted	Permanently Restricted
	Property Operations & Management	Resident Services	Housing Development	MLF	Neighborhood Stabilization	Corporate Operations				
Revenues										
Rent - net of vacancies	\$ 109,210,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,210,354	\$ 109,210,354	\$ -	\$ -
Developer fees	-	-	7,437,888	-	-	-	7,437,888	7,437,888	-	-
Services fees	1,893,290	124,061	63,226	-	-	33,925	2,114,502	2,114,502	-	-
Philanthropy	713,977	5,343,791	9,097,788	53,310	49,500	1,354,023	16,612,389	7,899,040	8,338,349	375,000
Capital grants	-	-	9,767,677	-	-	-	9,767,677	1,551,277	8,216,400	-
Consulting	14,738	330,060	1,828,869	-	1,540,547	146,055	3,860,269	3,860,269	-	-
Interest	1,323,990	2,464	203,931	1,622,191	341	106,897	3,259,814	3,259,814	-	-
Other	6,731,089	41,317	1,709,355	228,673	15,000	12,477	8,737,911	8,737,911	-	-
Release of restricted assets	-	-	-	-	-	-	-	13,444,100	(13,444,100)	-
Total revenues	<u>119,887,438</u>	<u>5,841,693</u>	<u>30,108,734</u>	<u>1,904,174</u>	<u>1,605,388</u>	<u>1,653,377</u>	<u>161,000,804</u>	<u>157,515,155</u>	<u>3,110,649</u>	<u>375,000</u>
Expenses and losses										
Compensation	33,775,816	8,315,637	9,013,958	622,670	963,571	6,481,690	59,173,342	59,173,342	-	-
Administrative	8,852,454	1,261,278	1,564,888	113,735	157,370	1,824,846	13,774,571	13,774,571	-	-
Professional services	4,051,019	454,680	952,367	54,645	583,587	884,262	6,980,560	6,980,560	-	-
Depreciation and amortization	54,346,852	9,884	118,086	466	42,231	433,011	54,950,530	54,950,530	-	-
Grants	487,395	118,400	204,448	121,128	-	4,126	935,497	935,497	-	-
Facility	41,266,941	73,342	728,754	18,458	60,687	653,119	42,801,301	42,801,301	-	-
Interest and fees	22,292,283	262	260,876	711,554	15,262	168,447	23,448,684	23,448,684	-	-
Bad debts	1,335,979	-	97,174	-	-	-	1,433,153	1,433,153	-	-
Provision for impaired assets	8,338,436	-	72,275	231,000	-	261,791	8,903,502	8,903,502	-	-
Project costs	2	-	668,444	-	-	-	668,446	668,446	-	-
Allocation	3,268,877	867,179	3,740,540	162,792	240,608	(8,279,996)	-	-	-	-
(Gain) loss on sale of assets	(1,393,706)	-	54,011	(390,212)	-	(13,303)	(1,743,210)	(1,743,210)	-	-
(Gain) loss on investment in limited partnership	-	-	603,819	-	-	-	603,819	603,819	-	-
Total expenses and losses	<u>176,622,348</u>	<u>11,100,662</u>	<u>18,079,640</u>	<u>1,646,236</u>	<u>2,063,316</u>	<u>2,417,993</u>	<u>211,930,195</u>	<u>211,930,195</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses										
Consolidated	(56,734,910)	(5,258,969)	12,029,094	257,938	(457,928)	(764,616)	(50,929,391)	(54,415,040)	3,110,649	375,000
Attributable to non-controlling interest	(32,159,689)	-	-	-	-	-	(32,159,689)	(32,159,689)	-	-
Excess (deficiency) of revenues over expenses attributable to Mercy Housing, Inc.	<u>\$ (24,575,221)</u>	<u>\$ (5,258,969)</u>	<u>\$ 12,029,094</u>	<u>\$ 257,938</u>	<u>\$ (457,928)</u>	<u>\$ (764,616)</u>	<u>\$ (18,769,702)</u>	<u>\$ (22,255,351)</u>	<u>\$ 3,110,649</u>	<u>\$ 375,000</u>

See notes to financial statements

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2010 and 2009

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
	Controlling	Noncontrolling	Total			
Balance, January 1, 2009	\$ 48,201,914	\$ 330,038,962	\$ 378,240,876	\$ 190,139,908	\$ 3,290,706	\$ 571,671,490
Contributions	-	66,793,944	66,793,944	-	-	66,793,944
Distributions	-	(485,356)	(485,356)	-	-	(485,356)
Syndication	-	(1,409,316)	(1,409,316)	-	-	(1,409,316)
Other Transfers	(186,350)	(8,493,906)	(8,680,256)	(3,691,315)	300,000	(12,071,571)
Excess (deficiency) of revenues over expenses	(22,255,351)	(32,159,689)	(54,415,040)	3,110,649	375,000	(50,929,391)
Balance, December 31, 2009	25,760,213	354,284,639	380,044,852	189,559,242	3,965,706	573,569,800
Contributions	-	65,431,393	65,431,393	-	-	65,431,393
Distributions	-	(392,641)	(392,641)	-	-	(392,641)
Syndication	-	(859,940)	(859,940)	-	-	(859,940)
Other Transfers	815,059	(631,873)	183,186	(5,242,077)	-	(5,058,891)
Excess (deficiency) of revenues over expenses	(646,760)	(45,134,212)	(45,780,972)	3,012,018	-	(42,768,954)
Balance, December 31, 2010	\$ 25,928,512	\$ 372,697,366	\$ 398,625,878	\$ 187,329,183	\$ 3,965,706	\$ 589,920,767

See notes to financial statements

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

	2010	2009
Operating activities		
Changes in net assets	\$ (42,768,954)	\$ (50,929,391)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Forgiveness of debt	(1,579,515)	(544,452)
(Gain) loss on sale of assets	967,466	(1,743,210)
Depreciation and amortization	59,244,368	54,950,530
Provisions for loan losses and impaired assets	2,663,221	8,903,502
Loss from investments in partnerships	212,165	603,819
(Gain) loss on interest rate swap contracts	556,325	(1,925,534)
Net changes in current assets and liabilities that provided (used) cash		
Cash, tenant security deposits	(257,555)	(18,862)
Accounts receivable and due from affiliates	(5,340,681)	(731,008)
Grants receivable	687,521	13,061,767
Pledges receivable	(169,632)	502,001
Prepaid expenses and other assets	190,537	(481,752)
Inventory	(8,592,963)	(2,522,926)
Accounts payable and due to affiliates	6,433,597	(7,934,282)
Accrued interest payable	7,431,082	5,928,543
Deferred revenue	9,722,226	(659,617)
Tenant security deposits	280,644	327,569
Net cash provided by operating activities	<u>29,679,852</u>	<u>16,786,697</u>
Investing activities		
Net change in restricted cash and reserves	(19,898,525)	(6,598,596)
Net change in investments	(2,049,511)	(3,409,906)
Purchases of property and equipment	(182,997,402)	(110,292,361)
Net change in investments in partnerships	152,500	(239,998)
Net change in notes receivable	(9,318,486)	(7,753,106)
Proceeds from sale of property and equipment	<u>19,306,544</u>	<u>2,801,400</u>
Net cash used in investing activities	<u>(194,804,880)</u>	<u>(125,492,567)</u>

(continued)

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2010 and 2009

	2010	2009
Financing activities		
Proceeds from notes payable	188,496,026	150,922,356
Principal payments on notes payable	(92,196,841)	(105,818,216)
Financing fees	(4,822,140)	(3,277,537)
Capital contributions from investor partners	65,431,393	66,793,944
Distributions paid to investor limited partners	(392,641)	(485,356)
Syndication costs	(859,940)	(1,409,316)
	<u>155,655,857</u>	<u>106,725,875</u>
Net cash provided by financing activities	<u>155,655,857</u>	<u>106,725,875</u>
Net increase (decrease) in cash and cash equivalents	(9,469,171)	(1,979,995)
Cash and cash equivalents at beginning of year	<u>22,060,365</u>	<u>24,040,360</u>
Cash and cash equivalents at end of year	<u>\$ 12,591,194</u>	<u>\$ 22,060,365</u>
Cash paid for interest, net of amounts capitalized	<u>\$ 18,933,548</u>	<u>\$ 19,938,887</u>
Noncash investing and financing activities:		
Net noncash net assets of transferred entities to (from) MHI	\$ (4,427,018)	\$ (3,577,665)
Transfers of net assets of non-controlling interests	(631,873)	(8,493,906)
Property and equipment and other assets transferred (to) from MHI	5,058,891	12,071,571
Increase in property and equipment in accounts payable	(14,377,753)	(15,979,843)
Increase in accounts payable from property and equipment purchases	14,377,753	15,979,843
Decrease in property and equipment from notes payable	507,000	(4,635,229)
Decrease in notes payable from property and equipment	(507,000)	4,635,229
Increase in property and equipment from capitalized amortization	(821,505)	(482,774)
Capitalized amortization in property and equipment	821,505	482,774
Increase (decrease) in unrestricted net assets	2,230,059	(94,334)
Increase in (release of) temporarily and permanently restricted net assets	<u>(2,230,059)</u>	<u>94,334</u>
Total noncash investing and financing activities	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mercy Housing, Inc. (MHI) is a nonprofit Nebraska corporation formed in 1981 and is co-sponsored by nine congregations of women religious. The purpose of MHI is to manage or direct entities which are organized for the purpose of creating stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs who lack the economic resources to access quality, safe housing opportunities. These activities are considered to comprise the major programs of the Company. Accordingly, the consolidated statements of activities include five separate programs and corporate operations, as follows: property operations and management; resident services; housing development; neighborhood stabilization and Mercy Loan Fund (MLF).

MHI and its affiliates receive significant funding from federal, state, and local government subsidies in various forms, including low-income housing tax credits, low-interest rate loans, grants, and rent subsidies for qualifying very low, low and moderate-income tenants.

MLF has been certified by the U.S. Treasury's Community Development Financial Institutions Fund (CDFI Fund) as a Community Development Entity (CDE) and has entered into an allocation agreement with the CDFI Fund as an Allocatee under Section 45D of the Internal Revenue Code. As an Allocatee, MLF has been allocated \$20 million in New Markets Tax Credits which have been passed down to a sub-CDE whose primary mission is to provide loans to qualified businesses in low-income communities.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHI and corporations or investments in limited partnerships in which MHI has a controlling interest (the Company). Additionally, the consolidated financial statements for the years ended December 31, 2010 and 2009 include the accounts of 114 and 110 limited partnerships, respectively, in which the Company has a partnership interest. These entities are included in the consolidation according to generally accepted accounting principles which require that partnership accounts be consolidated for all limited partnerships which are deemed to be controlled by the Company. All significant intercompany transactions have been eliminated in consolidation.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

There are an additional eleven affiliated entities and limited partnerships in which the Company has an interest which are not controlled by the Company and do not require inclusion in the consolidated statements in the current year:

Villa Caridad
Westbrook Plaza Commercial
Dove Family Housing Association (La Costa Paloma)
New Dana Strand Partners I, LP (Harborview Apartments/Garden Apts)
Alston Lake Apartments, LP
Brentwood Green Valley Apartments
Galewood SLF Associates, LP
Sunnydale Development Company LLC
Mercy Housing California XXX (Hotel Essex LP)
Adamsville Green LP
Mercy Loan Fund Sub-CDE 1, LLC

The following entities are included in the consolidated financial statements of MHI:

Mercy Housing, Inc.
Consolidated General Partners
 2101 Telegraph Avenue, Inc.
 2101 Telegraph Avenue Associates (Hamilton Apartments)
Affordable Housing Corporation
 Mercy Housing Colorado III (Springfield Court)
 Mercy Housing Colorado IV (Wapiti Meadows)
 Mercy Housing Colorado V (Plaza on Platte)
 Mercy Housing Colorado VI (Merced de las Animas)
 Mercy Housing Colorado VII (Holly Park West)
 Mercy Housing Idaho I (Northside Nampa)
 Mercy Housing Idaho II (Comstock Apartments)
 Mercy Housing Idaho III (New Hope)
 Mercy Housing Iowa I (Lawlor Garvey)
 Mercy Housing Missouri I, LP (McAuley Heights)
 Mercy Housing Missouri II (Regina Terrace)
 Mercy Housing Washington III (Tahoma View)
 Mercy Housing Washington IV (Lincoln Way)
Florin Housing Corporation
 Florin Wood Association (Crossroads Gardens)
McDermott Place
 Bishops Block

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Mercy Affordable Housing, Inc. (MAHI)

Mercy Housing West

Mercy Housing California XII (Villa Amador)
Mercy Housing California XIII (Linbrook Court/Anaheim Sr.)
Mercy Housing California XXXIV (Edith Witt Senior)
Mercy Housing California XIV (10th & Mission Residential)
Mercy Housing California XV (Nueva Vista)
Mercy Housing California XVI (Villa Madera)
Mercy Housing California XVII (Derek Silva Community)
Mercy Housing California XVIII (Leland Polk Senior Community)
Mercy Housing California XIX (1500 S. Grand)
Mercy Housing California XX (Mission Creek Senior)
Mercy Housing California XXI (White Rock Village)
Mercy Housing California XXII (Dudley Apartments)
Mercy Housing California XXIII (St. Vincent's Garden)
Mercy Housing California XXIV (Carter Terrace)
Mercy Housing California XXV (Casa Alegre)
Mercy Housing California XXVI (Martin Luther King Village)
Mercy Housing California XXVII (Serna Village)
Mercy Housing California XXVIII (Vineyard Townhomes)
Mercy Housing California XXIX (Grizzly Hollow Phase III)
Mercy Housing California XXXI (Martinelli House)
Mercy Housing California XXXII (Creekview Manor)
Mercy Housing California XXXIII (Casa Verde)
Mercy Housing California XXXV (Arden Aire)
Mercy Housing California XXXVI (Kent Gardens)
Mercy Housing California XXXVII (Ross Ranch)
Mercy Housing California XXXIX (Gleason Park)
Mercy Housing California XLI (Westbrook Plaza)
Colonia San Martin Associates, LP
Mercy Terrace, LLC
New Dana Strand Townhomes
Pinewood Court Apartments
Village Park Housing Associates (Village Park Apartments)

Mercy Properties, Inc. (MPI)

111 Jones Street Association (111 Jones Street Apartments)
2220 10th Avenue Association (Santana Apartments)
Aromor Mercy LLC (Aromor Apartments)
Aromor Commercial, LLC
Britton Street Association (Britton Court)

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Commons On Main GP LLC
Commons on Main LP
FHD Holdings LLC
Franciscan Homes III, LP
Franciscan Homes IV, LP
Marlton Affordable Housing Association (Marlton Manor)
Mason Apartments (Mason School Apartments)
Mercy Galewood SLF, Inc.
Mercy Housing Arizona I (Villas de Merced)
Mercy Housing Arizona II (Page Commons)
Mercy Housing California I (St. Francis Terrace)
Mercy Housing California II (Columbia Park)
Mercy Housing California V (Mercy Village Folsom)
Mercy Housing California VII (Casa San Juan)
Mercy Housing California VIII (School House Station)
Mercy Housing California X (The Rose)
Mercy Housing California XI (Madison Place)
Mercy Housing Colorado I, LTD (Grace Apartments)
Mercy Housing Colorado VIII (Valle de Merced)
Mercy Housing Colorado IX, LLC (Parkside Apartments)
Mercy Housing Colorado XI, LLC (Pinon Terrace)
Mercy Housing Georgia II LP (Orchard Grove)
Mercy Housing Iowa II, LP (Sherwood Place Apartments)
Mercy Housing Nebraska I (Capital Corners)
Mercy Housing South Dakota I, LLC (Driftwood Estates)
Mercy Housing South Dakota II, LLC (Northern Heights)
Mulberry Court LLC
Mercy Housing South Carolina I (Mulberry Court Apartments)
Park Terrace Apartments
Parkside Terrace Apartments LLC
Parkside Terrace LP
Quinn Cottages, LP
San Felipe Homes
Savannah Rose of Sharon, LLC
Mercy Housing Georgia III (Rose of Sharon)
Somerset Senior Housing (Casitas de Merced)
Mercy Properties II, Inc.
Mercy Housing Idaho IV (Skyview Terrace)
Mercy Housing Idaho V (Sisters Villa)
Mercy Housing Utah I (Francis Peak View)

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Neary Lagoon, Inc.

Neary Lagoon Partners (Neary Lagoon Cooperative)

San Juan Housing Corp.

Kennedy Estates Housing Association (Kennedy Estates)

Tahoe Valley Townhomes Association (Tahoe Valley Townhomes)

South of Market Mercy

1028 Howard Street Associates (1028 Howard Street Apartments)

1101 Howard Street Associates (1101 Howard Street Apartments)

1475 167th Avenue Association (Bermuda Gardens)

16th & Church Street Association (Padre Palou Community)

Centro Partners (El Centro Residential Suites)

La Playa Residential

Mercy Housing California III (Plaza Maria Apartments)

Mercy Housing California IV (Vista Grande Apartments)

Mercy Housing California VI (205 Jones Street Apartments)

Mercy Housing California IX (Sycamore Street Commons)

West 28th Street (Montclair Court/Tolton Court)

Visitation Valley Affordable Housing

Visitation Valley Family Housing Association (Heritage Homes)

Mercy Housing Northwest

Appian Way Manager LLC

Appian Way Mercy LLC

Intercommunity Housing Ferndale

New Tacoma Phase I GP LLC

New Tacoma Senior Housing Phase I

New Tacoma Phase II Mercy LLC

Sterling Senior Housing

Mercy Properties Washington

Intercommunity Mercy Washington I (Evergreen Vista)

Intercommunity Mercy Washington II (Family Tree)

Mercy Housing Washington V (Sterling Meadows)

Mercy Housing Washington VI (Lincoln Way II)

Mercy Housing Washington VII (Eliza McCabe Townhomes)

Mercy Housing Washington VIII (Hillside Gardens)

Mercy Housing Washington IX (Evergreen Vista II)

Mercy Housing Washington X, LLC (Catalina Apartments)

Mercy Bond Properties Colorado I

Franconia LLC

Mercy Commercial California

Mercy Commercial Finance Properties (Atlantic City Affordable Housing LLC)

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Mercy Housing California

Affordable Housing Initiative (AHI)

All Hallows Community

Cantebria Senior Homes

EH/CC Housing Corp. (Eden House)

Francis of Assisi Community

Garden Park Apartment Community

Gault Street Senior

John W. King Senior Community

Maria B. Freitas Senior Housing Corp.

Marin Homes for Independent Living

Marin Housing Corp.

Mercy Family Plaza LP

Mercy Gardens

Mercy Housing CalWest

365 Fulton LP (Parcel G)

Mercy Housing California XL (Arlington Hotel)

Mercy Housing California XLII (Budget Inn)

Mercy Housing California XXXVIII (East Leland Court Family Housing)

Mercy Housing California XLIV (1000 Fourth Street)

Third and LeConte Housing LLC (6600 Third Street)

Mercy Housing California XLV (Washington Blvd)

Mercy Housing California XLIII (Caroline Severance Manor)

Mercy Housing California XLVII (7th & H Street)

Mercy Housing Senior Properties LLC

Bennett House, LP

Dorothy Day Community, LP

Junipero Serra, LP

Monsignor Lyne, LP

St. Andrew Community LP

Villa Columba Mercy Riverside LP

Mercy Oaks Village

Mercy Properties California

Acacia Meadows*

Foster Youth*

The Haven*

Leland House*

* Not a legal entity but is included as a separate column in supplemental information

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Magnolia Village LLC*
Mercy Oak Forest LLC
Osocales (McIntosh Mobile Homes)*
Richmond Hills*
Santa Monica Street*
Sierra Vista*
Sycamore Center (Red Bluff)*
Walnut Grove*
Mercy Senior Housing Oxnard
MHC NSP LLC
Notre Dame Senior Housing Corp.
Oceana Senior Housing Corp.
Presentation Senior Community
Russell Manor
Tierra Del Sol, Inc.
Mercy Housing Mountain Plains
Holly Park Community Center LLC
Homes For Greeley
Stapleton II Mercy, LLC
Bluff Mercy, LLC
Mercy Housing Northwest Idaho, Inc.
Eagle Senior Village
Independence Hill
Mercy Moscow, Inc. (Hawthorne)
Mercy Southeast Idaho, Inc. (Hamilton Court)
Mercy Twin Falls, Inc. (Willswood)
Mercy Housing Idaho NSP LLC (NSPID)
Mercy Housing Lakefront
111th & Wentworth Apartment Corporation
Wentworth Commons
Belray Apartment Corporation
Belray Apartments
Countryside Seniors LLC
Countryside Senior Apartments LP
Englewood Apartments NFP
901 West 63rd LP (Englewood Apartments)

Harold Washington Apartments Corporation
Harold Washington Apartments
Magnolia LP (Carlton Apartments)

* Not a legal entity but is included as a separate column in supplemental information

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Red Door LP (Major Jenkins Apartments)
4707 Malden LP (Miriam Apartments)
Johnston Center MM LLC
Johnston Center Residences LLC
Johnston Center Outlots LLC
HWA-850 Eastwood GP, NFP
HWA-850 Eastwood LP (Harold Washington Apts)
HWA-850 Eastwood LP (850 Eastwood Apts)
Grayslake Senior Housing
Lavergne Courts LLC
Malden Arms Corporation II NFP
Malden Limited Partnership II
Near North Apartment Corporation NFP
Near North LP (Schiff Residences)
Roseland Apartment Corporation
Roseland LP (Holland Apartments)
South Loop Apartment Corporation
South Loop Apartments
Washington Courts LLC
Whitmore Apartments LLC
Winthrop Apartment Corporation
5042 Winthrop Apartments LP (Delmar Apartments)
Mercy Housing Midwest
Heartland Housing Initiative (HARP)
Mercy Bond Properties Nebraska I
Mercy Timbercreek LLC
Mercy Crestview Village
Mercy Village Joplin (Mercy Village at St. Johns)
Mercy House
Mercy Housing Midwest Nebraska, LLC
Northglen, LP
Mercy Crestview Village Housing, LP
Western Manor, LP
Mercy Midwest Properties (Ridgeview)
Mercy Northglen
Mercy Western Manor
Mercy Oakwood Gardens
Mercy Housing Ohio, Inc.
Mercy Housing Properties, Inc.
Brook Oaks Senior Residences

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Mercy Housing Southeast

Allegre Point Senior Residence

Marshside Village, Inc.

Mercy Housing Georgia Holdings, LLC (1826 Florence St)

Mercy Housing Pembroke, Inc. (McFadden Place)

Mercy Place Belmont, Inc.

MHSE Adamsville Green Senior Partners LLC

Mercy Properties Georgia, Inc. (MPGI)

Mercy Community Housing Georgia (MCHGa)

Mercy Housing Georgia I (Heritage Place Apartments)

Mercy Housing Georgia IV (Heritage Corner/Heritage Row)

Mercy Housing Georgia V LP (Chamblee Senior Apartments)

Mercy Housing Georgia VI, LP (The Atrium at College Station/John O'Chiles)

MCHG Partners, Inc.

Acquisition Properties Georgia I (Magnolia Village)

Mercy Housing Georgia X (Savannah Gardens I)

Reynoldstown Senior Apartments

MPI Highland Place LLC

MPI Highland Place Apartments LP (Hills at Fairington Apartments)

Mercy Lithonia Park View, Inc.

Mercy Housing Georgia VIII LP (Terraces at Park View)

Antioch II, LLC

Antioch Villas, LP

Mercy Housing Southwest

Avondale Senior Village

Camelot Casitas

Casa de Merced

Casa de Shanti

Decatur Place

El Mirage Senior

Guadalupe Senior Village

Holly Park East

Mercy Properties Arizona

Mercy Court

Mesa Senior Meadows

Peoria Place

Plazas de Merced

Vista Alegre

Willow Street Apartments

Mercy Loan Fund (MLF)

Mercy Portfolio Services

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

MPS Community I LLC
Mercy Properties Washington II LLC (Cobble Knoll II)
Mercy Properties Washington III LLC (Cobble Knoll I)
Mercy Housing Management Group (MHM)
Padre Apartments Community

Basis of Presentation

MHI conforms to generally accepted accounting principles which require the organization to report 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. Furthermore, program service expenses must be segregated from management and general expenses.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Revenue Recognition

Rental income, principally from short-term leases on apartment units and commercial space, is recognized as the rentals become due.

MHI reports gifts of cash and other assets as unrestricted revenue unless they are received with donor stipulations that limit the use of the donated assets. Gifts with restrictions are reported as restricted revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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. Gifts of long-lived assets with restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue and are reclassified to unrestricted net assets ratably over the useful life (typically 27.5 to 40 years) of the related long-lived asset.

Unconditional promises to give are recorded as revenue at estimated net realizable value. Conditional promises to give are not included as revenue until the conditions are substantially met or unless the possibility that the condition will not be met is remote. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenue in the period of receipt. Unconditional promises to give with payments due in future periods are discounted to present value and reported as temporarily restricted revenue.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Special event revenues are recognized when the event is held. Contributions received at or related to a special event are recorded as philanthropy in the financial statements.

Cash and Cash Equivalents

MHI maintains its cash balances in several banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to a certain amount. Cash and cash equivalents for the Company include demand deposits, deposits in money market accounts, deposits in pooled funds (which invest in certificates of deposit, treasury bills and other short-term, low risk instruments), individual certificates of deposits, treasury instruments and government agency notes. For the consolidated statements of cash flows, all unrestricted investment instruments with original maturities of 90 days or less are considered cash equivalents.

Restricted Cash

The Company is subject to restrictions on certain funds received by MHI and certain subsidiary corporations. These funds are included in the restricted cash balance.

Many of the MHI subsidiaries are required to make monthly deposits for replacement of project assets, which are controlled by the Department of Housing and Urban Development (HUD) or other financing authorities. These subsidiaries are also required to make yearly deposits of surplus cash, if any, to residual receipts accounts. Use of residual receipt funds is contingent upon the prior written approval of HUD.

Many of the MHI subsidiaries are required to make monthly escrow deposits for taxes and insurance. The mortgagor for the subsidiary controls these escrow deposits. These funds are included in the restricted cash balance.

Amounts received by MHI subsidiaries from HUD and other financing authorities for construction of low-income housing projects are included in the restricted cash balance.

Investments

MHI invests cash in individual certificates of deposits, treasury instruments and government agency notes. Securities with maturities greater than 90 days are recorded as investments. Debt instruments are recorded at fair value, and realized and unrealized gains and losses are recorded as unrestricted operating income or loss. MHI's intention is to hold the investments to maturity.

Accounts Receivable and Bad Debts

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on up a periodic review of the accounts by management. Accounting

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Non-tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Inventory

Inventory consists principally of single-family homes; land under development and improved lots; inventory held-for-sale and rehabilitated homes purchased under the Neighborhood Stabilization Program. Inventory includes land and development costs; direct construction costs, capitalized indirect construction costs; capitalized interest; and real estate taxes. The costs of acquiring and developing land are allocated to the parcels to which these costs relate. Interest and taxes are capitalized during the active development and construction stages. Inventory is stated at the lower of cost or fair value, less cost to sell.

Property and Equipment

Property and equipment have been stated at cost. The provision for depreciation is computed using the straight-line method based on estimated useful lives of the related assets. Buildings and improvements are depreciated over 27.5 to 40 years, equipment is depreciated over 3 to 7 years, and land improvements are depreciated over 15 years.

Impairment of Long-Lived Assets

In accordance with generally accepted accounting principles, the Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, the Company compares the carrying amount of its rental property to its fair value in order to determine whether an impairment loss has occurred. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. An impairment loss of \$1,966,986 and \$8,352,203 has been recognized for the years ended December 31, 2010 and 2009, respectively. Losses are included in the Provision for Impaired Assets line in the Consolidated Statements of Activities.

Allowance for Loan Losses

The Company maintains an allowance for loans, notes receivable and accrued interest that may not be ultimately collected. The balance maintained is based upon prior experience and

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

management's assessment of the collectability of existing specific loans. Individual loans are written off against the allowance when they are deemed uncollectible, and increases to the allowance are charged to provision for loan losses.

Deferred Fees and Amortization

Financing costs associated with mortgages are being amortized using the straight-line method over the life of the related loans, which approximates the effective interest method.

Tax credit monitoring fees are being amortized using the straight-line method over the fifteen-year tax credit compliance period.

Amortization expense for the years ended December 31, 2010 and 2009 was \$1,545,203 and \$1,128,652, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2015:

2011	\$ 1,147,314
2012	1,065,027
2013	1,047,114
2014	1,010,330
2015	987,421

Predevelopment Project Costs

The Company incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal and accounting costs. Predevelopment project costs are capitalized and recorded as predevelopment project costs until such time as the project is either abandoned or becomes an approved project with independent funding sources. Predevelopment project costs are charged to operations at the time a potential project is no longer considered desirable or feasible.

Investment in Limited Partnerships

MHI and its subsidiaries are partners in ten affiliated entities and limited partnerships which own and operate projects for low-income and moderate-income families. The partnership interests, generally .01 percent to 1.0 percent general partner interests, are not consolidated as they are not controlled by the Company.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Non-Controlling Interest in Limited Partnerships

This amount represents the aggregate balance of Limited Partner equity interests in the non-wholly owned limited partnerships that are included in the consolidated financial statements. The aggregate negative balances, if any, of Limited Partner interests prior to January 1, 2010 remain in MHI's net assets.

Net Assets

Unrestricted net assets are those that have no external restrictions. Temporarily restricted net assets are those net assets for which use is limited by donors to a specific time period and/or purpose. Permanently restricted net assets are those net assets for which use is restricted in perpetuity by donors.

Transfers of net assets

During the years ended December 31, 2010 and 2009, several entities were added to the consolidated financial statements and several other entities were transferred out. The net effect of the additions and transfers to beginning net assets was a decrease of \$5,058,891 and \$12,071,571, respectively. The following is a summary of the above net changes:

	<u>2010</u>		<u>2009</u>
Addition of entities		Addition of entities	
Miscellaneous entities	\$ 32,579		\$ -
	<u>32,579</u>		<u>-</u>
Transfer of entities		Transfer of entities	
Brooks Oaks Senior Residences	(5,091,470)	Magnolia LP (Carlton Apartments)	(541,538)
		4707 Malden LP (Miriam Apartments)	(555,442)
		Mercy Housing California XXX (Hotel Essex LP)	(6,678,404)
		Galewood SLF Associates	(194,776)
		Rendu Terrace West, Inc.	(4,037,787)
		CDG-MHSW, LLC (Villas Montanas)	(4,000)
		Miscellaneous entities	(59,624)
	<u>(5,091,470)</u>		<u>(12,071,571)</u>
Total	<u>\$ (5,058,891)</u>	Total	<u>\$ (12,071,571)</u>

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Strategic Health Care Partnerships

MHI has eight Strategic Health Care Partners (Strategic Partners). Six of the Strategic Partners (Catholic Healthcare West, Catholic Health East, St. Joseph Health System, Bon Secours Health System, Ascension Health, and Provena Health) have pledged contributions for a period of up to five years in exchange for various contracted services performed on their behalf. The five-year contribution periods end between 2010 and 2014. The other two Strategic Partners, Catholic Health Initiatives and Catholic Healthcare Partners, have each provided MHI with \$5 million dollar non-interest bearing loans that mature in 2015 and 2013, respectively. The principal is invested and income generated from the investment of these funds is unrestricted and used to support services associated with the Strategic Partners.

The funds received from Catholic Healthcare Partners have been recorded as Designated Cash. Through December 31, 2010, MHI has elected to utilize \$2.4 million of these funds to meet short-term operating cash requirements. The balance may be utilized in the future to cover additional operating cash needs.

Developer and Consulting Fees

Developer and consulting fees are recognized during the construction period based on the percentage of construction completion. Any payments received during the construction period are recorded as deferred revenue until earned. Amounts not received by the completion date are recorded as a receivable. Developer fees that are earned during construction and paid for with investor equity or project debt are capitalized. The deferred developer fees paid from property operations are eliminated in consolidation.

Tenant Subsidy Payments

A portion of the rental income is in the form of subsidy payments from HUD under Section 8 of the National Housing Act. Tenants are subsidized based upon their level of income. Rent increases require HUD approval. Tenants also receive subsidy payments from US Department of Agriculture, Rural Development.

Income Taxes

MHI and its consolidated nonprofit corporations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state statutes and did not have any unrelated business income for the years ended December 31, 2010 and 2009. Due to their tax exempt status, MHI and the consolidated nonprofit corporations are not subject to income taxes. MHI and the consolidated nonprofit corporations are required to file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and there are no other tax positions

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

which must be considered for disclosure. During 2009, the Organization adopted the accounting guidance pertaining to accounting for uncertainty in income taxes. For the years ended December 31, 2010 and 2009, the Organization did not identify any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The following entities are corporate subsidiaries of MHI that are not exempt from federal and state taxes:

Affordable Housing Initiatives
Affordable Housing Corporation
Mercy Affordable Housing, Inc.
Mercy Commercial California
111th & Wentworth Apartments Corporation
Belray Apartments Corporation
Englewood Apartments Corporation
Harold Washington Corporation
Malden Arms Corporation II
McDermott Place, Inc.
MCHG Partners, Inc.
Mercy Galewood SLF, Inc.
Mercy Lithonia Park View, Inc.
Near North Apartments Corporation
Roseland Apartments Corporation
South Loop Apartments Corporation
Winthrop Apartments Corporation
Savannah Rose of Sharon LLC
Countryside Seniors LLC
Antioch II, LLC

The above listed entities are taxable entities, however, the taxable income or loss and the temporary differences at each entity and in the aggregate are immaterial to the Consolidated Financial Statements.

The limited partnerships in which the Company has a partnership interest have elected to be treated as a pass-through entity for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The partnerships' federal tax statuses are based on their legal status as a partnership. Accordingly, the partnerships are not required to take any tax positions in order to qualify as a pass-through entity. The partnerships are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

statements do not reflect a provision for income taxes and the partnerships have no other tax positions which must be considered for disclosure.

Fair Value

The carrying amounts of the Company's cash and cash equivalents, receivables, payables and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the Company's long-term notes receivable and notes payable is assessed by management based on analysis of underlying investments and historical trends. Impairment reserves are provided as necessary. It is impracticable to estimate the fair value of the Company's financial guarantees because there are no quoted market prices for transactions that are similar in nature. See Note 11.

Recent Accounting Pronouncements

In April 2009, the FASB issued authoritative guidance on mergers and acquisitions for not-for-profit entities. This guidance establishes the principles and requirements for accounting for a combination of not-for-profit entities, which is a transaction or other event that results in a not-for-profit entity initially recognizing another not-for-profit entity, a business, or a nonprofit activity in its financial statements. The new guidance also changes the manner in which not-for-profit entities account for changes in a parent's ownership interests in consolidated subsidiaries after control is obtained. This guidance applies to a combination that meets the definition of either a merger of not-for-profit entities or an acquisition by a not-for-profit entity. Mergers will be accounted for using the carryover method, which is based on the historical cost information of both entities. Acquisitions will be accounted for using the acquisition method, which follows the same rules used by for-profit entities with some notable exceptions. For existing consolidated subsidiaries with non-controlling interests, the new accounting guidance requires the non-controlling ownership interests to be included in net assets of the Company. It is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2009. The adoption of this new guidance resulted in an increase in unrestricted net assets of \$372,697,366 and \$354,284,639 as of the years ended December 31, 2010 and 2009, respectively.

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 these financial statements and the accompanying notes. Actual results could differ from those estimates.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Derivative Instruments and Hedging Activities

During the years ended December 31, 2010 and 2009, the Company had five interest rate swap contracts outstanding that were used to mitigate the economic impact of changes in interest rates. The swaps are designated as fair value hedges and are being used to offset the risk of changes in cash flows associated with benchmark interest payments on its variable rate mortgage loans. MHI reassesses the hedge on an ongoing basis to determine if it continues to be effective. Changes in the fair value of the interest rate swap contracts are recorded annually in the Consolidated Statement of Activities. As of December 31, 2010 and 2009, there was no hedge ineffectiveness. The swaps are reported at fair value on the Consolidated Statements of Financial Position as a liability within notes payable. See Note 11 for additional information on derivative instruments and hedging activities.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

NOTE 2 - INVESTMENTS

Cash and investments are categorized as unrestricted, which include board-designated amounts for a specific purpose, or restricted. Unrestricted cash held by the properties is generally not available for corporate purposes but is instead limited for use within the individual properties.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

At December 31, 2010 and 2009, cash and investments were as follows:

	2010	2009
Unrestricted Cash - Properties	\$ 16,148,258	\$ 16,415,074
Unrestricted Cash/Investments - Mercy Loan Fund	1,079,395	5,998,286
Unrestricted Cash - Corporate Operating Entities	295,245	1,049,179
Subtotal - Unrestricted Cash	17,522,898	23,462,539
Designated Cash	3,000,000	3,000,000
Total Unrestricted and Designated Cash/Investments	20,522,898	26,462,539
Restricted Cash - Tenant Security Deposits	5,732,471	5,491,032
Restricted Cash/Investments - Corporate Entities (including Mercy Loan Fund)	17,153,408	27,085,730
Restricted Cash - Properties	18,460,020	6,848,736
Restricted Cash - LT Restricted Property Reserves	100,508,516	83,813,973
	<u>\$ 162,377,313</u>	<u>\$ 149,702,010</u>

MHI invests in money market mutual funds, certificates of deposit, treasury and government agency instruments. Investments in money market mutual funds and treasury and government agency instruments are carried at fair market value. Certificates of deposit are carried at par value as they are held to maturity. Realized and unrealized gains and losses are recorded in the Consolidated Statements of Activities as unrestricted operating income or loss. Maturity dates range from January 2011 to November 2015.

The approximate market value of the investments was \$45,120,263 and \$52,344,770 as of December 31, 2010 and 2009 as follows:

	2010	2009
Money Market Mutual Funds	\$ 22,290,853	\$ 36,501,639
Certificates of deposit	17,877,416	15,500,006
Government agency instruments	4,951,994	343,125
	<u>\$ 45,120,263</u>	<u>\$ 52,344,770</u>
Investment income	<u>\$ 381,334</u>	<u>\$ 368,621</u>

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE 3 - PLEDGES

Pledges and unconditional promises to give are recorded as revenue at estimated net realizable value based on historical trends. Pledges with payments due in future periods are discounted to present value and are reported as temporarily restricted revenue.

Included in pledges is a non-revocable charitable remainder unitrust in which Mercy Housing California has been named as the charitable beneficiary under the trust agreement. Payments are made to the designated non-charitable beneficiaries during their lifetime based on a fixed payout percentage of 8 percent. Mercy Housing California would receive benefits under the trust agreement upon the death of the non-charitable beneficiaries. For December 31, 2010, pledge receivables related to the charitable remainder trust were \$211,626 based on actuarial calculations using a discount rate of 2.0 percent. For December 31, 2009, pledge receivables were \$192,980 based on actuarial calculations using a discount rate of 3.2 percent. Actuarial calculations are revised annually, and changes in pledge receivables are recorded as operating income or loss.

As of December 31, 2010, future pledge payments are as follows:

For the year ending December 31,	
2011	\$ 2,185,940
2012	527,101
2013	410,209
2014	126,734
2015	47,389
Thereafter	<u>332,387</u>
Total pledges receivable	3,629,760
Allowance and discount	<u>(109,072)</u>
Total pledges receivable, net of allowance and discount	<u><u>\$ 3,520,688</u></u>

The amount of pledges written off was \$44,552 and \$7,873 for the years ended December 31, 2010 and 2009, respectively.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consist of amounts due under grant awards for which the revenue has been recognized either as unrestricted or temporarily restricted.

Of the amount due as of December 31, 2010 of \$12,175,942, approximately \$10,660,648 relates to development grants awarded to the Edith Witt Senior, New Tacoma Senior Housing Phase I, Harold Washington, Gleason Park and Englewood Apartment properties.

Of the amount due as of December 31, 2009 of \$12,863,463, approximately \$11,907,309 relates to development grants awarded to the Edith Witt Senior, Englewood Apartments, Aromor, 10th & Mission, Tierra del Sol, Allegre Point Senior, Countryside Senior Apartments and New Tacoma Senior Housing Phase I properties.

NOTE 5 - NOTES AND INTEREST RECEIVABLE

Notes and interest receivable consists of notes due from various unaffiliated organizations and individuals. Interest rates on the notes receivable range from 0 percent to 9.6 percent. Maturity dates range from 2011 to 2051. At December 31, 2010 and 2009, substantially all of the notes and interest receivable are collateralized by real estate.

Total allowances for Mercy Loan Fund at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Allowances, beginning of year	\$ 1,301,157	\$ 1,070,157
Increase/Decrease to allowance charged to:		
Expense	493,514	231,000
Loans written off	(47,930)	-
Allowances, end of year	<u>\$ 1,746,741</u>	<u>\$ 1,301,157</u>

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE 6 - PROPERTY AND EQUIPMENT AND ASSETS HELD FOR SALE

Property and equipment at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Land and land improvements	\$ 194,233,625	\$ 176,043,812
Buildings	1,429,021,448	1,314,433,473
Furniture and equipment	55,708,724	49,561,708
Predevelopment project costs	6,605,188	5,400,154
Construction in progress	93,507,485	80,618,317
Total property and equipment	1,779,076,470	1,626,057,464
Less accumulated depreciation	(391,364,022)	(344,597,993)
Property and equipment, net	<u>\$ 1,387,712,448</u>	<u>\$ 1,281,459,471</u>

For the years ended December 31, 2010 and 2009, depreciation expense was \$57,685,567 and \$53,821,878, respectively.

Assets Held for Sale

In accordance with accounting principles generally accepted in the United States of America, the results of operations for properties classified as held for sale at the end of the current period are required to be classified as held for sale in the current and prior periods. Real estate assets held for sale are measured at the lower of carrying amount or the fair value less costs to sell. Subsequent to classification of an asset as held for sale, no further depreciation is recorded. At December 31, 2010, the Company considers the assets of the following projects as held for sale: Oakwood Gardens and Bishops Block. Management believes that the fair value less costs to sell exceeds the carrying amount of these projects, therefore no loss has been charged to operations for 2010. At December 31, 2009, the Company considers the assets of the following projects as held for sale: Heartland Housing Initiative (HARP), Oakwood Gardens, Regina Terrace, McAuley Heights, Lawlor Garvey, Mercy Oak Forest, LLC and Bishops Block. During the year ended December 31, 2009, \$615,642 of impairment loss was recorded related to the projects held for sale. As of December 31, 2010, Oakwood Gardens is subject to a sales contract entered into in July 2010. At December 31, 2009, HARP, Regina Terrace, McAuley Heights, Lawlor Garvey, and Mercy Oak Forest entered into sales contracts for the respective properties.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Following is summarized information regarding assets classified as held for sale:

	<u>2010</u>	<u>2009</u>
Total assets	\$ 982,441	\$ 6,873,386
Total liabilities	2,298,469	6,850,510
Discontinued operations	(49,062)	443,048

NOTE 7 - NOTES PAYABLE

Notes payable as of December 31, 2010 and 2009 include both secured and unsecured borrowings and consist of the following

	<u>2010</u>	<u>2009</u>
Unsecured Corporate Operating and Predevelopment		
US Bank - Revolving loan bearing interest at thirty day LIBOR plus 2.70%, payable monthly. The allowable borrowing under this line is \$10,000,000. The rate at December 31, 2010 is 3.01%. Commitment expires April 30, 2013. ⁽¹⁾	\$ -	\$ -
JP Morgan Chase - Revolving predevelopment loan bearing interest at thirty day LIBOR plus 1.20%. Credit line is available to fund predevelopment expenses up to a total of \$10,000,000. The rate as of December 31, 2010 is 1.456%. Commitment expires May 22, 2011. ⁽²⁾	6,075,000	6,000,000

(1) As of December 31, 2010 and 2009, the Company had standby Letters of Credit of \$450,000 issued under the operating sub-limit.

(2) As of December 31, 2010 and 2009, the Company agreed to temporarily reduce the amount available under the predevelopment line by \$2,000,000 until certain requirements under a loan to a property are achieved.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Investor Loans to Mercy Loan Fund. Notes bearing interest from 0% to 5% and maturing through 2020. All funds available under these notes are fully drawn as of December 31, 2010 and 2009.	26,304,088	28,265,519
Other Notes Payable, bearing interest from 0% to 3.5% and maturing through 2012. Available balance \$26,409,587 and \$27,740,843 as of December 31, 2010 and 2009. ⁽³⁾	<u>24,909,587</u>	<u>27,590,843</u>
Subtotal - Unsecured Corporate Operating and Predevelopment Loans	57,288,675	61,856,362
Loans secured by the respective properties:		
Construction loans, bearing interest from 0% to 6.0%, with both fixed and variable interest rates, to be repaid in full or converted to permanent loans through 2012. Available balance \$309,001,770 and \$298,678,779 as of December 31, 2010 and 2009.	211,589,915	193,721,327
Permanent loans, bearing interest from 0% to 12%, generally with principal and interest due monthly, to be repaid in full through 2065. All funds available under these notes are fully drawn as of December 31, 2010 and 2009.	<u>648,426,676</u>	<u>567,382,884</u>
Total	917,305,266	822,960,573
Less: current portion	<u>(67,848,752)</u>	<u>(68,636,719)</u>
Non-current portion	<u>\$ 849,456,514</u>	<u>\$ 754,323,854</u>

3 As of December 31, 2010 and 2009, the Company had a standby Letter of Credit of \$48,264 issued by California Bank & Trust, pursuant to a \$1,500,000 revolving line of credit.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Future minimum principal maturities of notes payable are as follows:

For the year ending December 31,		
2011	\$	67,848,752
2012		56,494,143
2013		31,216,599
2014		13,355,033
2015		18,998,758
Thereafter		<u>729,391,981</u>
Total maturities		917,305,266
Less current maturities		<u>(67,848,752)</u>
Notes payable, less current portion	\$	<u><u>849,456,514</u></u>

NOTE 8 - LEASE COMMITMENTS

The Company leases land, office space and equipment under non-cancelable capital and operating lease agreements that expire through 2083. Future minimum lease payments are as follows:

	Capital Leases	Office and Equipment Leases	Property Land Leases	Total Operating Leases
For the year ending December 31,				
2011	\$ 15,513	\$ 1,252,822	\$ 2,108,319	\$ 3,361,141
2012	3,878	1,204,269	2,106,639	3,310,908
2013	-	1,067,209	2,106,639	3,173,848
2014	-	961,566	2,106,639	3,068,205
2015	-	952,318	2,106,639	3,058,957
Thereafter	-	3,530,033	116,638,694	120,168,727
Total future minimum lease payments	19,391	8,968,217	127,173,569	136,141,786
Less: Amount representing interest	-	-	-	-
Present value of minimum lease payments	\$ 19,391	\$ 8,968,217	\$ 127,173,569	\$ 136,141,786

Lease expense for operating leases was approximately \$2,521,975 and \$2,285,832 for the years ended December 31, 2010 and 2009, respectively and is included in facilities expense.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company has significant related party transactions with affiliates. It provides a considerable amount of funding in connection with the development of projects. It also

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

provides development services, fund raising assistance, property management, resident services and administrative services. In certain cases, the Company pays operating expenses on behalf of and provides management services to affiliates. These costs are reimbursed to the Company on a monthly basis. In certain instances, such as when individual properties may be experiencing cash flow difficulties, repayment may be delayed, providing the property with an informal source of funds.

Notes and Interest Receivable, Affiliates

The amounts loaned by the Company primarily represent development loans to affiliates. These loans are generally collateralized with real estate of the funded property. Many of these loans do not require payments until after the scheduled maturity of the related first mortgages. The loans with subsidiaries are eliminated in consolidation. Interest payments generally are subject to available cash flow. In some cases, loans are required to be repaid earlier. This usually occurs in situations where the underlying source of the loan is required to be repaid earlier as well.

Development Fee Income

Generally, all development fee income is earned in connection with affiliated entities. Development fees which are paid from operating cash flows from affiliated entities are eliminated in consolidation. Many of these fees are required to be deferred and paid from cash flows of the related property.

Other Fee Income

Substantially all of the property management, data processing, and bookkeeping fee income earned by MHM is for property management services provided to affiliates. In addition, the general partners earn partnership management fees for oversight of the properties. Property management fees, data processing fees, bookkeeping fees, and partnership management fees associated with subsidiaries are eliminated in consolidation. Such fee income is included in service fees. For the year ended December 31, 2009, the elimination of these fees was allocated ratably between the controlling and non-controlling interests based on ownership percentage. Due to a change in GAAP in the year ended December 31, 2010, the elimination of these fees is allocated to the controlling interest.

NOTE 10 - GUARANTEES

MHI has entered into various agreements with certain limited partnerships or their affiliated general partners whereby MHI guarantees to loan funds to the partnerships in the event that the partnerships incur operating deficits as defined in the respective partnership agreements or fail to meet their current financial obligations. These agreements expire at various times

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

from 2011 through the terms of the underlying partnership or debt agreements. Loans made pursuant to these guarantees are generally interest-free and unsecured. The maximum potential amount of future payments under these guarantees is equal to the amount guaranteed to the partnerships under the tax indemnification agreements discussed below.

MHI has entered into various agreements with certain limited partnerships or their affiliated general partners whereby MHI offers tax indemnification in the event of low-income housing tax credit recapture. MHI's potential liability under these agreements is dependent upon IRS audits and final letters of determination of the limited partnerships' qualified basis in tax credit properties. However, management is not aware of any known liability for tax credit recapture. The maximum potential liability under these guarantees as of December 31, 2010 is \$775 million relating to 114 limited partnerships. MHI has not been required to fund any amounts under these guarantees and has not recorded any liabilities associated with these guarantees.

MHI provides guarantees to certain lenders who provide financing for the acquisition and construction of low-income housing projects developed by certain limited partnerships. Under these guarantees, MHI provides assurance of project completion and provides repayment guarantees for the associated loans. The guarantees terminate when construction is complete and permanent financing repays the construction loans. As of December 31, 2010, MHI had provided guarantees on 19 acquisition and construction loans of \$177,226,240 of which \$125,616,860 was outstanding.

The Company has also issued other guarantees in order to secure financing on various projects. As of December 31, 2010, \$3,912,191 was outstanding. MHI has not been required to fund any amounts under these guarantees.

The Company also guarantees certain surety bonds covering construction and utilities. As of December 31, 2010, \$581,459 was outstanding.

NOTE 11 - FAIR VALUE

The accounting standard for fair value measurement and disclosures defines fair value, establishes a framework for measuring fair value, and provides for expanded disclosure about fair value measurements. The accounting standard was applied to the Company's financial assets and liabilities effective January 1, 2009, and to certain non-financial assets and liabilities effective January 1, 2010. Fair value is defined by the accounting standard for fair value measurement and disclosures as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

the three levels of inputs and hierarchy of fair value the Company uses when measuring fair value:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access;
- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

The net unrealized gain/(loss) on the interest rate swap contracts during 2010 and 2009 of (\$556,325) and \$1,925,534, respectively, is classified within level 2 of the fair value hierarchy. The unrealized gain on the money market mutual funds, certificates of deposit and government agency instruments during 2010 and 2009 of \$381,334 and \$25,966, respectively, is classified within level 1 of the fair value hierarchy. No other assets or liabilities are measured at fair value as of December 31, 2010 and 2009.

The following table presents the financial assets and liabilities that the Company measured at fair value on a recurring basis as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Net interest rate swap-asset/(liability)	\$ -	\$ 1,731,827	\$ -	\$ 1,731,827
Money market mutual funds	\$ 22,290,853	\$ -	\$ -	\$ 22,290,853
Certificates of deposit	\$ 17,877,416	\$ -	\$ -	\$ 17,877,416
Government agency instruments	\$ -	\$ 4,951,994	\$ -	\$ 4,951,994

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

The following table presents the financial assets and liabilities that the Company measured at fair value on a recurring basis as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Net interest rate swap-asset/(liability)	\$ -	\$ (1,175,504)	\$ -	\$ (1,175,504)
Money market mutual funds	\$ 36,501,639	\$ -	\$ -	\$ 36,501,639
Certificates of deposit	\$ 15,500,006	\$ -	\$ -	\$ 15,500,006
Government agency instruments	\$ -	\$ 343,125	\$ -	\$ 343,125

On a recurring basis, the Company measures its interest rate swap contracts, money market mutual funds, and government agency instruments at their estimated fair value. In determining the fair value of the interest rate swap contracts, the Company uses the present value of expected cash flows based on market observable interest rate yield curve commensurate with the term of the instrument. In determining the fair value of the money market mutual funds, certificates of deposit and government agency instruments, the Company uses quoted market prices and other relevant information generated by market transactions. See “Derivative Instruments and Hedging Activities” in Note 1 for additional information regarding the swaps.

NOTE 12 - EMPLOYEE RETIREMENT PLAN

The Company has an employee 403(b) retirement plan covering eligible employees. Generally, employee contributions to the plan consist of a percentage based on eligible employees’ compensation. MHI matches dollar for dollar an employee’s contribution up to 2 percent. Additionally, MHI makes a general contribution to eligible employees who have attained certain tenured service with the organization. Contribution costs of property site staff are passed through to the managed projects. The Company contributed \$751,246 and \$729,041 for the years ended December 31, 2010 and 2009, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Property Management Agreements

MHM, a subsidiary corporation of MHI, serves under contract as the management agent for several affiliated corporations and partnerships of MHI. Monthly management fees approximating \$46 per unit per month are payable by the affiliates to MHM. In addition, MHM provides management services to unaffiliated owners of multi-family real estate at competitive rates.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

Grant and Property Use Restrictions

Many of the properties owned and operated by MHI and its subsidiaries were developed using monies provided by grants and restrictive, low interest rate loans. The terms of these loans restrict the use of the property and generally require it be rented to low-income qualified tenants for the period of the grant or related loan term. MHI and its subsidiaries also receive grants with restrictions other than property use. Failure to comply with the terms of the grant or the loans would result in a requirement to repay a portion or all of the proceeds received.

Rental Assistance Contracts

Many of the properties owned by or affiliated with the Company have entered into rental assistance contracts with HUD. These contracts have various terms and require the affiliate projects to operate as low-income housing properties and to obtain HUD approval of all rent increases.

Surplus Cash and Residual Receipts

Many of the properties owned by MHI and its subsidiaries are subject to HUD regulatory agreements, which restrict the use of the property and limit the use of project cash. Under these regulatory agreements, many of the subsidiaries are precluded from receiving any distributions of operating cash. A surplus cash calculation is required to be prepared annually and any surplus cash, as defined, is required to be deposited in a residual receipts account controlled by HUD.

Letters of Credit

In connection with certain project developments, MHI is contingently liable on several letters of credit, expiring on various dates (see Note 7).

Litigation

MHI and its subsidiaries are named in various claims and legal actions in the normal course of its business. Based upon the opinion of counsel, management believes the outcome of such matters will not have a material adverse effect on the financial position or changes in the net assets of the Company.

Other

As general partners in various partnerships, the Company and other consolidated entities may be subject to other liabilities, should an affected partnership's assets become insufficient to meet its obligations.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE 14 - RISKS AND UNCERTAINTIES

MHI obtains and employs substantial capital from various federal, state and local governmental agencies, including the department of Housing and Urban Development. In addition, MHI obtains funding from the private equity groups including national, state and local banks and financial institutions. The current economic environment has produced hardships on these agencies and institutions. Management continues to employ diversification strategies to offset their concentration with any one specific lending institution or government agency. Future operations may be affected by further erosion in the financial markets and continued change in the economic environment.

The Company and its subsidiaries invested assets consist of commercial paper, corporate and U.S. agency bonds and notes, and diversified funds which invest in fixed income securities, equities and alternative investments. Investment policy and guidelines are established by the investment committee of the board of trustees and approved by both boards. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the consolidated statements of financial position as of December 31, 2010. The investment policy and guidelines consider liquidity and risk for each entity and each pool of assets and attempt to diversify asset classes to mitigate risks over the applicable time horizons.

NOTE 15 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through April 27, 2011 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the Consolidated Financial Statements or disclosure in the Notes to the Consolidated Financial Statements.

SUPPLEMENTAL INFORMATION

Mercy Housing, Inc.

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Consolidating Statement of Financial Position
Mercy Housing, Inc.
December 31, 2010

	Mercy Housing Inc.	Mercy Loan Fund	Mercy Housing Management Group	Mercy Portfolio Services	MPS Community I, LLC
Assets					
Current assets					
Cash and cash equivalents	\$ 5,303,858	\$ 2,701,415	\$ -	\$ 297,836	\$ 135,764
Cash, tenant security deposits	-	-	-	-	-
Cash, restricted	2,046,283	641,133	46,083	300,244	254
Investments	395,000	95,000	-	-	-
Investments, restricted	1,731,062	3,010,857	-	-	-
Accounts receivable, net	781,825	118,177	3,191,037	131,848	1,068,673
Due from affiliate, net	1,693,264	-	1,736,527	6,131,288	-
Pledges receivable, net	1,133,962	1,820	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	44,468	19,115,733	-	-	-
Current portion of notes and interest receivable, affiliates	8,202,052	-	-	466,544	-
Prepaid expenses and other assets	181,142	9,939	68,111	8,200	29,000
Inventory	-	-	-	-	5,786,054
Assets held for sale	-	-	-	-	-
Total current assets	21,512,916	25,694,074	5,041,758	7,335,960	7,019,745
Property and equipment					
Land and land improvements	855,000	-	-	-	-
Buildings	71,748	-	-	-	-
Furniture and equipment	3,684,391	-	231,377	201,425	-
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(3,392,309)	-	(229,406)	(95,801)	-
Net property and equipment	1,218,830	-	1,971	105,624	-
Other long-term assets					
Restricted property reserves	-	-	-	-	-
Cash, restricted	-	-	-	-	-
Long-term investments	4,150,000	290,000	-	-	-
Long-term investments, restricted	4,635,000	-	-	-	-
Due from affiliates	775,972	-	-	-	-
Pledges receivable, net	701,447	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships, net	1,212,079	1,940	-	-	-
Notes and interest receivable, net	216,000	11,100,801	-	-	-
Notes and interest receivable, affiliates	8,859,664	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets, net	-	-	-	-	-
Total other long-term assets	20,550,162	11,392,741	-	-	-
Total assets	\$ 43,281,908	\$ 37,086,815	\$ 5,043,729	\$ 7,441,584	\$ 7,019,745
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 3,947,551	\$ 132,431	\$ 2,976,466	\$ 266,291	\$ 405,171
Due to affiliates	-	-	6,459,136	-	466,697
Accrued interest	48,835	259,603	-	-	-
Accrued interest, affiliates	57,220	-	-	-	-
Current portion of notes payable	7,062,733	6,510,456	-	-	-
Current portion of notes payable, affiliates	1,006,660	72,573	-	-	-
Deferred revenue	234,366	-	1,031,567	271,850	-
Tenant security deposits	-	-	-	-	-
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	12,357,365	6,975,063	10,467,169	538,141	871,868
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	55,212	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion, net	20,267,548	19,793,632	-	2,055,647	-
Notes payable, less current portion, affiliates	5,000,000	1,597,014	-	-	2,055,647
Deferred revenue and other liabilities	648,582	2,000,000	-	4,075,641	4,075,641
Total long-term liabilities	25,971,342	23,390,646	-	6,131,288	6,131,288
Total liabilities	38,328,707	30,365,709	10,467,169	6,669,429	7,003,156
Net assets					
Unrestricted net assets, controlling	2,838,510	6,701,106	(5,428,440)	742,155	16,589
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	2,838,510	6,701,106	(5,428,440)	742,155	16,589
Temporarily restricted net assets	1,359,691	20,000	5,000	30,000	-
Permanently restricted net assets	755,000	-	-	-	-
Total net assets	4,953,201	6,721,106	(5,423,440)	772,155	16,589
Total liabilities and net assets	\$ 43,281,908	\$ 37,086,815	\$ 5,043,729	\$ 7,441,584	\$ 7,019,745

Consolidating Statement of Financial Position
Mercy Housing, Inc.
December 31, 2010

	Brooks Oaks Senior Residences	Mercy Commercial Finance Properties	Consolidated Mercy Housing Southwest	Consolidated Mercy Housing Mountain Plains	Consolidated Mercy Housing California
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 831,833	\$ 6,908,516
Cash, tenant security deposits	-	-	-	288,349	645,442
Cash, restricted	-	410	-	3,085,306	12,693,410
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	753,380
Accounts receivable, net	-	-	-	337,235	427,629
Due from affiliate, net	-	-	-	536,742	6,211,213
Pledges receivable, net	-	-	-	51,413	119,144
Grants receivable	-	-	-	258,183	1,273,155
Current portion of notes and interest receivable	-	-	-	11,917	140,900
Current portion of notes and interest receivable, affiliates	-	-	-	279,225	428,092
Prepaid expenses and other assets	-	-	-	260,033	528,591
Inventory	-	219,085	-	-	4,540,359
Assets held for sale	-	-	-	385,708	-
Total current assets	-	219,495	-	6,325,944	34,669,831
Property and equipment					
Land and land improvements	-	-	-	4,770,306	34,910,804
Buildings	-	-	-	46,998,932	162,170,533
Furniture and equipment	-	-	-	3,308,371	5,203,145
Predevelopment project costs	-	-	-	236,045	4,138,886
Construction in progress	-	-	-	3,370,203	41,829,973
Accumulated depreciation	-	-	-	(18,768,698)	(52,174,431)
Net property and equipment	-	-	-	39,915,159	196,078,910
Other long-term assets					
Restricted property reserves	-	-	-	2,995,380	10,816,907
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	1,125,000
Due from affiliates	-	-	-	234,010	591,321
Pledges receivable, net	-	-	-	25,235	212,626
Grants receivable	-	-	-	-	-
Investments in limited partnerships, net	-	-	-	-	(2,305)
Notes and interest receivable, net	-	-	-	-	5,598,954
Notes and interest receivable, affiliates	-	-	-	7,154,401	5,760,253
Allowance for impaired assets	-	-	-	(545,883)	-
Other assets, net	-	-	-	737,457	2,538,549
Total other long-term assets	-	-	-	10,600,600	26,641,305
Total assets	\$ -	\$ 219,495	\$ -	\$ 56,841,703	\$ 257,390,046
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ 251	\$ -	\$ 2,474,704	\$ 11,631,621
Due to affiliates	-	-	-	6,976,307	154,756
Accrued interest	-	-	-	42,584	1,855,400
Accrued interest, affiliates	-	-	-	-	410,380
Current portion of notes payable	-	-	-	4,239,377	16,568,425
Current portion of notes payable, affiliates	-	2,123,559	-	668,605	3,997,389
Deferred revenue	-	-	-	38,000	45,215
Tenant security deposits	-	-	-	244,235	596,294
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	-	2,123,810	-	14,683,812	35,259,480
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	388,634	5,095,097
Accrued interest, affiliates	-	-	-	65,887	-
Notes payable, less current portion, net	-	-	-	12,550,027	99,079,900
Notes payable, less current portion, affiliates	-	-	-	88,542	4,164,136
Deferred revenue and other liabilities	-	-	-	19,731	8,827,967
Total long-term liabilities	-	-	-	13,112,821	117,167,100
Total liabilities	-	2,123,810	-	27,796,633	152,426,580
Net assets					
Unrestricted net assets, controlling	-	(1,904,315)	-	5,646,544	20,882,730
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	-	(1,904,315)	-	5,646,544	20,882,730
Temporarily restricted net assets	-	-	-	22,598,526	82,045,030
Permanently restricted net assets	-	-	-	800,000	2,035,706
Total net assets	-	(1,904,315)	-	29,045,070	104,963,466
Total liabilities and net assets	\$ -	\$ 219,495	\$ -	\$ 56,841,703	\$ 257,390,046

Consolidating Statement of Financial Position
Mercy Housing, Inc.
December 31, 2010

	Consolidated Mercy Housing Northwest - ID	Consolidated Mercy Housing Lakefront	Consolidated Mercy Housing Midwest	Consolidated Mercy Housing Southeast	Consolidated Mercy Housing Northwest
Assets					
Current assets					
Cash and cash equivalents	\$ 88,005	\$ 4,131,614	\$ -	\$ 569,894	\$ 2,886,099
Cash, tenant security deposits	45,086	353,358	-	278,561	377,868
Cash, restricted	253,882	2,187,819	-	590,519	1,054,184
Investments	-	-	-	-	-
Investments, restricted	8,851	898,090	-	463,825	478,481
Accounts receivable, net	1,086,108	65,618	-	85,209	62,170
Due from affiliate, net	120	794,748	-	4,592	80,141
Pledges receivable, net	-	2,564,141	-	37,000	7,152,592
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	10,000	40,000	-	143,186	217,285
Current portion of notes and interest receivable, affiliates	29,818	405,287	-	192,760	177,906
Prepaid expenses and other assets	570,391	-	-	-	-
Inventory	-	-	-	-	-
Assets held for sale	-	-	-	-	-
Total current assets	2,092,261	11,440,675	-	2,365,546	12,486,726
Property and equipment					
Land and land improvements	756,635	16,226,464	-	11,729,260	13,109,482
Buildings	6,433,421	132,495,319	-	95,529,187	74,118,133
Furniture and equipment	239,424	4,705,019	-	2,590,813	3,115,391
Predevelopment project costs	279,974	1,597,750	-	610,975	150,773
Construction in progress	-	13,112,854	-	3,505,613	15,172,606
Accumulated depreciation	(2,557,585)	(30,352,115)	-	(11,641,457)	(25,006,460)
Net property and equipment	5,151,869	137,785,291	-	102,324,391	80,659,925
Other long-term assets					
Restricted property reserves	605,022	37,687,564	-	2,285,415	7,686,049
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	310,668	-
Pledges receivable, net	-	116,003	-	-	279,437
Grants receivable	-	-	-	-	-
Investments in limited partnerships, net	-	132,813	-	102	1,180,582
Notes and interest receivable, net	168,504	-	-	-	-
Notes and interest receivable, affiliates	517,715	-	-	88,096	236,482
Allowance for impaired assets	-	-	-	-	-
Other assets, net	-	3,209,298	-	3,459,875	2,021,408
Total other long-term assets	1,291,241	41,145,678	-	6,144,156	11,403,958
Total assets	\$ 8,535,371	\$ 190,371,644	\$ -	\$ 110,834,093	\$ 104,550,609
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 201,550	\$ 8,454,855	\$ -	\$ 2,899,142	\$ 2,655,834
Due to affiliates	1,172,002	118,619	-	4,589,608	6,898
Accrued interest	2,075	554,534	-	37,143	93,042
Accrued interest, affiliates	-	68,922	-	-	51,445
Current portion of notes payable	576,975	17,392,164	-	1,365,066	3,594,935
Current portion of notes payable, affiliates	222,047	4,670,341	-	716,157	963,537
Deferred revenue	3,735	347,763	-	123,753	46,419
Tenant security deposits	42,804	326,902	-	193,155	325,978
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	2,221,188	31,934,100	-	9,924,024	7,738,088
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	26,368	2,010,663	-	135,217	198,023
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion, net	1,725,944	91,164,038	-	45,577,384	44,496,827
Notes payable, less current portion, affiliates	-	415,800	-	-	411,469
Deferred revenue and other liabilities	133,773	2,722,232	-	437,497	515,443
Total long-term liabilities	1,886,085	96,312,733	-	46,150,098	45,621,762
Total liabilities	4,107,273	128,246,833	-	56,074,122	53,359,850
Net assets					
Unrestricted net assets, controlling	1,310,186	51,363,618	-	40,170,033	38,348,361
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	1,310,186	51,363,618	-	40,170,033	38,348,361
Temporarily restricted net assets	3,117,912	10,386,193	-	14,589,938	12,842,398
Permanently restricted net assets	-	375,000	-	-	-
Total net assets	4,428,098	62,124,811	-	54,759,971	51,190,759
Total liabilities and net assets	\$ 8,535,371	\$ 190,371,644	\$ -	\$ 110,834,093	\$ 104,550,609

Consolidating Statement of Financial Position
Mercy Housing, Inc.
December 31, 2010

	Mercy Housing Ohio	Mercy Properties Washington III, LLC (Cobble Knoll I)	Mercy Properties Washington II, LLC (Cobble Knoll II)	Padre Apartments	Mercy Bond Properties Colorado I
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 608,843	\$ 409,056	\$ 55,718	\$ 16,388
Cash, tenant security deposits	-	288,839	167,089	15,153	9,484
Cash, restricted	-	3,756	1,037,517	172	16,169
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	1,034,251	1,154,983	-	844
Due from affiliate, net	-	50,884	8,266	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	82,687	94,711	13,477	8,943
Inventory	-	-	-	-	-
Assets held for sale	-	-	-	-	-
Total current assets	-	2,069,260	2,871,622	84,520	51,828
Property and equipment					
Land and land improvements	-	4,742,576	2,114,586	118,488	622,232
Buildings	-	16,546,519	12,312,724	3,903,108	1,830,711
Furniture and equipment	1,324	941,524	991,973	80,596	119,016
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	987,969	685,277	-	-
Accumulated depreciation	(1,324)	(4,633,055)	(2,898,652)	(1,314,014)	(649,604)
Net property and equipment	-	18,585,533	13,205,908	2,788,178	1,922,355
Other long-term assets					
Restricted property reserves	-	1,638,233	1,230,390	429,281	145,723
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships, net	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets, net	-	291,660	286,482	40,368	34,765
Total other long-term assets	-	1,929,893	1,516,872	469,649	180,488
Total assets	\$ -	\$ 22,584,686	\$ 17,594,402	\$ 3,342,347	\$ 2,154,671
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 4,605	\$ 423,897	\$ 319,508	\$ 58,668	\$ 29,478
Due to affiliates	938,588	50,710	5,481	-	184,350
Accrued interest	-	19,535	15,605	14,937	13,691
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	482,745	261,816	130,033	40,000
Current portion of notes payable, affiliates	186,521	217,285	-	-	-
Deferred revenue	-	21,445	14,234	2,970	1,277
Tenant security deposits	-	238,354	152,919	14,875	8,720
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	1,129,714	1,453,971	769,563	221,483	277,516
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	100,907	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion, net	-	20,505,739	15,070,746	2,686,805	1,470,000
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	20,505,739	15,070,746	2,787,712	1,470,000
Total liabilities	1,129,714	21,959,710	15,840,309	3,009,195	1,747,516
Net assets					
Unrestricted net assets, controlling	(1,129,714)	(696,560)	(877,876)	333,152	134,155
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(1,129,714)	(696,560)	(877,876)	333,152	134,155
Temporarily restricted net assets	-	1,321,536	2,631,969	-	273,000
Permanently restricted net assets	-	-	-	-	-
Total net assets	(1,129,714)	624,976	1,754,093	333,152	407,155
Total liabilities and net assets	\$ -	\$ 22,584,686	\$ 17,594,402	\$ 3,342,347	\$ 2,154,671

Consolidating Statement of Financial Position
Mercy Housing, Inc.
December 31, 2010

	Mercy Commercial California	Consolidated General Partner Corporations	Eliminations	Consolidated Mercy Housing Inc.
Assets				
Current assets				
Cash and cash equivalents	\$ 57,019	\$ 9,307,989	\$ (21,718,653)	\$ 12,591,194
Cash, tenant security deposits	-	3,263,242	-	5,732,471
Cash, restricted	-	6,411,845	-	30,368,986
Investments	-	-	-	490,000
Investments, restricted	-	-	(3,010,857)	2,484,442
Accounts receivable, net	2,368	1,433,235	(1,114,092)	10,417,260
Due from affiliate, net	-	71,098	(17,738,387)	-
Pledges receivable, net	-	-	-	2,185,940
Grants receivable	-	890,871	-	12,175,942
Current portion of notes and interest receivable	-	-	(3,808,652)	15,504,366
Current portion of notes and interest receivable, affiliates	-	-	(9,786,384)	-
Prepaid expenses and other assets	84,633	4,992,984	(1,040,402)	6,127,820
Inventory	-	-	-	11,115,889
Assets held for sale	-	444,000	-	829,708
Total current assets	144,020	26,815,264	(58,217,427)	110,024,018
Property and equipment				
Land and land improvements	-	104,284,510	(6,718)	194,233,625
Buildings	63,792	887,604,595	(11,057,274)	1,429,021,448
Furniture and equipment	89,655	30,205,280	-	55,708,724
Predevelopment project costs	-	-	(409,215)	6,605,188
Construction in progress	-	15,880,138	(1,037,148)	93,507,485
Accumulated depreciation	(65,877)	(239,220,046)	1,636,812	(391,364,022)
Net property and equipment	87,570	798,754,477	(10,873,543)	1,387,712,448
Other long-term assets				
Restricted property reserves	12,264	34,976,288	-	100,508,516
Cash, restricted	-	-	-	-
Long-term investments	-	1,704	-	4,441,704
Long-term investments, restricted	-	-	-	5,760,000
Due from affiliates	-	-	(1,911,971)	-
Pledges receivable, net	-	-	-	1,334,748
Grants receivable	-	-	-	-
Investments in limited partnerships, net	-	4,567,283	(6,828,050)	264,444
Notes and interest receivable, net	-	749,423	(60,000)	17,773,682
Notes and interest receivable, affiliates	-	-	(22,616,611)	-
Allowance for impaired assets	-	-	545,883	-
Other assets, net	-	9,471,215	(65,179)	22,025,898
Total other long-term assets	12,264	49,765,913	(30,935,928)	152,108,992
Total assets	\$ 243,854	\$ 875,335,654	\$ (100,026,898)	\$ 1,649,845,458
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 84,404	\$ 14,881,181	\$ (3,018,478)	\$ 48,829,130
Due to affiliates	347,238	9,616,131	(31,086,521)	-
Accrued interest	-	1,422,939	-	4,379,923
Accrued interest, affiliates	-	174,501	(762,468)	-
Current portion of notes payable	-	9,624,027	-	67,848,752
Current portion of notes payable, affiliates	-	558,849	(15,403,523)	-
Deferred revenue	29,870	1,288,191	(1,033,631)	2,467,024
Tenant security deposits	43,735	3,060,160	-	5,248,131
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	505,247	40,625,979	(51,304,621)	128,772,960
Long-term liabilities				
Due to affiliates	-	1,272,554	(1,272,554)	-
Accrued interest	-	50,509,762	-	58,519,883
Accrued interest, affiliates	50,000	6,984,140	(7,100,027)	-
Notes payable, less current portion, net	-	472,596,476	-	849,040,713
Notes payable, less current portion, affiliates	100,000	29,859,678	(43,276,485)	415,801
Deferred revenue and other liabilities	-	10,754,365	(11,035,538)	23,175,334
Total long-term liabilities	150,000	571,976,975	(62,684,604)	931,151,731
Total liabilities	655,247	612,602,954	(113,989,225)	1,059,924,691
Net assets				
Unrestricted net assets, controlling	(411,393)	225,653,877	(357,764,206)	25,928,512
Unrestricted net assets, noncontrolling	-	-	372,697,366	372,697,366
Total unrestricted net assets	(411,393)	225,653,877	14,933,160	398,625,878
Temporarily restricted net assets	-	37,078,823	(970,833)	187,329,183
Permanently restricted net assets	-	-	-	3,965,706
Total net assets	(411,393)	262,732,700	13,962,327	589,920,767
Total liabilities and net assets	\$ 243,854	\$ 875,335,654	\$ (100,026,898)	\$ 1,649,845,458

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing, Inc.
For the year ended December 31, 2010

	Mercy Housing Inc.	Mercy Loan Fund	Mercy Housing Management Group	Mercy Portfolio Services	MPS Community I, LLC
Revenues					
Rent - net of vacancies	\$ -	\$ -	\$ -	\$ -	\$ -
Developer fees	-	-	-	-	-
Services fees	393,015	1,101,613	10,238,968	-	-
Philanthropy	1,677,253	79,021	67,883	30,000	-
Capital grants	-	-	-	-	-
Consulting	63,839	-	35,344	2,259,287	-
Interest	821,895	1,887,507	139	3,647	1,248
Other	664,042	287,240	1,407,259	415,609	-
Total revenues	<u>3,620,044</u>	<u>3,355,381</u>	<u>11,749,593</u>	<u>2,708,543</u>	<u>1,248</u>
Expenses and losses					
Compensation	6,845,912	609,650	7,670,009	1,474,973	-
Administrative	2,332,074	120,707	1,297,259	316,618	-
Professional services	971,756	114,555	253,526	283,345	-
Depreciation and amortization	443,799	-	8,368	53,570	-
Grants	1,965,880	-	153,499	-	-
Facility	782,755	1,141	77,160	105,392	-
Interest and fees	538,749	734,030	77,500	2,044	-
Bad debts	535,248	-	11,165	-	-
Provision for impaired assets	581,736	493,514	-	-	-
Project expenses	-	-	-	-	-
Allocation	(7,552,057)	214,668	1,822,044	368,371	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	(1,625,450)	60	-	-	-
Total expenses and losses	<u>5,820,402</u>	<u>2,288,325</u>	<u>11,370,530</u>	<u>2,604,313</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	<u>(2,200,358)</u>	<u>1,067,056</u>	<u>379,063</u>	<u>104,230</u>	<u>1,248</u>
Net assets at the beginning of year	7,153,559	5,654,050	(5,802,503)	667,925	15,341
Net transfers to (from) net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 4,953,201</u>	<u>\$ 6,721,106</u>	<u>\$ (5,423,440)</u>	<u>\$ 772,155</u>	<u>\$ 16,589</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing, Inc.
For the year ended December 31, 2010

	Brooks Oaks Senior Residences	Mercy Commercial Finance Properties	Consolidated Mercy Housing Southwest	Consolidated Mercy Housing Mountain Plains	Consolidated Mercy Housing California
Revenues					
Rent - net of vacancies	\$ 78,766	\$ -	\$ -	\$ 7,574,596	\$ 17,490,192
Developer fees	-	-	-	729,978	2,344,508
Services fees	-	-	-	582,219	2,972,408
Philanthropy	-	-	-	1,326,154	2,136,877
Capital grants	-	-	-	1,380,000	1,712,235
Consulting	-	-	-	144,494	1,412,020
Interest	139	-	-	708,603	596,425
Other	37,534	-	-	1,049,708	1,446,746
Total revenues	<u>116,439</u>	<u>-</u>	<u>-</u>	<u>13,495,752</u>	<u>30,111,411</u>
Expenses and losses					
Compensation	12,699	-	-	4,070,168	11,575,019
Administrative	10,126	-	-	1,469,998	2,569,938
Professional services	42	-	-	545,910	811,415
Depreciation and amortization	72,878	-	-	1,911,592	6,461,284
Grants	-	-	-	116,086	2,712,068
Facility	43,631	-	-	3,202,971	5,470,516
Interest and fees	-	51	-	898,616	3,036,969
Bad debts	134	-	-	149,559	455,757
Provision for impaired assets	-	-	-	831,772	928,846
Project expenses	-	-	-	13,027	6,565
Allocation	-	-	-	965,484	1,758,539
(Gain) loss on sale of assets	(23,071)	50,992	-	43,044	188,535
(Gain) loss on investment in limited partnership	-	-	-	-	1,854
Total expenses and losses	<u>116,439</u>	<u>51,043</u>	<u>-</u>	<u>14,218,227</u>	<u>35,977,305</u>
Excess (deficiency) of revenues over expenses	-	(51,043)	-	(722,475)	(5,865,894)
Net assets at the beginning of year	5,091,470	(1,853,272)	15,370,905	4,227,130	101,569,860
Net transfers to (from) net assets	<u>(5,091,470)</u>	<u>-</u>	<u>(15,370,905)</u>	<u>25,540,415</u>	<u>9,259,500</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ (1,904,315)</u>	<u>\$ -</u>	<u>\$ 29,045,070</u>	<u>\$ 104,963,466</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing, Inc.
For the year ended December 31, 2010

	Consolidated Mercy Housing Northwest - ID	Consolidated Mercy Housing Lakefront	Consolidated Mercy Housing Midwest	Consolidated Mercy Housing Southeast	Consolidated Mercy Housing Northwest
Revenues					
Rent - net of vacancies	\$ 815,480	\$ 10,522,366	\$ -	\$ 6,569,534	\$ 5,827,878
Developer fees	-	2,426,428	-	(148,702)	2,154,629
Services fees	48,550	25,664	-	218,574	92,981
Philanthropy	262,749	7,921,225	-	270,810	878,623
Capital grants	1,200	9,777,902	-	20,000	300,000
Consulting	232,525	-	-	1,015	446,183
Interest	109,857	185,701	-	58,394	93,669
Other	32,585	829,560	-	2,973,200	298,776
Total revenues	1,502,946	31,688,846	-	9,962,825	10,092,739
Expenses and losses					
Compensation	564,874	7,839,206	-	2,601,257	2,893,390
Administrative	279,049	2,438,724	-	1,470,229	1,182,235
Professional services	74,629	820,334	-	260,663	206,647
Depreciation and amortization	246,060	4,150,849	-	4,260,835	3,331,399
Grants	20,252	147,950	-	24,436	34,462
Facility	305,118	3,635,327	-	3,045,692	2,045,979
Interest and fees	76,100	1,607,163	-	2,062,333	1,033,230
Bad debts	67,754	83,406	-	62,590	95,284
Provision for impaired assets	30,326	-	-	24,328	34,654
Project expenses	119,073	-	-	1,010,433	53,303
Allocation	225,852	939,151	-	549,348	619,284
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	127,533	-	-	(1,593,180)
Total expenses and losses	2,009,087	21,789,643	-	15,372,144	9,936,687
Excess (deficiency) of revenues over expenses	(506,141)	9,899,203	-	(5,409,319)	156,052
Net assets at the beginning of year	4,934,239	39,014,264	8,277,191	55,080,766	42,276,964
Net transfers to (from) net assets	-	13,211,344	(8,277,191)	5,088,524	8,757,743
Net assets at end of year	<u>\$ 4,428,098</u>	<u>\$ 62,124,811</u>	<u>\$ -</u>	<u>\$ 54,759,971</u>	<u>\$ 51,190,759</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing, Inc.
For the year ended December 31, 2010

	Mercy Housing Ohio	Mercy Properties Washington III, LLC (Cobble Knoll I)	Mercy Properties Washington II, LLC (Cobble Knoll II)	Padre Apartments	Mercy Bond Properties Colorado I
Revenues					
Rent - net of vacancies	\$ -	\$ 3,996,088	\$ 3,106,670	\$ 694,951	\$ 427,920
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	1,329,338	1,759,635	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	58,850	1,661	1,282	251	171
Other	-	130,716	118,843	725	4,666
Total revenues	<u>58,850</u>	<u>5,457,803</u>	<u>4,986,430</u>	<u>695,927</u>	<u>432,757</u>
Expenses and losses					
Compensation	7,363	620,162	673,515	75,747	81,641
Administrative	-	451,625	443,848	49,460	50,340
Professional services	5,226	71,510	75,775	8,480	20,194
Depreciation and amortization	147	695,278	523,825	153,455	70,095
Grants	-	-	-	-	-
Facility	-	1,425,982	1,181,895	210,638	119,842
Interest and fees	29,537	567,489	478,583	202,720	85,369
Bad debts	402,729	12,205	3,916	-	1,100
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	89,316	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>534,318</u>	<u>3,844,251</u>	<u>3,381,357</u>	<u>700,500</u>	<u>428,581</u>
Excess (deficiency) of revenues over expenses	(475,468)	1,613,552	1,605,073	(4,573)	4,176
Net assets at the beginning of year	(654,246)	(988,576)	149,020	337,725	402,979
Net transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ (1,129,714)</u>	<u>\$ 624,976</u>	<u>\$ 1,754,093</u>	<u>\$ 333,152</u>	<u>\$ 407,155</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing, Inc.
For the year ended December 31, 2010

	Mercy Commercial California	Consolidated General Partner Corporations	Eliminations	Consolidated Mercy Housing Inc.
Revenues				
Rent - net of vacancies	\$ 1,016,836	\$ 58,179,051	\$ (96,819)	\$ 116,203,509
Developer fees	-	-	(302,402)	7,204,439
Services fees	-	11,435	(12,439,607)	3,245,820
Philanthropy	-	207,518	(1,173,480)	16,773,606
Capital grants	-	-	-	13,191,337
Consulting	-	-	(77,881)	4,516,826
Interest	6	388,232	(2,154,118)	2,763,559
Other	79,721	4,035,401	(4,960,107)	8,852,224
Total revenues	<u>1,096,563</u>	<u>62,821,637</u>	<u>(21,204,414)</u>	<u>172,751,320</u>
Expenses and losses				
Compensation	-	13,912,670	-	61,528,255
Administrative	71,185	8,556,097	(10,842,599)	12,266,913
Professional services	8,236	3,988,148	(2,108,156)	6,412,235
Depreciation and amortization	2,580	37,255,247	(396,893)	59,244,368
Grants	-	521,307	(4,256,552)	1,439,388
Facility	1,162,730	19,999,014	(382,914)	42,432,869
Interest and fees	15,323	16,702,045	(1,876,940)	26,270,911
Bad debts	2,758	461,687	(1,437,617)	907,675
Provision for impaired assets	-	1,712,834	(1,974,789)	2,663,221
Project expenses	-	20	(27,613)	1,174,808
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	6,589	701,377	967,466
(Gain) loss on investment in limited partnership	-	2,652,776	648,572	212,165
Total expenses and losses	<u>1,262,812</u>	<u>105,768,434</u>	<u>(21,954,124)</u>	<u>215,520,274</u>
Excess (deficiency) of revenues over expenses	(166,249)	(42,946,797)	749,710	(42,768,954)
Net assets at the beginning of year	(245,144)	279,677,536	13,212,617	573,569,800
Net transfers to (from) net assets	-	26,001,961	-	59,119,921
Net assets at end of year	<u>\$ (411,393)</u>	<u>\$ 262,732,700</u>	<u>\$ 13,962,327</u>	<u>\$ 589,920,767</u>

Consolidating Statement of Financial Position
Mercy Housing Mountain Plains
December 31, 2010

	Mercy Housing Mountain Plains	Holly Park Community Center LLC	Homes for Greeley	Stapleton II Mercy, LLC	Bluff Mercy, LLC
Assets					
Current assets					
Cash and cash equivalents	\$ 450	\$ -	\$ 3,882	\$ -	\$ -
Cash, tenant security deposits	-	-	3,200	-	-
Cash, restricted	505,985	532	1,197	-	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	775	-	-	-	-
Due from affiliate, net	581,027	-	-	-	-
Pledges receivable	44,275	-	-	-	-
Grants receivable	255,483	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	1,293,552	-	-	-	-
Prepaid expenses and other assets	7,448	493	-	-	-
Inventory	-	-	-	-	-
Assets held for sale	-	-	-	-	-
Total current assets	2,688,995	1,025	8,279	-	-
Property and equipment					
Land and land improvements	-	226,320	-	-	1,380,000
Buildings	-	378,604	831,978	-	-
Furniture and equipment	58,740	60,479	-	-	-
Predevelopment project costs	21,499	-	-	-	-
Construction in progress	-	-	-	-	454,059
Accumulated depreciation	(54,490)	(49,993)	(26,843)	-	-
Net property and equipment	25,749	615,410	805,135	-	1,834,059
Other long-term assets					
Restricted property reserves	-	-	-	-	-
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	234,010	-	-	-	-
Pledges receivable, net	25,235	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	1,380,000	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	6,796,157	-	-	-	-
Allowance for impaired assets	(545,883)	-	-	-	-
Other assets	-	-	4,136	-	-
Total other long-term assets	6,509,519	-	4,136	1,380,000	-
Total assets	\$ 9,224,263	\$ 616,435	\$ 817,550	\$ 1,380,000	\$ 1,834,059
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 116,955	\$ 5,775	\$ -	\$ -	\$ -
Due to affiliates	5,390,242	986	565,143	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	-	-
Current portion of notes payable, affiliates	454,059	-	-	-	454,059
Deferred revenue	-	-	11	-	-
Tenant security deposits	-	-	3,200	-	-
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	5,961,256	6,761	568,354	-	454,059
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	84,198	-	-	-	-
Notes payable, less current portion, affiliates	-	70,000	28,542	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	84,198	70,000	28,542	-	-
Total liabilities	6,045,454	76,761	596,896	-	454,059
Net assets					
Unrestricted net assets, controlling	(2,064,766)	539,674	220,654	1,380,000	1,380,000
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(2,064,766)	539,674	220,654	1,380,000	1,380,000
Temporarily restricted net assets	4,443,575	-	-	-	-
Permanently restricted net assets	800,000	-	-	-	-
Total net assets	3,178,809	539,674	220,654	1,380,000	1,380,000
Total liabilities and net assets	\$ 9,224,263	\$ 616,435	\$ 817,550	\$ 1,380,000	\$ 1,834,059

Consolidating Statement of Financial Position
Mercy Housing Mountain Plains
December 31, 2010

	Consolidated Mercy Housing Midwest	Consolidated Mercy Housing Southwest	Eliminations	Consolidated Mercy Housing Mountain Plains
Assets				
Current assets				
Cash and cash equivalents	\$ 460,950	\$ 366,551	\$ -	\$ 831,833
Cash, tenant security deposits	169,996	115,153	-	288,349
Cash, restricted	2,336,614	240,978	-	3,085,306
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	202,740	133,720	-	337,235
Due from affiliate, net	142,977	77,600	(264,862)	536,742
Pledges receivable	5,968	1,170	-	51,413
Grants receivable	200	2,500	-	258,183
Current portion of notes and interest receivable	-	11,917	-	11,917
Current portion of notes and interest receivable, affiliates	-	4,875	(1,019,202)	279,225
Prepaid expenses and other assets	106,033	146,059	-	260,033
Inventory	-	-	-	-
Assets held for sale	385,708	-	-	385,708
Total current assets	3,811,186	1,100,523	(1,284,064)	6,325,944
Property and equipment				
Land and land improvements	1,153,140	2,010,846	-	4,770,306
Buildings	17,436,817	28,355,499	(3,966)	46,998,932
Furniture and equipment	694,330	2,494,822	-	3,308,371
Predevelopment project costs	-	214,546	-	236,045
Construction in progress	3,055,989	-	(139,845)	3,370,203
Accumulated depreciation	(3,963,126)	(14,674,348)	102	(18,768,698)
Net property and equipment	18,377,150	18,401,365	(143,709)	39,915,159
Other long-term assets				
Restricted property reserves	1,161,610	1,833,770	-	2,995,380
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	234,010
Pledges receivable, net	-	-	-	25,235
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	(1,380,000)	-
Notes and interest receivable, net	-	-	-	-
Notes and interest receivable, affiliates	-	541,372	(183,128)	7,154,401
Allowance for impaired assets	-	-	-	(545,883)
Other assets	651,421	81,900	-	737,457
Total other long-term assets	1,813,031	2,457,042	(1,563,128)	10,600,600
Total assets	\$ 24,001,367	\$ 21,958,930	\$ (2,990,901)	\$ 56,841,703
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 1,890,106	\$ 462,691	\$ (823)	\$ 2,474,704
Due to affiliates	1,586,065	-	(566,129)	6,976,307
Accrued interest	24,931	17,653	-	42,584
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	141,032	4,098,345	-	4,239,377
Current portion of notes payable, affiliates	-	214,546	(454,059)	668,605
Deferred revenue	24,091	13,898	-	38,000
Tenant security deposits	134,849	106,186	-	244,235
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	3,801,074	4,913,319	(1,021,011)	14,683,812
Long-term liabilities				
Due to affiliates	-	113,128	(113,128)	-
Accrued interest	383,894	4,740	-	388,634
Accrued interest, affiliates	65,887	-	-	65,887
Notes payable, less current portion	9,748,239	2,717,590	-	12,550,027
Notes payable, less current portion, affiliates	60,000	-	(70,000)	88,542
Deferred revenue and other liabilities	420,747	3,691	(404,707)	19,731
Total long-term liabilities	10,678,767	2,839,149	(587,835)	13,112,821
Total liabilities	14,479,841	7,752,468	(1,608,846)	27,796,633
Net assets				
Unrestricted net assets, controlling	5,726,479	(153,442)	(1,382,055)	5,646,544
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	5,726,479	(153,442)	(1,382,055)	5,646,544
Temporarily restricted net assets	3,795,047	14,359,904	-	22,598,526
Permanently restricted net assets	-	-	-	800,000
Total net assets	9,521,526	14,206,462	(1,382,055)	29,045,070
Total liabilities and net assets	\$ 24,001,367	\$ 21,958,930	\$ (2,990,901)	\$ 56,841,703

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Mountain Plains
For the year ended December 31, 2010

	Mercy Housing Mountain Plains	Holly Park Community Center LLC	Homes for Greeley	Stapleton II Mercy, LLC	Bluff Mercy, LLC
Revenues					
Rent - net of vacancies	\$ -	\$ -	\$ 27,485	\$ -	\$ -
Developer fees	729,978	-	-	-	-
Services fees	465,552	-	-	-	-
Philanthropy	696,281	-	-	-	-
Capital grants	-	-	-	-	1,380,000
Consulting	144,494	-	-	-	-
Interest	482,238	-	-	-	-
Other	125,947	-	144	-	-
Total revenues	<u>2,644,490</u>	<u>-</u>	<u>27,629</u>	<u>-</u>	<u>1,380,000</u>
Expenses and losses					
Compensation	1,153,226	-	-	-	-
Administrative	144,966	77	15,697	-	-
Professional services	215,191	2,499	(75)	-	-
Depreciation and amortization	4,133	37,495	27,121	-	-
Grants	-	-	-	-	-
Facility	730	1,822	24,709	-	-
Interest and fees	125,983	-	57	-	-
Bad debts	3,617	-	-	-	-
Provision for impaired assets	700,324	-	-	-	-
Project expenses	5,997	-	-	-	-
Allocation	499,536	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	(1,380,000)	-
Total expenses and losses	<u>2,853,703</u>	<u>41,893</u>	<u>67,509</u>	<u>(1,380,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenses	(209,213)	(41,893)	(39,880)	1,380,000	1,380,000
Net assets at beginning of year	3,388,022	581,567	260,534	-	-
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ 3,178,809</u>	<u>\$ 539,674</u>	<u>\$ 220,654</u>	<u>\$ 1,380,000</u>	<u>\$ 1,380,000</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Mountain Plains
For the year ended December 31, 2010

	Consolidated Mercy Housing Midwest	Consolidated Mercy Housing Southwest	Eliminations	Consolidated Mercy Housing Mountain Plains
Revenues				
Rent - net of vacancies	\$ 3,226,306	\$ 4,320,805	\$ -	\$ 7,574,596
Developer fees	-	-	-	729,978
Services fees	161,267	123,040	(167,640)	582,219
Philanthropy	326,569	303,304	-	1,326,154
Capital grants	-	-	-	1,380,000
Consulting	-	-	-	144,494
Interest	151,566	74,799	-	708,603
Other	809,598	114,019	-	1,049,708
Total revenues	<u>4,675,306</u>	<u>4,935,967</u>	<u>(167,640)</u>	<u>13,495,752</u>
Expenses and losses				
Compensation	1,156,521	1,760,421	-	4,070,168
Administrative	601,565	707,693	-	1,469,998
Professional services	156,264	339,671	(167,640)	545,910
Depreciation and amortization	735,545	1,107,400	(102)	1,911,592
Grants	13,290	102,796	-	116,086
Facility	1,569,812	1,605,898	-	3,202,971
Interest and fees	573,530	199,046	-	898,616
Bad debts	118,321	28,457	(836)	149,559
Provision for impaired assets	111,438	20,010	-	831,772
Project expenses	-	7,030	-	13,027
Allocation	243,960	221,988	-	965,484
(Gain) loss on sale of assets	43,044	-	-	43,044
(Gain) loss on investment in limited partnership	-	-	1,380,000	-
Total expenses and losses	<u>5,323,290</u>	<u>6,100,410</u>	<u>1,211,422</u>	<u>14,218,227</u>
Excess (deficiency) of revenues over expenses	(647,984)	(1,164,443)	(1,379,062)	(722,475)
Net assets at beginning of year	-	-	(2,993)	4,227,130
Other transfers to (from) net assets	10,169,510	15,370,905	-	25,540,415
Net assets at end of year	<u>\$ 9,521,526</u>	<u>\$ 14,206,462</u>	<u>\$ (1,382,055)</u>	<u>\$ 29,045,070</u>

Consolidating Statement of Financial Position
Mercy Housing Midwest
December 31, 2010

	Mercy Housing Midwest	Mercy Crestview Village	Heartland Housing Initiative (HARP)	Mercy House	Mercy Northglen	Oakwood Gardens
Assets						
Current assets						
Cash and cash equivalents	\$ 121,138	\$ 81,385	\$ 5,647	\$ 2,578	\$ 62,229	\$ 6,461
Cash, tenant security deposits	-	-	5,471	4,064	-	19,553
Cash, restricted	723,054	-	-	-	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	175	-	-	2,079	-	5,397
Due from affiliate, net	138,591	-	-	-	-	-
Pledges receivable	5,968	-	-	-	-	-
Grants receivable	200	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	65,000	-	-	-	-	-
Prepaid expenses and other assets	3,512	-	-	3,103	-	9,813
Inventory	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	385,708
Total current assets	1,057,638	81,385	11,118	11,824	62,229	426,932
Property and equipment						
Land and land improvements	-	-	-	30,770	-	-
Buildings	-	-	-	441,202	-	-
Furniture and equipment	92,513	-	-	58,021	-	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(84,934)	-	-	(386,550)	-	-
Net property and equipment	7,579	-	-	143,443	-	-
Other long-term assets						
Restricted property reserves	-	-	-	18,528	-	70,221
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total other long-term assets	-	-	-	18,528	-	70,221
Total assets	\$ 1,065,217	\$ 81,385	\$ 11,118	\$ 173,795	\$ 62,229	\$ 497,153
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 52,063	\$ -	\$ -	\$ 12,084	\$ -	\$ 45,224
Due to affiliates	-	68,975	-	-	79,257	452,733
Accrued interest	-	-	-	2,113	-	572
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	-	-	6,572	-	49,822
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	-	-	-	1,101	-	1,515
Tenant security deposits	-	-	-	2,781	-	18,034
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	52,063	68,975	-	24,651	79,257	567,900
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	14,665	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	65,887
Notes payable, less current portion	147,500	-	-	275,219	-	57,846
Notes payable, less current portion, affiliates	-	-	-	-	-	60,000
Deferred revenue and other liabilities	-	-	-	-	-	6,915
Total long-term liabilities	162,165	-	-	275,219	-	190,648
Total liabilities	214,228	68,975	-	299,870	79,257	758,548
Net assets						
Unrestricted net assets, controlling	847,884	12,410	11,118	(126,075)	(17,028)	(261,395)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	847,884	12,410	11,118	(126,075)	(17,028)	(261,395)
Temporarily restricted net assets	3,105	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	850,989	12,410	11,118	(126,075)	(17,028)	(261,395)
Total liabilities and net assets	\$ 1,065,217	\$ 81,385	\$ 11,118	\$ 173,795	\$ 62,229	\$ 497,153

Consolidating Statement of Financial Position
Mercy Housing Midwest
December 31, 2010

	Mercy Midwest Properties (Ridgeview)	Mercy Bond Properties Nebraska I (Mercy Timbercreek LLC)	Mercy Western Manor	Mercy Village at St. Johns	Mercy Housing Midwest Nebraska, LLC	Northglen, LP
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 6,576	\$ 134,801	\$ 32,710	\$ -	\$ (16,166)
Cash, tenant security deposits	-	46,421	-	19,128	-	13,436
Cash, restricted	-	17,207	-	-	-	351,255
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	114,216	-	97	-	22,026
Due from affiliate, net	-	8,257	-	-	-	79,257
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	28,465	-	11,041	-	8,878
Inventory	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Total current assets	-	221,142	134,801	62,976	-	458,686
Property and equipment						
Land and land improvements	-	1,281,712	-	-	-	408,105
Buildings	-	6,837,282	-	4,476,298	-	748,942
Furniture and equipment	-	510,844	-	32,952	-	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	938,334
Accumulated depreciation	-	(2,580,545)	-	(886,889)	-	(2,024)
Net property and equipment	-	6,049,293	-	3,622,361	-	2,093,357
Other long-term assets						
Restricted property reserves	-	372,643	-	155,654	-	97,381
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	(26)	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	296,238	-	-	-	80,267
Total other long-term assets	-	668,881	-	155,654	(26)	177,648
Total assets	\$ -	\$ 6,939,316	\$ 134,801	\$ 3,840,991	\$ (26)	\$ 2,729,691
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ -	\$ 162,041	\$ -	\$ 29,217	\$ -	\$ 668,342
Due to affiliates	-	4,390	153,705	-	311	424,526
Accrued interest	-	22,246	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	84,638	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	-	16,759	-	214	-	806
Tenant security deposits	-	46,451	-	17,253	-	6,442
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	-	336,525	153,705	46,684	311	1,100,116
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	369,229	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	5,671
Notes payable, less current portion	-	8,593,920	-	-	-	309,953
Notes payable, less current portion, affiliates	-	-	-	-	-	1,180,000
Deferred revenue and other liabilities	-	9,125	-	-	-	121,276
Total long-term liabilities	-	8,972,274	-	-	-	1,616,900
Total liabilities	-	9,308,799	153,705	46,684	311	2,717,016
Net assets						
Unrestricted net assets, controlling	-	(2,369,483)	(18,904)	2,365	(337)	12,675
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	-	(2,369,483)	(18,904)	2,365	(337)	12,675
Temporarily restricted net assets	-	-	-	3,791,942	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	-	(2,369,483)	(18,904)	3,794,307	(337)	12,675
Total liabilities and net assets	\$ -	\$ 6,939,316	\$ 134,801	\$ 3,840,991	\$ (26)	\$ 2,729,691

Consolidating Statement of Financial Position
Mercy Housing Midwest
December 31, 2010

	Crestview Village Housing, LP	Western Manor, LP	Eliminations	Consolidated Mercy Housing Midwest
Assets				
Current assets				
Cash and cash equivalents	\$ 7,780	\$ 19,066	\$ (3,255)	\$ 460,950
Cash, tenant security deposits	49,618	12,305	-	169,996
Cash, restricted	589,225	655,873	-	2,336,614
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	19,045	39,705	-	202,740
Due from affiliate, net	68,975	154,224	(306,327)	142,977
Pledges receivable	-	-	-	5,968
Grants receivable	-	-	-	200
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	(65,000)	-
Prepaid expenses and other assets	26,901	14,320	-	106,033
Inventory	-	-	-	-
Assets held for sale	-	-	-	385,708
Total current assets	<u>761,544</u>	<u>895,493</u>	<u>(374,582)</u>	<u>3,811,186</u>
Property and equipment				
Land and land improvements	1,030,888	352,639	(1,950,974)	1,153,140
Buildings	3,842,401	1,543,180	(452,488)	17,436,817
Furniture and equipment	-	-	-	694,330
Predevelopment project costs	-	-	-	-
Construction in progress	1,232,911	891,132	(6,388)	3,055,989
Accumulated depreciation	(18,375)	(3,809)	-	(3,963,126)
Net property and equipment	<u>6,087,825</u>	<u>2,783,142</u>	<u>(2,409,850)</u>	<u>18,377,150</u>
Other long-term assets				
Restricted property reserves	245,803	201,380	-	1,161,610
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	26	-
Notes and interest receivable, net	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	169,361	105,555	-	651,421
Total other long-term assets	<u>415,164</u>	<u>306,935</u>	<u>26</u>	<u>1,813,031</u>
Total assets	<u>\$ 7,264,533</u>	<u>\$ 3,985,570</u>	<u>\$ (2,784,406)</u>	<u>\$ 24,001,367</u>
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 470,305	\$ 454,085	\$ (3,255)	\$ 1,890,106
Due to affiliates	624,006	549,707	(771,545)	1,586,065
Accrued interest	-	-	-	24,931
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	-	-	-	141,032
Current portion of notes payable, affiliates	-	-	-	-
Deferred revenue	1,082	2,614	-	24,091
Tenant security deposits	34,888	9,000	-	134,849
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	<u>1,130,281</u>	<u>1,015,406</u>	<u>(774,800)</u>	<u>3,801,074</u>
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	-	-	-	383,894
Accrued interest, affiliates	27,287	11,260	(44,218)	65,887
Notes payable, less current portion	-	363,801	-	9,748,239
Notes payable, less current portion, affiliates	4,910,051	1,890,000	(7,980,051)	60,000
Deferred revenue and other liabilities	161,187	122,244	-	420,747
Total long-term liabilities	<u>5,098,525</u>	<u>2,387,305</u>	<u>(8,024,269)</u>	<u>10,678,767</u>
Total liabilities	<u>6,228,806</u>	<u>3,402,711</u>	<u>(8,799,069)</u>	<u>14,479,841</u>
Net assets				
Unrestricted net assets, controlling	1,035,727	582,859	6,014,663	5,726,479
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	<u>1,035,727</u>	<u>582,859</u>	<u>6,014,663</u>	<u>5,726,479</u>
Temporarily restricted net assets	-	-	-	3,795,047
Permanently restricted net assets	-	-	-	-
Total net assets	<u>1,035,727</u>	<u>582,859</u>	<u>6,014,663</u>	<u>9,521,526</u>
Total liabilities and net assets	<u>\$ 7,264,533</u>	<u>\$ 3,985,570</u>	<u>\$ (2,784,406)</u>	<u>\$ 24,001,367</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Midwest
For the year ended December 31, 2010

	Mercy Housing Midwest	Mercy Crestview Village	Heartland Housing Initiative (HARP)	Mercy House	Mercy Northglenn	Oakwood Gardens
Revenues						
Rent - net of vacancies	\$ -	\$ 652,215	\$ 3,150	\$ 98,362	\$ 167,042	\$ 321,087
Developer fees	-	-	-	-	-	-
Services fees	161,267	-	-	-	-	-
Philanthropy	326,469	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	68,922	54,170	6,840	29	16,024	29,541
Other	8,839,251	26,042	74,011	1,173	158,956	12,869
Total revenues	9,395,909	732,427	84,001	99,564	342,022	363,497
Expenses and losses						
Compensation	455,057	132,526	1,306	16,795	62,549	42,347
Administrative	63,162	101,574	2,006	15,069	49,846	57,687
Professional services	25,001	12,547	1,249	6,830	9,165	14,217
Depreciation and amortization	5,294	157,948	1,917	18,247	25,494	-
Grants	-	5,200,000	-	-	1,300,000	-
Facility	8,266	255,615	10,123	39,120	102,552	197,458
Interest and fees	(1,424)	2,312	221,806	25,853	692	8,299
Bad debts	97,475	5,107	384	102	3,255	24,739
Provision for impaired assets	8,130,860	-	4,847	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	243,960	-	-	-	-	-
(Gain) loss on sale of assets	-	(1,381,399)	57,346	-	(316,586)	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	9,027,651	4,486,230	300,984	122,016	1,236,967	344,747
Excess (deficiency) of revenues over expenses	368,258	(3,753,803)	(216,983)	(22,452)	(894,945)	18,750
Net assets at beginning of year	482,731	3,766,213	228,101	(103,623)	877,917	(280,145)
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	\$ 850,989	\$ 12,410	\$ 11,118	\$ (126,075)	\$ (17,028)	\$ (261,395)

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Midwest
For the year ended December 31, 2010

	Mercy Midwest Properties (Ridgeview)	Mercy Bond Properties Nebraska I (Mercy Timbercreek LLC)	Mercy Western Manor	Mercy Village at St. Johns	Mercy Housing Midwest Nebraska, LLC	Northglen, LP
Revenues						
Rent - net of vacancies	\$ 816	\$ 1,196,940	\$ 374,558	\$ 254,764	\$ -	\$ 30,708
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	100	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	-	787	19,101	168	-	19
Other	300	346,476	91,783	5,792	-	727
Total revenues	<u>1,116</u>	<u>1,544,203</u>	<u>485,442</u>	<u>260,824</u>	<u>-</u>	<u>31,454</u>
Expenses and losses						
Compensation	301	165,677	87,821	80,425	-	23,069
Administrative	217	167,203	55,867	55,402	-	11,392
Professional services	-	15,780	13,708	10,730	311	13,264
Depreciation and amortization	-	294,679	36,307	166,856	-	6,544
Grants	13,290	-	2,200,000	-	-	-
Facility	184	573,422	126,637	94,175	-	32,429
Interest and fees	1,015	311,470	3,156	40	-	3,569
Bad debts	-	14,701	5,882	130	-	129
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	(14,302)	-	(705,477)	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	26	-
Total expenses and losses	<u>705</u>	<u>1,542,932</u>	<u>1,823,901</u>	<u>407,758</u>	<u>337</u>	<u>90,396</u>
Excess (deficiency) of revenues over expenses	<u>411</u>	<u>1,271</u>	<u>(1,338,459)</u>	<u>(146,934)</u>	<u>(337)</u>	<u>(58,942)</u>
Net assets at beginning of year	(411)	(2,370,754)	1,319,555	3,941,241	-	-
Other transfers to (from) net assets	-	-	-	-	-	71,617
Net assets at end of year	<u>\$ -</u>	<u>\$ (2,369,483)</u>	<u>\$ (18,904)</u>	<u>\$ 3,794,307</u>	<u>\$ (337)</u>	<u>\$ 12,675</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Midwest
For the year ended December 31, 2010

	Crestview Village Housing, LP	Western Manor, LP	Eliminations	Consolidated Mercy Housing Midwest
Revenues				
Rent - net of vacancies	\$ 70,977	\$ 48,487	\$ 7,200	\$ 3,226,306
Developer fees	-	-	-	-
Services fees	-	-	-	161,267
Philanthropy	-	-	-	326,569
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	204	176	(44,415)	151,566
Other	1,683	3,307	(8,752,772)	809,598
Total revenues	<u>72,864</u>	<u>51,970</u>	<u>(8,789,987)</u>	<u>4,675,306</u>
Expenses and losses				
Compensation	58,860	29,788	-	1,156,521
Administrative	14,438	7,702	-	601,565
Professional services	14,175	19,287	-	156,264
Depreciation and amortization	18,375	3,884	-	735,545
Grants	-	-	(8,700,000)	13,290
Facility	90,890	31,741	7,200	1,569,812
Interest and fees	25,002	9,767	(38,027)	573,530
Bad debts	2,130	911	(36,624)	118,321
Provision for impaired assets	-	-	(8,024,269)	111,438
Project expenses	-	-	-	-
Allocation	-	-	-	243,960
(Gain) loss on sale of assets	-	-	2,403,462	43,044
(Gain) loss on investment in limited partnership	-	-	(26)	-
Total expenses and losses	<u>223,870</u>	<u>103,080</u>	<u>(14,388,284)</u>	<u>5,323,290</u>
Excess (deficiency) of revenues over expenses	(151,006)	(51,110)	5,598,297	(647,984)
Net assets at beginning of year	-	-	416,366	8,277,191
Other transfers to (from) net assets	1,186,733	633,969	-	1,892,319
Net assets at end of year	<u>\$ 1,035,727</u>	<u>\$ 582,859</u>	<u>\$ 6,014,663</u>	<u>\$ 9,521,526</u>

Consolidating Statement of Financial Position
Mercy Housing Southwest
December 31, 2010

	Mercy Housing Southwest	Avondale Senior Housing	Camelot Casitas	Casa De Merced	Casa De Shanti	Decatur Place
Assets						
Current assets						
Cash and cash equivalents	\$ 64,288	\$ 7,197	\$ 5,816	\$ 922	\$ 5,809	\$ 185,471
Cash, tenant security deposits	-	8,693	1,580	10,654	6,115	14,696
Cash, restricted	56,293	-	2,880	-	-	163,436
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	101,500	-	300	193	936	13,665
Due from affiliate, net	79,600	-	-	-	-	-
Pledges receivable	1,170	-	-	-	-	-
Grants receivable	2,500	-	-	-	-	-
Current portion of notes and interest receivable	11,917	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	153,103	-	-	-	-	-
Prepaid expenses and other assets	7,076	8,244	1,825	8,049	5,046	35,344
Total current assets	477,447	24,134	12,401	19,818	17,906	412,612
Property and equipment						
Land and land improvements	-	129,200	51,954	101,945	85,256	321,489
Buildings	-	2,403,688	403,244	1,991,210	1,276,074	6,674,061
Furniture and equipment	69,934	110,170	62,386	114,286	71,038	859,681
Predevelopment project costs	214,546	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(69,934)	(837,074)	(158,509)	(1,069,552)	(749,083)	(4,365,522)
Net property and equipment	214,546	1,805,984	359,075	1,137,889	683,285	3,489,709
Other long-term assets						
Restricted property reserves	-	77,690	43,010	109,715	24,771	1,040,572
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	11,785	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	284,712	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	32,749
Total other long-term assets	296,497	77,690	43,010	109,715	24,771	1,073,321
Total assets	\$ 988,490	\$ 1,907,808	\$ 414,486	\$ 1,267,422	\$ 725,962	\$ 4,975,642
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 44,730	\$ 32,104	\$ 12,382	\$ 25,389	\$ 19,555	\$ 57,819
Due to affiliates	21,153	13,052	34,560	47,686	89,450	-
Accrued interest	2,500	-	-	-	-	9,738
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	-	-	-	-	38,063
Current portion of notes payable, affiliates	214,546	-	-	-	-	-
Deferred revenue	-	53	381	-	1,017	4,230
Tenant security deposits	-	8,693	849	8,811	5,717	13,837
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	282,929	53,902	48,172	81,886	115,739	123,687
Long-term liabilities						
Due to affiliates	-	-	-	-	-	113,128
Accrued interest	-	-	-	-	-	4,740
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	500,000	-	-	-	-	2,077,638
Notes payable, less current portion, affiliates	-	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	637	-
Total long-term liabilities	500,000	-	-	-	637	2,195,506
Total liabilities	782,929	53,902	48,172	81,886	116,376	2,319,193
Net assets						
Unrestricted net assets, controlling	49,336	(12,052)	31,565	(232,003)	(256,132)	2,268,909
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	49,336	(12,052)	31,565	(232,003)	(256,132)	2,268,909
Temporarily restricted net assets	156,225	1,865,958	334,749	1,417,539	865,718	387,540
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	205,561	1,853,906	366,314	1,185,536	609,586	2,656,449
Total liabilities and net assets	\$ 988,490	\$ 1,907,808	\$ 414,486	\$ 1,267,422	\$ 725,962	\$ 4,975,642

Consolidating Statement of Financial Position
Mercy Housing Southwest
December 31, 2010

	El Mirage Senior Village	Holly Park East	Mesa Senior Meadows	Guadalupe (Nuestro Pueblo)	Peoria Place	Plazas De Merced
Assets						
Current assets						
Cash and cash equivalents	\$ 11,935	\$ 26,206	\$ 1,315	\$ 136	\$ 122	\$ 7,654
Cash, tenant security deposits	11,679	13,839	11,162	4,610	2,510	4,777
Cash, restricted	3,117	-	-	-	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	231	6,030	9	448	6,408	1,118
Due from affiliate, net	-	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	8,332	13,484	7,299	4,005	3,000	5,248
Total current assets	35,294	59,559	19,785	9,199	12,040	18,797
Property and equipment						
Land and land improvements	66,500	490,470	192,606	45,000	72,820	37,750
Buildings	1,975,147	2,004,651	2,113,402	1,148,031	1,008,813	1,514,926
Furniture and equipment	137,851	375,566	113,889	49,045	34,583	93,565
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(1,014,549)	(1,173,821)	(949,709)	(528,291)	(332,005)	(903,154)
Net property and equipment	1,164,949	1,696,866	1,470,188	713,785	784,211	743,087
Other long-term assets						
Restricted property reserves	138,396	148,387	44,698	38,592	16,793	21,673
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	1,321	-	-	-	-
Total other long-term assets	138,396	149,708	44,698	38,592	16,793	21,673
Total assets	\$ 1,338,639	\$ 1,906,133	\$ 1,534,671	\$ 761,576	\$ 813,044	\$ 783,557
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 24,622	\$ 63,439	\$ 26,014	\$ 18,901	\$ 22,890	\$ 19,369
Due to affiliates	-	-	18,390	-	14,151	33,841
Accrued interest	-	1,168	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	60,282	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	-	20,000
Deferred revenue	914	3,138	794	43	116	1,456
Tenant security deposits	10,990	12,491	9,806	4,203	2,373	4,517
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	36,526	140,518	55,004	23,147	39,530	79,183
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	-	139,952	-	-	-	-
Notes payable, less current portion, affiliates	-	-	-	-	-	-
Deferred revenue and other liabilities	-	1,300	-	-	-	-
Total long-term liabilities	-	141,252	-	-	-	-
Total liabilities	36,526	281,770	55,004	23,147	39,530	79,183
Net assets						
Unrestricted net assets, controlling	(191,775)	1,542,419	(105,288)	(97,588)	(39,361)	(258,290)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	(191,775)	1,542,419	(105,288)	(97,588)	(39,361)	(258,290)
Temporarily restricted net assets	1,493,888	81,944	1,584,955	836,017	812,875	962,664
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	1,302,113	1,624,363	1,479,667	738,429	773,514	704,374
Total liabilities and net assets	\$ 1,338,639	\$ 1,906,133	\$ 1,534,671	\$ 761,576	\$ 813,044	\$ 783,557

Consolidating Statement of Financial Position
Mercy Housing Southwest
December 31, 2010

	Vista Alegre	Willow Street Apartments	Mercy Housing Arizona (Mercy Court)	Eliminations	Consolidated Mercy Housing Southwest
Assets					
Current assets					
Cash and cash equivalents	\$ 19,887	\$ 31,659	\$ 452	\$ (2,318)	\$ 366,551
Cash, tenant security deposits	15,944	2,381	6,513	-	115,153
Cash, restricted	15,252	-	-	-	240,978
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	1,017	209	1,460	196	133,720
Due from affiliate, net	21,153	-	-	(23,153)	77,600
Pledges receivable	-	-	-	-	1,170
Grants receivable	-	-	-	-	2,500
Current portion of notes and interest receivable	-	-	-	-	11,917
Current portion of notes and interest receivable, affiliates	-	-	-	(148,228)	4,875
Prepaid expenses and other assets	12,118	2,250	24,739	-	146,059
Total current assets	85,371	36,499	33,164	(173,503)	1,100,523
Property and equipment					
Land and land improvements	211,466	50,833	153,557	-	2,010,846
Buildings	3,358,290	1,193,297	1,774,052	(483,387)	28,355,499
Furniture and equipment	229,453	29,662	143,713	-	2,494,822
Predevelopment project costs	-	-	-	-	214,546
Construction in progress	-	-	-	-	-
Accumulated depreciation	(1,235,801)	(552,409)	(914,317)	179,382	(14,674,348)
Net property and equipment	2,563,408	721,383	1,157,005	(304,005)	18,401,365
Other long-term assets					
Restricted property reserves	76,602	52,871	-	-	1,833,770
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(11,785)	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	256,660	-	541,372
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	47,830	-	81,900
Total other long-term assets	76,602	52,871	304,490	(11,785)	2,457,042
Total assets	\$ 2,725,381	\$ 810,753	\$ 1,494,659	\$ (489,293)	\$ 21,958,930
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 26,343	\$ 17,232	\$ 56,220	\$ (4,318)	\$ 462,691
Due to affiliates	-	-	-	(272,283)	-
Accrued interest	-	-	4,247	-	17,653
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	4,000,000	-	4,098,345
Current portion of notes payable, affiliates	-	-	-	(20,000)	214,546
Deferred revenue	-	237	1,519	-	13,898
Tenant security deposits	16,144	1,951	5,804	-	106,186
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	42,487	19,420	4,067,790	(296,601)	4,913,319
Long-term liabilities					
Due to affiliates	-	-	7,682	(7,682)	113,128
Accrued interest	-	-	-	-	4,740
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	-	-	-	2,717,590
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	550	-	1,204	-	3,691
Total long-term liabilities	550	-	8,886	(7,682)	2,839,149
Total liabilities	43,037	19,420	4,076,676	(304,283)	7,752,468
Net assets					
Unrestricted net assets, controlling	(76,345)	(9,810)	(2,582,017)	(185,010)	(153,442)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(76,345)	(9,810)	(2,582,017)	(185,010)	(153,442)
Temporarily restricted net assets	2,758,689	801,143	-	-	14,359,904
Permanently restricted net assets	-	-	-	-	-
Total net assets	2,682,344	791,333	(2,582,017)	(185,010)	14,206,462
Total liabilities and net assets	\$ 2,725,381	\$ 810,753	\$ 1,494,659	\$ (489,293)	\$ 21,958,930

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Southwest
For the year ended December 31, 2010

	Mercy Housing Southwest	Avondale Senior Housing	Camelot Casitas	Casa De Merced	Casa De Shanti	Decatur Place
Revenues						
Rent - net of vacancies	\$ -	\$ 189,623	\$ 53,925	\$ 209,069	\$ 149,636	\$ 1,479,382
Developer fees	-	-	-	-	-	-
Services fees	203,236	-	-	-	-	-
Philanthropy	303,087	-	-	-	-	217
Capital Grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	26,948	106	79	122	50	3,882
Other	127,895	586	1,179	2,500	1,289	46,724
Total revenues	<u>661,166</u>	<u>190,315</u>	<u>55,183</u>	<u>211,691</u>	<u>150,975</u>	<u>1,530,205</u>
Expenses and losses						
Compensation	494,833	91,236	18,525	90,036	51,992	292,800
Administrative	110,351	29,676	9,276	29,765	25,830	148,057
Professional services	10,522	9,280	9,315	9,130	9,810	191,776
Depreciation and amortization	747	94,781	16,627	74,377	47,759	245,990
Grants	159,894	-	-	-	-	-
Facility	7,677	55,762	15,400	76,029	57,815	425,617
Interest and fees	5,369	124	92	416	46	122,877
Bad debts	4,100	-	362	-	-	1,394
Provision for impaired assets	20,010	-	-	-	-	-
Project expenses	7,030	-	-	-	-	-
Allocation	221,988	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	<u>1,042,521</u>	<u>280,859</u>	<u>69,597</u>	<u>279,753</u>	<u>193,252</u>	<u>1,428,511</u>
Excess (deficiency) of revenues over expenses	(381,355)	(90,544)	(14,414)	(68,062)	(42,277)	101,694
Net assets at beginning of year	586,916	1,944,450	380,728	1,253,598	651,863	2,577,228
Other transfers to (from) net assets	-	-	-	-	-	(22,473)
Net assets at end of year	<u>\$ 205,561</u>	<u>\$ 1,853,906</u>	<u>\$ 366,314</u>	<u>\$ 1,185,536</u>	<u>\$ 609,586</u>	<u>\$ 2,656,449</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Southwest
For the year ended December 31, 2010

	El Mirage Senior Village	Holly Park East	Mesa Senior Meadows	Guadalupe (Nuestro Pueblito)	Peoria Place	Plazas De Merced
Revenues						
Rent - net of vacancies	\$ 210,417	\$ 606,074	\$ 201,549	\$ 104,567	\$ 75,452	\$ 143,687
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	220	43,068	46	36	21	38
Other	2,557	12,119	386	1,195	986	3,379
Total revenues	<u>213,194</u>	<u>661,261</u>	<u>201,981</u>	<u>105,798</u>	<u>76,459</u>	<u>147,104</u>
Expenses and losses						
Compensation	69,675	136,326	83,982	33,470	27,561	47,166
Administrative	34,991	68,242	29,783	17,772	13,842	26,792
Professional services	9,280	24,162	9,280	9,130	9,285	9,436
Depreciation and amortization	73,275	100,625	77,305	41,746	39,154	57,391
Grants	-	-	-	-	-	-
Facility	68,151	288,707	57,424	37,246	30,756	59,061
Interest and fees	40	16,442	-	100	110	(13)
Bad debts	-	1,682	44	-	476	640
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	<u>255,412</u>	<u>636,186</u>	<u>257,818</u>	<u>139,464</u>	<u>121,184</u>	<u>200,473</u>
Excess (deficiency) of revenues over expenses	(42,218)	25,075	(55,837)	(33,666)	(44,725)	(53,369)
Net assets at beginning of year	1,344,331	1,599,288	1,535,504	772,095	818,239	757,743
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ 1,302,113</u>	<u>\$ 1,624,363</u>	<u>\$ 1,479,667</u>	<u>\$ 738,429</u>	<u>\$ 773,514</u>	<u>\$ 704,374</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Southwest
For the year ended December 31, 2010

	Vista Alegre	Willow Street Apartments	Mercy Housing Arizona (Mercy Court)	Eliminations	Consolidated Mercy Housing Southwest
Revenues					
Rent - net of vacancies	\$ 304,048	\$ 99,912	\$ 550,562	\$ (57,098)	\$ 4,320,805
Developer fees	-	-	-	-	-
Services fees	-	-	-	(80,196)	123,040
Philanthropy	-	-	-	-	303,304
Capital Grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	165	86	21	(89)	74,799
Other	2,532	135	16,450	(105,893)	114,019
Total revenues	<u>306,745</u>	<u>100,133</u>	<u>567,033</u>	<u>(243,276)</u>	<u>4,935,967</u>
Expenses and losses					
Compensation	76,140	20,283	226,396	-	1,760,421
Administrative	51,196	12,609	99,511	-	707,693
Professional services	35,960	9,880	63,621	(80,196)	339,671
Depreciation and amortization	137,313	44,451	73,437	(17,578)	1,107,400
Grants	-	-	-	(57,098)	102,796
Facility	98,958	36,009	291,286	-	1,605,898
Interest and fees	21	22	53,489	(89)	199,046
Bad debts	-	-	23,859	(4,100)	28,457
Provision for impaired assets	-	-	-	-	20,010
Project expenses	-	-	-	-	7,030
Allocation	-	-	-	-	221,988
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>399,588</u>	<u>123,254</u>	<u>831,599</u>	<u>(159,061)</u>	<u>6,100,410</u>
Excess (deficiency) of revenues over expenses	(92,843)	(23,121)	(264,566)	(84,215)	(1,164,443)
Net assets at beginning of year	2,775,187	814,454	(2,317,451)	(123,268)	15,370,905
Other transfers to (from) net assets	-	-	-	22,473	-
Net assets at end of year	<u>\$ 2,682,344</u>	<u>\$ 791,333</u>	<u>\$ (2,582,017)</u>	<u>\$ (185,010)</u>	<u>\$ 14,206,462</u>

Consolidating Statement of Financial Position
Mercy Housing California
December 31, 2010

	Mercy Housing California	Affordable Housing Initiatives/GP	All Hallows Community	Marin Homes for Independent Living (Camino Alto)	Cantebria Senior Homes	Mercy Senior Housing Oxnard (Casa Merced)
Assets						
Current assets						
Cash and cash equivalents	\$ 4,994,881	\$ -	\$ 187,718	\$ 17,903	\$ 300	\$ 10,012
Cash, tenant security deposits	-	-	15,323	6,938	12,272	12,462
Cash, restricted	2,379,430	-	-	-	-	-
Investments	-	-	-	-	-	-
Investments, restricted	475,000	-	-	-	-	-
Accounts receivable, net	163,835	-	2,934	75	985	1
Due from affiliate, net	8,836,908	-	-	-	-	-
Pledges receivable	119,144	-	-	-	-	-
Grants receivable	1,159,595	-	-	-	-	-
Current portion of notes and interest receivable	140,900	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	2,226,562	-	-	-	-	-
Prepaid expenses and other assets	28,899	-	13,638	9,219	7,029	6,579
Inventory	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Total current assets	20,525,154	-	219,613	34,135	20,586	29,054
Property and equipment						
Land and land improvements	1,044,500	-	164,430	389,000	20,827	323,400
Buildings	364,661	-	2,659,062	1,626,384	5,134,081	4,146,690
Furniture and equipment	284,709	-	137,037	107,034	19,879	92,484
Predevelopment project costs	4,138,886	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(474,426)	-	(1,682,175)	(1,587,976)	(1,080,062)	(1,862,717)
Net property and equipment	5,358,330	-	1,278,354	534,442	4,094,725	2,699,857
Other long-term assets						
Restricted property reserves	849,029	-	713,307	133,654	61,663	115,168
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	1,125,000	-	-	-	-	-
Due from affiliates	2,044,972	-	-	-	-	-
Pledges receivable, net	212,626	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	490,937	331,207	-	-	-	-
Notes and interest receivable, net	5,148,954	-	-	-	-	-
Notes and interest receivable, affiliates	1,592,457	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total other long-term assets	11,463,975	331,207	713,307	133,654	61,663	115,168
Total assets	\$ 37,347,459	\$ 331,207	\$ 2,211,274	\$ 702,231	\$ 4,176,974	\$ 2,844,079
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 1,295,226	\$ -	\$ 55,409	\$ 44,453	\$ 30,307	\$ 30,569
Due to affiliates	8,241	62,943	-	-	6,916	51,784
Accrued interest	27,371	-	14,024	6,998	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	2,287,071	-	71,888	39,161	-	-
Current portion of notes payable, affiliates	3,997,388	-	-	-	-	-
Deferred revenue	10,000	-	-	5,312	1,406	4,844
Tenant security deposits	-	-	11,381	6,302	11,829	10,869
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	7,625,297	62,943	152,702	102,226	50,458	98,066
Long-term liabilities						
Due to affiliates	60,000	-	-	-	-	-
Accrued interest	20,780	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	586,647	-	1,747,442	868,671	-	-
Notes payable, less current portion, affiliates	464,136	-	-	-	-	-
Deferred revenue and other liabilities	4,111,699	-	-	-	-	-
Total long-term liabilities	5,243,262	-	1,747,442	868,671	-	-
Total liabilities	12,868,559	62,943	1,900,144	970,897	50,458	98,066
Net assets						
Unrestricted net assets, controlling	17,535,010	268,264	311,130	(268,666)	569,372	(418,494)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	17,535,010	268,264	311,130	(268,666)	569,372	(418,494)
Temporarily restricted net assets	5,173,890	-	-	-	3,557,144	3,164,507
Permanently restricted net assets	1,770,000	-	-	-	-	-
Total net assets	24,478,900	268,264	311,130	(268,666)	4,126,516	2,746,013
Total liabilities and net assets	\$ 37,347,459	\$ 331,207	\$ 2,211,274	\$ 702,231	\$ 4,176,974	\$ 2,844,079

Consolidating Statement of Financial Position
Mercy Housing California
December 31, 2010

	EH/CC Housing Corp. (Eden House)	Francis of Assisi Community	Gault Street Senior	John W. King Senior Housing	Maria B. Freitas Senior Housing Corp.	Marin Housing Corp. (Martinelli)
Assets						
Current assets						
Cash and cash equivalents	\$ 50,423	\$ 192,851	\$ 43,483	\$ 24,860	\$ 50,500	\$ -
Cash, tenant security deposits	71,983	34,178	12,497	25,068	22,345	-
Cash, restricted	-	29,284	10,483	11,723	12,237	51,182
Investments	-	-	-	-	-	-
Investments, restricted	-	278,380	-	-	-	-
Accounts receivable, net	44,651	2,957	371	1,780	1,944	-
Due from affiliate, net	-	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	23,164	38,502	11,253	36,456	18,871	-
Inventory	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Total current assets	190,221	576,152	78,087	99,887	105,897	51,182
Property and equipment						
Land and land improvements	530,400	445,912	-	1,032,798	773,219	-
Buildings	7,973,993	5,024,387	4,566,986	13,331,654	5,880,586	-
Furniture and equipment	522,621	610,358	66,363	269,503	204,698	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(3,694,905)	(4,597,081)	(1,119,170)	(4,508,812)	(3,077,467)	-
Net property and equipment	5,332,109	1,483,576	3,514,179	10,125,143	3,781,036	-
Other long-term assets						
Restricted property reserves	349,085	465,642	125,468	328,514	358,608	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	4,167,796
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total other long-term assets	349,085	465,642	125,468	328,514	358,608	4,167,796
Total assets	\$ 5,871,415	\$ 2,525,370	\$ 3,717,734	\$ 10,553,544	\$ 4,245,541	\$ 4,218,978
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 47,186	\$ 145,012	\$ 21,979	\$ 109,043	\$ 50,543	\$ (2,623)
Due to affiliates	-	-	-	10,000	-	41,352
Accrued interest	1,424	13,918	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	124,649	185,560	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	7,813	141	235	-	113	-
Tenant security deposits	71,105	31,243	12,237	23,925	20,808	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	252,177	375,874	34,451	142,968	71,464	38,729
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	273,178	2,152,499	-	-	-	-
Notes payable, less current portion, affiliates	-	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-	-
Total long-term liabilities	273,178	2,152,499	-	-	-	-
Total liabilities	525,355	2,528,373	34,451	142,968	71,464	38,729
Net assets						
Unrestricted net assets, controlling	5,346,060	(268,709)	(338,402)	(647,445)	37,527	4,180,249
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	5,346,060	(268,709)	(338,402)	(647,445)	37,527	4,180,249
Temporarily restricted net assets	-	-	4,021,685	11,058,021	4,136,550	-
Permanently restricted net assets	-	265,706	-	-	-	-
Total net assets	5,346,060	(3,003)	3,683,283	10,410,576	4,174,077	4,180,249
Total liabilities and net assets	\$ 5,871,415	\$ 2,525,370	\$ 3,717,734	\$ 10,553,544	\$ 4,245,541	\$ 4,218,978

Consolidating Statement of Financial Position
Mercy Housing California
December 31, 2010

	Mercy Family Plaza LP	Mercy Gardens	Notre Dame Senior Housing Corp.	Oceana Senior Housing Corp.	Presentation Senior Community	Russell Manor
Assets						
Current assets						
Cash and cash equivalents	\$ 69,923	\$ 6,996	\$ 14,041	\$ 42,431	\$ 71,451	\$ 443
Cash, tenant security deposits	39,858	7,279	24,250	14,291	44,058	15,570
Cash, restricted	37,410	-	12,462	-	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	10,581	341	44,183	55	-	-
Due from affiliate, net	-	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	6,467	4,256	18,854	10,865	32,469	11,633
Inventory	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Total current assets	164,239	18,872	113,790	67,642	147,978	27,646
Property and equipment						
Land and land improvements	1,029,580	74,646	2,000,000	400,000	1,774,481	224,377
Buildings	1,100,204	3,769,452	8,309,976	3,481,615	13,862,012	4,990,286
Furniture and equipment	30,634	28,571	301,382	242,392	297,185	336,621
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(882,687)	(1,242,194)	(4,263,184)	(2,106,327)	(5,352,955)	(2,575,683)
Net property and equipment	1,277,731	2,630,475	6,348,174	2,017,680	10,580,723	2,975,601
Other long-term assets						
Restricted property reserves	217,319	136,067	170,233	167,266	886,966	734,781
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	-	-	2,936	-	964
Total other long-term assets	217,319	136,067	170,233	170,202	886,966	735,745
Total assets	\$ 1,659,289	\$ 2,785,414	\$ 6,632,197	\$ 2,255,524	\$ 11,615,667	\$ 3,738,992
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 25,030	\$ 17,982	\$ 133,311	\$ 29,483	\$ 74,976	\$ 61,953
Due to affiliates	52,481	8,019	10,980	-	-	19,746
Accrued interest	2,517	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	99,171	-	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	1,120	792	2,414	13	45	6,179
Tenant security deposits	34,254	7,000	24,079	13,314	36,273	18,673
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	214,573	33,793	170,784	42,810	111,294	106,551
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	954,786	315,445	-	603,162	-	137,959
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	912,118	1,060,319	-	620,000	-	357,229
Notes payable, less current portion, affiliates	-	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-	-
Total long-term liabilities	1,866,904	1,375,764	-	1,223,162	-	495,188
Total liabilities	2,081,477	1,409,557	170,784	1,265,972	111,294	601,739
Net assets						
Unrestricted net assets, controlling	(422,188)	(757,723)	(499,036)	(1,132,710)	(99,277)	(741,750)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	(422,188)	(757,723)	(499,036)	(1,132,710)	(99,277)	(741,750)
Temporarily restricted net assets	-	2,133,580	6,960,449	2,122,262	11,603,650	3,879,003
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	(422,188)	1,375,857	6,461,413	989,552	11,504,373	3,137,253
Total liabilities and net assets	\$ 1,659,289	\$ 2,785,414	\$ 6,632,197	\$ 2,255,524	\$ 11,615,667	\$ 3,738,992

Consolidating Statement of Financial Position
Mercy Housing California
December 31, 2010

	Tierra Del Sol, Inc.	Garden Park Apartment Community	Mercy Oaks Village	MHC NSP LLC	Consolidated Mercy Housing Senior Properties, LLC	Consolidated Mercy Housing CalWest
Assets						
Current assets						
Cash and cash equivalents	\$ 300	\$ 2,729	\$ 8,825	\$ 129,822	\$ 444,038	\$ 208,650
Cash, tenant security deposits	34,432	4,497	20,147	-	118,718	65,257
Cash, restricted	340,897	-	10,278	-	447,388	9,309,175
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	2,340	1,204	699	66	5,520	109,937
Due from affiliate, net	5,653	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	113,560	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	17,201	12,743	11,929	19,354	104,365	507,807
Inventory	-	-	-	4,540,359	-	-
Assets held for sale	-	-	-	-	-	-
Total current assets	<u>514,383</u>	<u>21,173</u>	<u>51,878</u>	<u>4,689,601</u>	<u>1,120,029</u>	<u>10,200,826</u>
Property and equipment						
Land and land improvements	1,180,289	561,834	-	-	2,047,727	13,228,214
Buildings	11,640,046	3,453,115	7,738,716	-	20,782,491	25,008,659
Furniture and equipment	31,415	60,491	76,896	-	593,223	731,337
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	41,827,891
Accumulated depreciation	(1,277,608)	(801,464)	(1,262,290)	-	(2,443,422)	(1,593,134)
Net property and equipment	<u>11,574,142</u>	<u>3,273,976</u>	<u>6,553,322</u>	<u>-</u>	<u>20,980,019</u>	<u>79,202,967</u>
Other long-term assets						
Restricted property reserves	2,077	1,268,718	151,628	-	2,749,193	319,197
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	48,023	13,560	29,276	-	699,154	1,524,658
Total other long-term assets	<u>50,100</u>	<u>1,282,278</u>	<u>180,904</u>	<u>-</u>	<u>3,448,347</u>	<u>1,843,855</u>
Total assets	<u>\$ 12,138,625</u>	<u>\$ 4,577,427</u>	<u>\$ 6,786,104</u>	<u>\$ 4,689,601</u>	<u>\$ 25,548,395</u>	<u>\$ 91,247,648</u>
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 99,636	\$ 67,754	\$ 38,820	\$ 29,377	\$ 318,614	\$ 8,812,168
Due to affiliates	1,472,106	1,490	10,000	10,535	327,055	194,241
Accrued interest	-	-	-	-	362,873	1,077,353
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	-	-	4,610,372	432,784	8,669,967
Current portion of notes payable, affiliates	228,867	-	-	39,317	9,060	723,709
Deferred revenue	345	408	390	-	2,126	910
Tenant security deposits	24,419	4,497	19,144	-	110,042	63,223
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	<u>1,825,373</u>	<u>74,149</u>	<u>68,354</u>	<u>4,689,601</u>	<u>1,562,554</u>	<u>19,541,571</u>
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	483,505	29,738	-	497,008	1,614,150
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	-	3,228,602	500,000	-	23,491,911	52,573,319
Notes payable, less current portion, affiliates	-	-	-	-	-	1,139,500
Deferred revenue and other liabilities	-	-	-	-	542	6,323,663
Total long-term liabilities	<u>-</u>	<u>3,712,107</u>	<u>529,738</u>	<u>-</u>	<u>23,989,461</u>	<u>61,650,632</u>
Total liabilities	<u>1,825,373</u>	<u>3,786,256</u>	<u>598,092</u>	<u>4,689,601</u>	<u>25,552,015</u>	<u>81,192,203</u>
Net assets						
Unrestricted net assets, controlling	(635,478)	(25,596)	(342,362)	-	(3,620)	10,055,445
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	<u>(635,478)</u>	<u>(25,596)</u>	<u>(342,362)</u>	<u>-</u>	<u>(3,620)</u>	<u>10,055,445</u>
Temporarily restricted net assets	10,948,730	816,767	6,530,374	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	<u>10,313,252</u>	<u>791,171</u>	<u>6,188,012</u>	<u>-</u>	<u>(3,620)</u>	<u>10,055,445</u>
Total liabilities and net assets	<u>\$ 12,138,625</u>	<u>\$ 4,577,427</u>	<u>\$ 6,786,104</u>	<u>\$ 4,689,601</u>	<u>\$ 25,548,395</u>	<u>\$ 91,247,648</u>

Consolidating Statement of Financial Position
Mercy Housing California
December 31, 2010

	Mercy Properties California	Eliminations	Consolidated Mercy Housing California
Assets			
Current assets			
Cash and cash equivalents	\$ 353,046	\$ (17,110)	\$ 6,908,516
Cash, tenant security deposits	44,019	-	645,442
Cash, restricted	41,461	-	12,693,410
Investments	-	-	-
Investments, restricted	-	-	753,380
Accounts receivable, net	38,009	(4,839)	427,629
Due from affiliate, net	1,433,347	(4,064,695)	6,211,213
Pledges receivable	-	-	119,144
Grants receivable	-	-	1,273,155
Current portion of notes and interest receivable	-	-	140,900
Current portion of notes and interest receivable, affiliates	-	(1,798,470)	428,092
Prepaid expenses and other assets	51,283	(474,245)	528,591
Inventory	-	-	4,540,359
Assets held for sale	-	-	-
Total current assets	<u>1,961,165</u>	<u>(6,359,359)</u>	<u>34,669,831</u>
Property and equipment			
Land and land improvements	7,665,170	-	34,910,804
Buildings	13,345,018	(6,019,541)	162,170,533
Furniture and equipment	158,312	-	5,203,145
Predevelopment project costs	-	-	4,138,886
Construction in progress	2,785,767	(2,783,685)	41,829,973
Accumulated depreciation	<u>(5,904,253)</u>	<u>1,215,561</u>	<u>(52,174,431)</u>
Net property and equipment	<u>18,050,014</u>	<u>(7,587,665)</u>	<u>196,078,910</u>
Other long-term assets			
Restricted property reserves	513,324	-	10,816,907
Cash, restricted	-	-	-
Long-term investments	-	-	-
Long-term investments, restricted	-	-	1,125,000
Due from affiliates	60,000	(1,513,651)	591,321
Pledges receivable, net	-	-	212,626
Grants receivable	-	-	-
Investments in limited partnerships	-	(824,449)	(2,305)
Notes and interest receivable, net	450,000	-	5,598,954
Notes and interest receivable, affiliates	-	-	5,760,253
Allowance for impaired assets	-	-	-
Other assets	<u>219,978</u>	<u>-</u>	<u>2,538,549</u>
Total other long-term assets	<u>1,243,302</u>	<u>(2,338,100)</u>	<u>26,641,305</u>
Total assets	<u>\$ 21,254,481</u>	<u>\$ (16,285,124)</u>	<u>\$ 257,390,046</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 159,223	\$ (63,810)	\$ 11,631,621
Due to affiliates	2,202,274	(4,335,407)	154,756
Accrued interest	348,922	-	1,855,400
Accrued interest, affiliates	410,380	-	410,380
Current portion of notes payable	47,802	-	16,568,425
Current portion of notes payable, affiliates	1,346,779	(2,347,731)	3,997,389
Deferred revenue	609	-	45,215
Tenant security deposits	41,677	-	596,294
Miscellaneous current liabilities	-	-	-
Total current liabilities	<u>4,557,666</u>	<u>(6,746,948)</u>	<u>35,259,480</u>
Long-term liabilities			
Due to affiliates	-	(60,000)	-
Accrued interest	438,564	-	5,095,097
Accrued interest, affiliates	-	-	-
Notes payable, less current portion	10,707,965	-	99,079,900
Notes payable, less current portion, affiliates	3,700,000	(1,139,500)	4,164,136
Deferred revenue and other liabilities	-	(1,607,937)	8,827,967
Total long-term liabilities	<u>14,846,529</u>	<u>(2,807,437)</u>	<u>117,167,100</u>
Total liabilities	<u>19,404,195</u>	<u>(9,554,385)</u>	<u>152,426,580</u>
Net assets			
Unrestricted net assets, controlling	(4,088,132)	(6,730,739)	20,882,730
Unrestricted net assets, noncontrolling	-	-	-
Total unrestricted net assets	<u>(4,088,132)</u>	<u>(6,730,739)</u>	<u>20,882,730</u>
Temporarily restricted net assets	5,938,418	-	82,045,030
Permanently restricted net assets	-	-	2,035,706
Total net assets	<u>1,850,286</u>	<u>(6,730,739)</u>	<u>104,963,466</u>
Total liabilities and net assets	<u>\$ 21,254,481</u>	<u>\$ (16,285,124)</u>	<u>\$ 257,390,046</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2010

	Mercy Housing California	Affordable Housing Initiatives/GP	All Hallows Community	Marin Homes for Independent Living (Camino Alto)	Cantebria Senior Homes	Mercy Senior Housing Oxnard (Casa Merced)
Revenues						
Rent - net of vacancies	\$ -	\$ -	\$ 755,610	\$ 333,853	\$ 211,858	\$ 230,751
Developer fees	4,517,907	-	-	-	-	-
Services fees	3,305,140	-	-	-	-	-
Philanthropy	1,395,184	-	-	-	-	-
Capital grants	1,614,235	-	-	-	-	-
Consulting	1,638,572	-	-	-	-	-
Interest	413,442	-	842	169	77	218
Other	1,046,869	-	2,873	1,731	3,874	1,368
Total revenues	13,931,349	-	759,325	335,753	215,809	232,337
Expenses and losses						
Compensation	6,738,765	-	211,604	107,301	74,175	73,771
Administrative	513,622	835	59,808	31,022	46,342	36,787
Professional services	230,623	933	9,333	8,808	9,280	38,763
Depreciation and amortization	37,246	-	72,391	64,903	192,353	150,789
Grants	251,207	-	-	-	-	-
Facility	354,747	-	125,055	76,840	77,680	78,687
Interest and fees	105,544	2,878	171,114	85,514	601	830
Bad debts	458,989	-	-	-	264	-
Provision for impaired assets	1,774,654	-	-	-	-	-
Project expenses	6,565	-	-	-	-	-
Allocation	1,758,539	-	-	-	-	-
(Gain) loss on sale of assets	251,685	-	-	-	-	-
(Gain) loss on investment in limited partnership	1,897	5	-	-	-	-
Total expenses and losses	12,484,083	4,651	649,305	374,388	400,695	379,627
Excess (deficiency) of revenues over expenses	1,447,266	(4,651)	110,020	(38,635)	(184,886)	(147,290)
Net assets at beginning of year	23,031,634	272,915	201,110	(230,031)	4,311,402	2,893,303
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ 24,478,900</u>	<u>\$ 268,264</u>	<u>\$ 311,130</u>	<u>\$ (268,666)</u>	<u>\$ 4,126,516</u>	<u>\$ 2,746,013</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2010

	EH/CC Housing Corp. (Eden House)	Francis of Assisi Community	Gault Street Senior	John W. King Senior Housing	Maria B. Freitas Senior Housing Corp.	Marin Housing Corp. (Martinelli)
Revenues						
Rent - net of vacancies	\$ 986,146	\$ 1,595,023	\$ 219,909	\$ 739,532	\$ 500,285	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	4,000
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	83,582	13,816	164	536	506	176,829
Other	21,714	7,345	2,141	11,896	3,468	374
Total revenues	<u>1,091,442</u>	<u>1,616,184</u>	<u>222,214</u>	<u>751,964</u>	<u>504,259</u>	<u>181,203</u>
Expenses and losses						
Compensation	168,201	540,299	72,398	392,220	227,545	(2,623)
Administrative	125,833	140,685	42,989	107,721	77,104	-
Professional services	80,097	24,611	9,280	13,447	10,764	-
Depreciation and amortization	322,438	243,376	175,209	490,607	220,641	-
Grants	-	-	-	-	-	-
Facility	310,275	454,668	56,547	200,389	215,403	-
Interest and fees	20,881	166,545	-	-	30	-
Bad debts	6,441	-	87	4,200	-	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	<u>1,034,166</u>	<u>1,570,184</u>	<u>356,510</u>	<u>1,208,584</u>	<u>751,487</u>	<u>(2,623)</u>
Excess (deficiency) of revenues over expenses	57,276	46,000	(134,296)	(456,620)	(247,228)	183,826
Net assets at beginning of year	5,288,784	(49,003)	3,817,579	10,867,196	4,421,305	3,996,423
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ 5,346,060</u>	<u>\$ (3,003)</u>	<u>\$ 3,683,283</u>	<u>\$ 10,410,576</u>	<u>\$ 4,174,077</u>	<u>\$ 4,180,249</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2010

	Mercy Family Plaza LP	Mercy Gardens	Notre Dame Senior Housing Corp.	Oceana Senior Housing Corp.	Presentation Senior Community	Russell Manor
Revenues						
Rent - net of vacancies	\$ 467,648	\$ 179,687	\$ 458,100	\$ 299,979	\$ 934,131	\$ 355,156
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	5,500	-	-	-	-	631,896
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	190	256	306	274	970	146
Other	8,493	2,595	6,377	2,484	10,535	15,979
Total revenues	<u>481,831</u>	<u>182,538</u>	<u>464,783</u>	<u>302,737</u>	<u>945,636</u>	<u>1,003,177</u>
Expenses and losses						
Compensation	33,429	83,611	194,178	110,740	405,774	113,024
Administrative	46,278	26,539	83,437	52,956	119,901	60,825
Professional services	12,650	17,445	10,695	9,315	12,410	10,488
Depreciation and amortization	142,213	141,123	308,445	134,428	517,975	193,031
Grants	-	-	-	-	-	-
Facility	120,937	48,063	163,303	101,644	246,030	171,130
Interest and fees	174,371	32,760	335	36,695	2	16,002
Bad debts	89	5,854	564	-	-	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	<u>529,967</u>	<u>355,395</u>	<u>760,957</u>	<u>445,778</u>	<u>1,302,092</u>	<u>564,500</u>
Excess (deficiency) of revenues over expenses	(48,136)	(172,857)	(296,174)	(143,041)	(356,456)	438,677
Net assets at beginning of year	(374,052)	1,548,714	6,757,587	1,132,593	11,860,829	2,698,576
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ (422,188)</u>	<u>\$ 1,375,857</u>	<u>\$ 6,461,413</u>	<u>\$ 989,552</u>	<u>\$ 11,504,373</u>	<u>\$ 3,137,253</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2010

	Tierra Del Sol, Inc.	Garden Park Apartment Community	Mercy Oaks Village	MHC NSP LLC	Consolidated Mercy Housing Senior Properties, LLC	Consolidated Mercy Housing CalWest
Revenues						
Rent - net of vacancies	\$ 308,068	\$ 303,540	\$ 292,842	\$ -	\$ 4,725,701	\$ 620,342
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	3,375
Philanthropy	-	-	-	-	100	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	535	10,209	173	-	1,945	454
Other	13,829	5,525	4,512	-	61,465	46,705
Total revenues	<u>322,432</u>	<u>319,274</u>	<u>297,527</u>	<u>-</u>	<u>4,789,211</u>	<u>670,876</u>
Expenses and losses						
Compensation	97,992	161,814	97,059	-	1,178,783	147,035
Administrative	83,302	47,330	63,197	-	495,624	213,868
Professional services	25,773	34,412	33,292	-	73,195	148,138
Depreciation and amortization	468,228	132,932	293,080	-	832,756	968,813
Grants	-	-	-	-	-	1,050,599
Facility	175,451	98,001	84,599	-	898,884	203,526
Interest and fees	2,026	92,658	5,000	-	1,343,250	347,099
Bad debts	8,514	521	-	-	71	25,712
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	<u>861,286</u>	<u>567,668</u>	<u>576,227</u>	<u>-</u>	<u>4,822,563</u>	<u>3,104,790</u>
Excess (deficiency) of revenues over expenses	(538,854)	(248,394)	(278,700)	-	(33,352)	(2,433,914)
Net assets at beginning of year	10,852,106	1,039,565	6,466,712	-	29,732	3,311,339
Other transfers to (from) net assets	-	-	-	-	-	9,178,020
Net assets at end of year	<u>\$ 10,313,252</u>	<u>\$ 791,171</u>	<u>\$ 6,188,012</u>	<u>\$ -</u>	<u>\$ (3,620)</u>	<u>\$ 10,055,445</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing California
For the year ended December 31, 2010

	Mercy Properties California	Eliminations	Consolidated Mercy Housing California
Revenues			
Rent - net of vacancies	\$ 2,972,031	\$ -	\$ 17,490,192
Developer fees	-	(2,173,399)	2,344,508
Services fees	-	(340,107)	2,972,408
Philanthropy	104,197	-	2,136,877
Capital grants	98,000	-	1,712,235
Consulting	-	(226,552)	1,412,020
Interest	1,671	(110,885)	596,425
Other	529,453	(364,859)	1,446,746
Total revenues	<u>3,705,352</u>	<u>(3,215,802)</u>	<u>30,111,411</u>
Expenses and losses			
Compensation	347,924	-	11,575,019
Administrative	251,808	(157,875)	2,569,938
Professional services	139,895	(152,232)	811,415
Depreciation and amortization	577,199	(218,892)	6,461,284
Grants	1,600,000	(189,738)	2,712,068
Facility	1,208,657	-	5,470,516
Interest and fees	441,436	(8,602)	3,036,969
Bad debts	1,446	(56,995)	455,757
Provision for impaired assets	293,692	(1,139,500)	928,846
Project expenses	-	-	6,565
Allocation	-	-	1,758,539
(Gain) loss on sale of assets	(63,150)	-	188,535
(Gain) loss on investment in limited partnership	-	(48)	1,854
Total expenses and losses	<u>4,798,907</u>	<u>(1,923,882)</u>	<u>35,977,305</u>
Excess (deficiency) of revenues over expenses	<u>(1,093,555)</u>	<u>(1,291,920)</u>	<u>(5,865,894)</u>
Net assets at beginning of year	2,943,841	(5,438,819)	101,651,340
Other transfers to (from) net assets	-	-	9,178,020
Net assets at end of year	<u>\$ 1,850,286</u>	<u>\$ (6,730,739)</u>	<u>\$ 104,963,466</u>

Consolidating Statement of Financial Position
Mercy Housing Senior Properties, LLC
December 31, 2010

	Mercy Housing Senior Properties, LLC	Bennett House, LP	Dorothy Day Community, LP	Junipero Serra, LP	Monsignor Lyne, LP
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 29,567	\$ 272,754	\$ 32,225	\$ 15,199
Cash, tenant security deposits	-	24,189	34,278	12,334	6,335
Cash, restricted	7,579	44,529	285,000	52,828	34,596
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	2,193	1,216	840	-
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	18,928	35,583	8,076	7,575
Total current assets	7,579	119,406	628,831	106,303	63,705
Property and equipment					
Land and land improvements	-	370,690	591,368	19,791	184,924
Buildings	-	4,059,773	6,127,771	1,392,421	1,768,190
Furniture and equipment	-	194,860	100,550	22,891	77,243
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	-	(479,001)	(743,686)	(147,404)	(212,456)
Net property and equipment	-	4,146,322	6,076,003	1,287,699	1,817,901
Other long-term assets					
Restricted property reserves	-	507,960	889,780	250,776	138,120
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	306,912	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	138,283	134,238	125,853	49,968
Total other long-term assets	306,912	646,243	1,024,018	376,629	188,088
Total assets	\$ 314,491	\$ 4,911,971	\$ 7,728,852	\$ 1,770,631	\$ 2,069,694
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ 91,265	\$ 75,896	\$ 31,913	\$ 19,965
Due to affiliates	324,613	-	-	-	-
Accrued interest	-	83,848	118,686	31,400	23,602
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	79,122	123,662	70,000	25,000
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	-	512	32	88	436
Tenant security deposits	-	23,391	33,030	7,855	6,197
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	324,613	278,138	351,306	141,256	75,200
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	4,851,868	7,668,416	2,315,230	1,850,950
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	542	-
Total long-term liabilities	-	4,851,868	7,668,416	2,315,772	1,850,950
Total liabilities	324,613	5,130,006	8,019,722	2,457,028	1,926,150
Net assets					
Unrestricted net assets, controlling	(10,122)	(218,035)	(290,870)	(686,397)	143,544
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(10,122)	(218,035)	(290,870)	(686,397)	143,544
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(10,122)	(218,035)	(290,870)	(686,397)	143,544
Total liabilities and net assets	\$ 314,491	\$ 4,911,971	\$ 7,728,852	\$ 1,770,631	\$ 2,069,694

Consolidating Statement of Financial Position
Mercy Housing Senior Properties, LLC
December 31, 2010

	St. Andrew Community, LP	Villa Columba, LP	Mercy Riverside, LP	Eliminations	Consolidated Mercy Housing Senior Properties, LLC
Assets					
Current assets					
Cash and cash equivalents	\$ 17,291	\$ 77,470	\$ 276	\$ (744)	\$ 444,038
Cash, tenant security deposits	15,364	19,546	6,672	-	118,718
Cash, restricted	-	20,608	2,248	-	447,388
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	6	527	738	-	5,520
Due from affiliate, net	-	4,997	-	(4,997)	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	15,313	13,745	5,145	-	104,365
Total current assets	47,974	136,893	15,079	(5,741)	1,120,029
Property and equipment					
Land and land improvements	575,836	232,166	72,952	-	2,047,727
Buildings	3,375,369	2,778,387	1,280,580	-	20,782,491
Furniture and equipment	12,064	131,860	53,755	-	593,223
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(405,849)	(322,371)	(132,655)	-	(2,443,422)
Net property and equipment	3,557,420	2,820,042	1,274,632	-	20,980,019
Other long-term assets					
Restricted property reserves	344,617	459,823	158,117	-	2,749,193
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(306,912)	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	13,369	190,699	46,744	-	699,154
Total other long-term assets	357,986	650,522	204,861	(306,912)	3,448,347
Total assets	\$ 3,963,380	\$ 3,607,457	\$ 1,494,572	\$ (312,653)	\$ 25,548,395
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 52,674	\$ 35,488	\$ 12,156	\$ (743)	\$ 318,614
Due to affiliates	-	-	7,439	(4,997)	327,055
Accrued interest	45,220	45,085	15,032	-	362,873
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	70,000	48,750	16,250	-	432,784
Current portion of notes payable, affiliates	-	-	9,060	-	9,060
Deferred revenue	343	487	228	-	2,126
Tenant security deposits	14,187	19,145	6,237	-	110,042
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	182,424	148,955	66,402	(5,740)	1,562,554
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	497,008	-	-	-	497,008
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	3,260,447	2,658,750	886,250	-	23,491,911
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	542
Total long-term liabilities	3,757,455	2,658,750	886,250	-	23,989,461
Total liabilities	3,939,879	2,807,705	952,652	(5,740)	25,552,015
Net assets					
Unrestricted net assets, controlling	23,501	799,752	541,920	(306,913)	(3,620)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	23,501	799,752	541,920	(306,913)	(3,620)
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	23,501	799,752	541,920	(306,913)	(3,620)
Total liabilities and net assets	\$ 3,963,380	\$ 3,607,457	\$ 1,494,572	\$ (312,653)	\$ 25,548,395

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Senior Properties, LLC
For the year ended December 31, 2010

	Mercy Housing Senior Properties, LLC	Bennett House, LP	Dorothy Day Community, LP	Junipero Serra, LP	Monsignor Lyne, LP
Revenues					
Rent - net of vacancies	\$ -	\$ 974,161	\$ 1,639,432	\$ 417,443	\$ 281,244
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	-	-	-	100
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	-	610	707	66	101
Other	-	3,801	5,926	23,420	19,634
Total revenues	-	978,572	1,646,065	440,929	301,079
Expenses and losses					
Compensation	-	181,765	471,178	101,036	78,690
Administrative	58,633	90,650	135,031	36,962	23,475
Professional services	2,102	12,414	17,745	10,295	9,830
Depreciation and amortization	-	159,521	246,312	56,550	75,504
Grants	-	-	-	-	-
Facility	-	207,942	232,873	98,991	61,271
Interest and fees	192	291,772	459,666	113,503	86,940
Bad debts	-	-	24	-	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	82,678	-	(13,199)	-	(9,095)
(Gain) loss on investment in limited partnership	(105,778)	-	-	-	-
Total expenses and losses	37,827	944,064	1,549,630	417,337	326,615
Excess (deficiency) of revenues over expenses	(37,827)	34,508	96,435	23,592	(25,536)
Net assets at beginning of year	27,705	(252,543)	(387,305)	(709,989)	169,080
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ (10,122)</u>	<u>\$ (218,035)</u>	<u>\$ (290,870)</u>	<u>\$ (686,397)</u>	<u>\$ 143,544</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Senior Properties, LLC
For the year ended December 31, 2010

	St. Andrew Community, LP	Villa Columba, LP	Mercy Riverside, LP	Eliminations	Consolidated Mercy Housing Senior Properties, LLC
Revenues					
Rent - net of vacancies	\$ 565,544	\$ 643,257	\$ 204,620	\$ -	\$ 4,725,701
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	-	-	-	100
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	306	112	43	-	1,945
Other	3,160	3,423	2,101	-	61,465
Total revenues	<u>569,010</u>	<u>646,792</u>	<u>206,764</u>	<u>-</u>	<u>4,789,211</u>
Expenses and losses					
Compensation	155,208	142,214	48,692	-	1,178,783
Administrative	59,435	69,420	22,018	-	495,624
Professional services	9,180	8,381	3,248	-	73,195
Depreciation and amortization	123,537	119,129	52,203	-	832,756
Grants	-	-	-	-	-
Facility	133,425	118,752	45,630	-	898,884
Interest and fees	179,184	158,551	53,442	-	1,343,250
Bad debts	-	33	14	-	71
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	(12,099)	(28,782)	(19,503)	-	-
(Gain) loss on investment in limited partnership	-	-	-	105,778	-
Total expenses and losses	<u>647,870</u>	<u>587,698</u>	<u>205,744</u>	<u>105,778</u>	<u>4,822,563</u>
Excess (deficiency) of revenues over expenses	(78,860)	59,094	1,020	(105,778)	(33,352)
Net assets at beginning of year	102,361	740,658	540,900	(201,135)	29,732
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ 23,501</u>	<u>\$ 799,752</u>	<u>\$ 541,920</u>	<u>\$ (306,913)</u>	<u>\$ (3,620)</u>

Consolidating Statement of Financial Position
Mercy Housing CalWest
December 31, 2010

	Mercy Housing CalWest	Mercy Housing California XL (Arlington Hotel)	Mercy Housing California XXXVIII (East Leland Court)	365 Fulton LP (Parcel G)	Mercy Housing California XLII (Boulevard Court)	Mercy Housing California XLIV (1000 Fourth St.)
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 142,945	\$ 63,070	\$ -	\$ -	\$ 1,260
Cash, tenant security deposits	-	13,815	51,442	-	-	-
Cash, restricted	-	-	46,447	2,195,666	6,838,767	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	16,222	27,464	-	40,542	9,000
Due from affiliate, net	-	16,709	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	165,420	19,476	-	7,911	200,000
Total current assets	-	355,111	207,899	2,195,666	6,887,220	210,260
Property and equipment						
Land and land improvements	-	5,437,173	2,746,456	-	1,969,585	-
Buildings	-	3,074,684	19,453,560	-	2,480,415	-
Furniture and equipment	-	102,020	329,317	-	300,000	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	4,424,023	-	21,231,800	9,832,077	1,854,952
Accumulated depreciation	-	-	(1,593,134)	-	-	-
Net property and equipment	-	13,037,900	20,936,199	21,231,800	14,582,077	1,854,952
Other long-term assets						
Restricted property reserves	-	-	319,197	-	-	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	2,787,675	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	534,822	305,375	335,442	348,769	250
Total other long-term assets	2,787,675	534,822	624,572	335,442	348,769	250
Total assets	\$ 2,787,675	\$ 13,927,833	\$ 21,768,670	\$ 23,762,908	\$ 21,818,066	\$ 2,065,462
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ -	\$ 617,833	\$ 41,627	\$ 5,320,021	\$ 2,078,272	\$ 219,910
Due to affiliates	149,653	15,192	26,891	-	2,266	11
Accrued interest	-	979,503	-	-	52,472	43,317
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	-	27,217	-	5,304,000	1,808,750
Current portion of notes payable, affiliates	-	177,008	-	-	-	10,502
Deferred revenue	-	-	910	-	-	-
Tenant security deposits	-	11,802	51,421	-	-	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	149,653	1,801,338	148,066	5,320,021	7,437,010	2,082,490
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	931,648	188,184	145,376	348,942	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	-	5,631,177	11,994,541	17,241,826	12,406,813	-
Notes payable, less current portion, affiliates	1,139,500	-	-	-	-	-
Deferred revenue and other liabilities	-	5,189,971	133,000	658,129	342,563	-
Total long-term liabilities	1,139,500	11,752,796	12,315,725	18,045,331	13,098,318	-
Total liabilities	1,289,153	13,554,134	12,463,791	23,365,352	20,535,328	2,082,490
Net assets						
Unrestricted net assets, controlling	1,498,522	373,699	9,304,879	397,556	1,282,738	(17,028)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	1,498,522	373,699	9,304,879	397,556	1,282,738	(17,028)
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	1,498,522	373,699	9,304,879	397,556	1,282,738	(17,028)
Total liabilities and net assets	\$ 2,787,675	\$ 13,927,833	\$ 21,768,670	\$ 23,762,908	\$ 21,818,066	\$ 2,065,462

Consolidating Statement of Financial Position
Mercy Housing CalWest
December 31, 2010

	Third and LeConte Housing LLC (6600 Third Street)	Caroline Severance Manor	Mercy Housing California 47 (7th & H Street)	Eliminations	Consolidated Mercy Housing CalWest
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 1,375	\$ -	\$ -	\$ 208,650
Cash, tenant security deposits	-	-	-	-	65,257
Cash, restricted	204,495	23,800	-	-	9,309,175
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	-	-	16,709	109,937
Due from affiliate, net	-	-	-	(16,709)	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	115,000	-	-	-	507,807
Total current assets	319,495	25,175	-	-	10,200,826
Property and equipment					
Land and land improvements	3,075,000	-	-	-	13,228,214
Buildings	-	-	-	-	25,008,659
Furniture and equipment	-	-	-	-	731,337
Predevelopment project costs	-	-	-	-	-
Construction in progress	2,130,929	-	2,354,110	-	41,827,891
Accumulated depreciation	-	-	-	-	(1,593,134)
Net property and equipment	5,205,929	-	2,354,110	-	79,202,967
Other long-term assets					
Restricted property reserves	-	-	-	-	319,197
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(2,787,675)	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	-	1,524,658
Total other long-term assets	-	-	-	(2,787,675)	1,843,855
Total assets	\$ 5,525,424	\$ 25,175	\$ 2,354,110	\$ (2,787,675)	\$ 91,247,648
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 248,655	\$ -	\$ 285,850	\$ -	\$ 8,812,168
Due to affiliates	228	-	-	-	194,241
Accrued interest	-	-	2,061	-	1,077,353
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	1,530,000	-	8,669,967
Current portion of notes payable, affiliates	-	-	536,199	-	723,709
Deferred revenue	-	-	-	-	910
Tenant security deposits	-	-	-	-	63,223
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	248,883	-	2,354,110	-	19,541,571
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	1,614,150
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	5,298,962	-	-	-	52,573,319
Notes payable, less current portion, affiliates	-	-	-	-	1,139,500
Deferred revenue and other liabilities	-	-	-	-	6,323,663
Total long-term liabilities	5,298,962	-	-	-	61,650,632
Total liabilities	5,547,845	-	2,354,110	-	81,192,203
Net assets					
Unrestricted net assets, controlling	(22,421)	25,175	-	(2,787,675)	10,055,445
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(22,421)	25,175	-	(2,787,675)	10,055,445
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(22,421)	25,175	-	(2,787,675)	10,055,445
Total liabilities and net assets	\$ 5,525,424	\$ 25,175	\$ 2,354,110	\$ (2,787,675)	\$ 91,247,648

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing CalWest
For the year ended December 31, 2010

	Mercy Housing CalWest	Mercy Housing California XL (Arlington Hotel)	Mercy Housing California XXXVIII (East Leland Court)	365 Fulton LP (Parcel G)	Mercy Housing California XLII (Boulevard Court)	Mercy Housing California XLIV (1000 Fourth St.)
Revenues						
Rent - net of vacancies	\$ -	\$ 52,409	\$ 567,933	\$ -	\$ -	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	-	-	247	153	-	-
Other	-	250	22,394	11	-	-
Total revenues	-	52,659	590,574	164	-	-
Expenses and losses						
Compensation	-	26,048	120,544	-	443	-
Administrative	47,208	60,395	70,090	10,108	114	1,228
Professional services	3,109	60,934	84,095	-	-	-
Depreciation and amortization	-	-	968,813	-	-	-
Grants	-	1,050,599	-	-	-	-
Facility	-	27,781	175,745	-	-	-
Interest and fees	269	63,635	283,195	-	-	-
Bad debts	-	-	25,712	-	-	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	1,231,910	-	-	-	-	-
Total expenses and losses	1,282,496	1,289,392	1,728,194	10,108	557	1,228
Excess (deficiency) of revenues over expenses	(1,282,496)	(1,236,733)	(1,137,620)	(9,944)	(557)	(1,228)
Net assets at beginning of year	2,780,968	1,598,432	490,499	(12,500)	1,268,295	(15,800)
Other transfers to (from) net assets	50	12,000	9,952,000	420,000	15,000	-
Net assets at end of year	<u>\$ 1,498,522</u>	<u>\$ 373,699</u>	<u>\$ 9,304,879</u>	<u>\$ 397,556</u>	<u>\$ 1,282,738</u>	<u>\$ (17,028)</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing CalWest
For the year ended December 31, 2010

	Third and LeConte Housing LLC (6600 Third Street)	Caroline Severance Manor	Mercy Housing California 47 (7th & H Street)	Eliminations	Consolidated Mercy Housing CalWest
Revenues					
Rent - net of vacancies	\$ -	\$ -	\$ -	\$ -	\$ 620,342
Developer fees	-	-	-	-	-
Services fees	-	3,375	-	-	3,375
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	54	-	-	-	454
Other	-	24,050	-	-	46,705
Total revenues	<u>54</u>	<u>27,425</u>	<u>-</u>	<u>-</u>	<u>670,876</u>
Expenses and losses					
Compensation	-	-	-	-	147,035
Administrative	22,475	2,250	-	-	213,868
Professional services	-	-	-	-	148,138
Depreciation and amortization	-	-	-	-	968,813
Grants	-	-	-	-	1,050,599
Facility	-	-	-	-	203,526
Interest and fees	-	-	-	-	347,099
Bad debts	-	-	-	-	25,712
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	(1,231,910)	-
Total expenses and losses	<u>22,475</u>	<u>2,250</u>	<u>-</u>	<u>(1,231,910)</u>	<u>3,104,790</u>
Excess (deficiency) of revenues over expenses	(22,421)	25,175	-	1,231,910	(2,433,914)
Net assets at beginning of year	-	-	-	(2,880,035)	3,229,859
Other transfers to (from) net assets	-	-	-	(1,139,550)	9,259,500
Net assets at end of year	<u>\$ (22,421)</u>	<u>\$ 25,175</u>	<u>\$ -</u>	<u>\$ (2,787,675)</u>	<u>\$ 10,055,445</u>

Consolidating Statement of Financial Position
Mercy Properties California
December 31, 2010

	Mercy Properties California	Foster Youth	The Haven	Leland House	Osaceles (McIntosh Mobile Homes)	Richmond Hills	Sycamore Center (Red Bluff)
Assets							
Current assets							
Cash and cash equivalents	\$ -	\$ 4,285	\$ 21,213	\$ 217,568	\$ 16,510	\$ 3,993	\$ 74,182
Cash, tenant security deposits	-	-	11,384	-	26,617	-	6,018
Cash, restricted	-	-	14,343	-	8,562	5,000	-
Investments	-	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-	-
Accounts receivable, net	-	-	259	76,839	1,909	-	5,231
Due from affiliate, net	1,433,347	-	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	112	7,021	-	8,068	2,471	3,735
Total current assets	1,433,347	4,397	54,220	294,407	61,666	11,464	89,166
Property and equipment, net							
Land and land improvements	4,975,846	40,000	96,144	658,571	597,623	368,530	58,366
Buildings	(125,846)	245,865	640,322	4,197,151	3,642,148	2,194,340	2,551,038
Furniture and equipment	-	-	9,380	88,642	11,660	32,811	15,819
Predevelopment project costs	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Accumulated depreciation	(30,546)	(75,819)	(232,507)	(2,146,654)	(1,434,347)	(1,165,142)	(819,238)
Net property and equipment	4,819,454	210,046	513,339	2,797,710	2,817,084	1,430,539	1,805,985
Other long-term assets							
Restricted property reserves	-	-	67,728	98,179	99,826	18,650	129,738
Cash, restricted	-	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-	-
Due from affiliates	60,000	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total other long-term assets	60,000	-	67,728	98,179	99,826	18,650	129,738
Total assets	\$ 6,312,801	\$ 214,443	\$ 635,287	\$ 3,190,296	\$ 2,978,576	\$ 1,460,653	\$ 2,024,889
Liabilities							
Current liabilities							
Accounts payable and accrued expenses	\$ -	\$ 6,201	\$ 33,226	\$ 51,010	\$ 20,299	\$ 1,960	\$ 8,151
Due to affiliates	-	-	5,703	-	-	-	-
Accrued interest	-	-	-	321,782	7,892	-	2,326
Accrued interest, affiliates	410,380	-	-	-	-	-	-
Current portion of notes payable	-	-	-	-	31,456	-	16,346
Current portion of notes payable, affiliates	-	-	-	-	-	132,847	-
Deferred revenue	-	-	375	-	537	-	12
Tenant security deposits	-	41	11,384	-	24,535	5,000	717
Miscellaneous current liabilities	-	-	-	-	-	-	-
Total current liabilities	410,380	6,242	50,688	372,792	84,719	139,807	27,552
Long-term liabilities							
Due to affiliates	-	-	-	-	-	-	-
Accrued interest	27,000	-	-	-	411,564	-	-
Accrued interest, affiliates - long-term	-	-	-	-	-	-	-
Notes payable, less current portion	963,959	262,025	-	1,260,000	2,487,471	-	560,254
Notes payable, less current portion, affiliates	3,700,000	-	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-	-	-
Total long-term liabilities	4,690,959	262,025	-	1,260,000	2,899,035	-	560,254
Total liabilities	5,101,339	268,267	50,688	1,632,792	2,983,754	139,807	587,806
Net assets							
Unrestricted net assets, controlling	1,211,462	(53,824)	265,765	(1,135,637)	(1,330,442)	(280,333)	1,437,083
Unrestricted net assets, noncontrolling	-	-	-	-	-	-	-
Total unrestricted net assets	1,211,462	(53,824)	265,765	(1,135,637)	(1,330,442)	(280,333)	1,437,083
Temporarily restricted net assets	-	-	318,834	2,693,141	1,325,264	1,601,179	-
Permanently restricted net assets	-	-	-	-	-	-	-
Total net assets	2,422,924	(107,648)	850,364	421,867	(1,335,620)	1,040,513	2,874,166
Total liabilities and net assets	\$ 7,524,263	\$ 160,619	\$ 901,052	\$ 2,054,659	\$ 1,648,134	\$ 1,180,320	\$ 3,461,972

Consolidating Statement of Financial Position
Mercy Properties California
December 31, 2010

	Sierra Vista	Walnut Grove	Santa Monica Street	Mercy Oak Forest, LLC	Acacia Meadows	Eliminations	Mercy Properties California
Assets							
Current assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 17,963	\$ -	\$ (2,668)	\$ 353,046
Cash, tenant security deposits	-	-	-	-	-	-	44,019
Cash, restricted	769	6,698	100	-	5,989	-	41,461
Investments	-	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	(46,229)	-	-	38,009
Due from affiliate, net	-	-	-	-	-	-	1,433,347
Pledges receivable	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	29,876	-	-	51,283
Total current assets	769	6,698	100	1,610	5,989	(2,668)	1,961,165
Property and equipment, net							
Land and land improvements	-	172,585	482,530	-	214,975	-	7,665,170
Buildings	-	-	-	-	-	-	13,345,018
Furniture and equipment	-	-	-	-	-	-	158,312
Predevelopment project costs	-	-	-	-	-	-	-
Construction in progress	1,981,301	23,482	547,770	-	233,214	-	2,785,767
Accumulated depreciation	-	-	-	-	-	-	(5,904,253)
Net property and equipment	1,981,301	196,067	1,030,300	-	448,189	-	18,050,014
Other long-term assets							
Restricted property reserves	-	-	-	99,203	-	-	513,324
Cash, restricted	-	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-	60,000
Pledges receivable, net	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-	-
Notes and interest receivable, net	450,000	-	-	-	-	-	450,000
Notes and interest receivable, affiliates	-	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-	-
Other assets	129,682	17,414	275	-	72,607	-	219,978
Total other long-term assets	579,682	17,414	275	99,203	72,607	-	1,243,302
Total assets	\$ 2,561,752	\$ 220,179	\$ 1,030,675	\$ 100,813	\$ 526,785	\$ (2,668)	\$ 21,254,481
Liabilities							
Current liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 41,044	\$ -	\$ (2,668)	\$ 159,223
Due to affiliates	1,702,115	-	7	18,191	476,258	-	2,202,274
Accrued interest	14,682	1,900	-	-	340	-	348,922
Accrued interest, affiliates	-	-	-	-	-	-	410,380
Current portion of notes payable	-	-	-	-	-	-	47,802
Current portion of notes payable, affiliates	12,347	130,908	69,685	-	1,000,992	-	1,346,779
Deferred revenue	-	-	-	(315)	-	-	609
Tenant security deposits	-	-	-	-	-	-	41,677
Miscellaneous current liabilities	-	-	-	-	-	-	-
Total current liabilities	1,729,144	132,808	69,692	58,920	1,477,590	(2,668)	4,557,666
Long-term liabilities							
Due to affiliates	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	438,564
Accrued interest, affiliates - long-term	-	-	-	-	-	-	-
Notes payable, less current portion	3,683,044	439,162	746,418	-	305,632	-	10,707,965
Notes payable, less current portion, affiliates	-	-	-	-	-	-	3,700,000
Deferred revenue and other liabilities	-	-	-	-	-	-	-
Total long-term liabilities	3,683,044	439,162	746,418	-	305,632	-	14,846,529
Total liabilities	5,412,188	571,970	816,110	58,920	1,783,222	(2,668)	19,404,195
Net assets							
Unrestricted net assets, controlling	(2,850,436)	(351,791)	214,565	41,893	(1,256,437)	-	(4,088,132)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-	-
Total unrestricted net assets	(2,850,436)	(351,791)	214,565	41,893	(1,256,437)	-	(4,088,132)
Temporarily restricted net assets	-	-	-	-	-	-	5,938,418
Permanently restricted net assets	-	-	-	-	-	-	-
Total net assets	(5,700,872)	(703,582)	429,130	83,786	(2,512,874)	-	(2,237,846)
Total liabilities and net assets	\$ (288,684)	\$ (131,612)	\$ 1,245,240	\$ 142,706	\$ (729,652)	\$ (2,668)	\$ 17,166,349

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties California
For the year ended December 31, 2010

	Mercy Properties California	Foster Youth	The Haven	Leland House	Osacales (McIntosh Mobile Homes)	Richmond Hills	Sycamore Center (Red Bluff)
Revenues							
Rent - net of vacancies	\$ 1,193,504	\$ 15,600	\$ 142,426	\$ 20,577	\$ 312,753	\$ 32,145	\$ 120,985
Developer fees	-	-	-	-	-	-	-
Services fees	-	-	-	-	-	-	-
Philanthropy	-	-	-	104,197	-	-	-
Capital grants	-	-	-	-	98,000	-	-
Consulting	-	-	-	-	-	-	-
Interest	-	5	100	429	150	14	518
Other	-	-	1,712	11,308	1,823	-	17,416
Total revenues	<u>1,193,504</u>	<u>15,605</u>	<u>144,238</u>	<u>136,511</u>	<u>412,726</u>	<u>32,159</u>	<u>138,919</u>
Expenses and losses							
Compensation	-	(91)	81,059	-	61,990	-	8,007
Administrative	-	19,978	10,010	700	37,209	522	6,944
Professional services	-	2,970	2,515	2,536	8,444	2,505	2,500
Depreciation and amortization	15,273	8,940	23,806	154,234	140,685	63,045	96,639
Grants	-	-	-	-	-	-	-
Facility	-	5,232	38,604	77,006	76,018	11,415	55,589
Interest and fees	212,000	-	-	37,800	138,329	2,726	27,728
Bad debts	-	-	-	-	-	-	252
Provision for impaired assets	-	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-	-
Allocation	-	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-	-
Total expenses and losses	<u>227,273</u>	<u>37,029</u>	<u>155,994</u>	<u>272,276</u>	<u>462,675</u>	<u>80,213</u>	<u>197,659</u>
Excess (deficiency) of revenues over expenses	966,231	(21,424)	(11,756)	(135,765)	(49,949)	(48,054)	(58,740)
Net assets at beginning of year	245,231	(32,400)	596,355	1,693,269	44,771	1,368,900	1,495,823
Other transfers to (from) net assets	-	-	-	-	-	-	-
Net assets at end of year	<u>\$ 1,211,462</u>	<u>\$ (53,824)</u>	<u>\$ 584,599</u>	<u>\$ 1,557,504</u>	<u>\$ (5,178)</u>	<u>\$ 1,320,846</u>	<u>\$ 1,437,083</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties California
For the year ended December 31, 2010

	Sierra Vista	Walnut Grove	Santa Monica Street	Mercy Oak Forest, LLC	Acacia Meadows	Eliminations	Mercy Properties California
Revenues							
Rent - net of vacancies	\$ -	\$ -	\$ -	\$ 1,134,041	\$ -	\$ -	\$ 2,972,031
Developer fees	-	-	-	-	-	-	-
Services fees	-	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-	104,197
Capital grants	-	-	-	-	-	-	98,000
Consulting	-	-	-	-	-	-	-
Interest	-	-	-	455	-	-	1,671
Other	149,681	323,620	-	7,456	16,437	-	529,453
Total revenues	149,681	323,620	-	1,141,952	16,437	-	3,705,352
Expenses and losses							
Compensation	-	-	-	196,959	-	-	347,924
Administrative	-	-	-	176,445	-	-	251,808
Professional services	-	-	-	118,425	-	-	139,895
Depreciation and amortization	-	-	-	74,577	-	-	577,199
Grants	-	-	-	1,600,000	-	-	1,600,000
Facility	-	-	-	944,793	-	-	1,208,657
Interest and fees	-	-	-	22,853	-	-	441,436
Bad debts	-	-	-	1,194	-	-	1,446
Provision for impaired assets	293,692	-	-	-	-	-	293,692
Project expenses	-	-	-	-	-	-	-
Allocation	-	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	(63,150)	-	-	(63,150)
(Gain) loss on investment in limited partnership	-	-	-	-	-	-	-
Total expenses and losses	293,692	-	-	3,072,096	-	-	4,798,907
Excess (deficiency) of revenues over expenses	(144,011)	323,620	-	(1,930,144)	16,437	-	(1,093,555)
Net assets at beginning of year	(2,706,425)	(675,411)	214,565	1,972,037	(1,272,874)	-	2,943,841
Other transfers to (from) net assets	-	-	-	-	-	-	-
Net assets at end of year	<u>\$ (2,850,436)</u>	<u>\$ (351,791)</u>	<u>\$ 214,565</u>	<u>\$ 41,893</u>	<u>\$ (1,256,437)</u>	<u>\$ -</u>	<u>\$ 1,850,286</u>

Consolidating Statement of Financial Position
Mercy Housing Northwest - Idaho
December 31, 2010

	Mercy Housing Northwest - Idaho	Eagle Senior Village	Mercy Southeast Idaho, Inc. (Hamilton Court)	Mercy Moscow Inc. (Hawthorne)	Independence Hill
Assets					
Current assets					
Cash and cash equivalents	\$ 1,675	\$ 966	\$ 33,830	\$ 2,872	\$ 737
Cash, tenant security deposits	-	5,240	10,313	15,683	3,650
Cash, restricted	206,542	10,782	-	3,589	9,016
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	2,315	563	2,922	1,236	248
Due from affiliate, net	1,086,108	-	-	-	-
Pledges receivable	120	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	16,067	-	-	-	-
Prepaid expenses and other assets	4,071	3,114	5,888	9,594	2,614
Total current assets	1,316,898	20,665	52,953	32,974	16,265
Property and equipment					
Land and land improvements	306,157	122,374	11,531	235,203	570
Buildings	-	1,343,135	1,055,765	1,686,506	1,443,238
Furniture and equipment	28,743	12,033	27,396	121,326	7,610
Predevelopment project costs	279,974	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(27,649)	(353,205)	(537,823)	(940,509)	(260,668)
Net property and equipment	587,225	1,124,337	556,869	1,102,526	1,190,750
Other long-term assets					
Restricted property reserves	-	118,431	102,327	149,199	39,343
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	168,504	-	-	-	-
Notes and interest receivable, affiliates	517,715	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	-	-
Total other long-term assets	686,219	118,431	102,327	149,199	39,343
Total assets	\$ 2,590,342	\$ 1,263,433	\$ 712,149	\$ 1,284,699	\$ 1,246,358
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 91,761	\$ 20,389	\$ 30,904	\$ 36,233	\$ 16,237
Due to affiliates	1,172,002	-	9,830	-	-
Accrued interest	-	-	573	979	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	1,786	58,550	-
Current portion of notes payable, affiliates	222,047	-	-	-	-
Deferred revenue	-	508	932	1,067	-
Tenant security deposits	-	4,402	9,851	15,683	3,140
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	1,485,810	25,299	53,876	112,512	19,377
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	21,225	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	260,000	817,149	25,883	-
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	260,000	838,374	25,883	-
Total liabilities	1,485,810	285,299	892,250	138,395	19,377
Net assets					
Unrestricted net assets, controlling	360,576	(100,821)	(180,101)	1,146,304	(68,020)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	360,576	(100,821)	(180,101)	1,146,304	(68,020)
Temporarily restricted net assets	743,956	1,078,955	-	-	1,295,001
Permanently restricted net assets	-	-	-	-	-
Total net assets	1,104,532	978,134	(180,101)	1,146,304	1,226,981
Total liabilities and net assets	\$ 2,590,342	\$ 1,263,433	\$ 712,149	\$ 1,284,699	\$ 1,246,358

Consolidating Statement of Financial Position
Mercy Housing Northwest - Idaho
December 31, 2010

	Mercy Twin Falls, Inc. (Williswood)	Mercy Housing Idaho NSP LLC	Eliminations	Consolidated Mercy Housing Idaho, Inc.
Assets				
Current assets				
Cash and cash equivalents	\$ 100	\$ 55,542	\$ (7,717)	\$ 88,005
Cash, tenant security deposits	10,200	-	-	45,086
Cash, restricted	23,313	640	-	253,882
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	2,192	-	(625)	8,851
Due from affiliate, net	-	-	-	1,086,108
Pledges receivable	-	-	-	120
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	(6,067)	10,000
Prepaid expenses and other assets	4,537	-	-	29,818
Total current assets	40,342	56,182	(14,409)	1,521,870
Property and equipment				
Land and land improvements	80,800	-	-	756,635
Buildings	1,067,039	488,800	(162,262)	6,922,221
Furniture and equipment	42,316	-	-	239,424
Predevelopment project costs	-	-	-	279,974
Construction in progress	-	81,591	-	81,591
Accumulated depreciation	(493,990)	-	56,259	(2,557,585)
Net property and equipment	696,165	570,391	(106,003)	5,722,260
Other long-term assets				
Restricted property reserves	195,722	-	-	605,022
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	-	-
Notes and interest receivable, net	-	-	-	168,504
Notes and interest receivable, affiliates	-	-	-	517,715
Allowance for impaired assets	-	-	-	-
Other assets	-	-	-	-
Total other long-term assets	195,722	-	-	1,291,241
Total assets	\$ 932,229	\$ 626,573	\$ (120,412)	\$ 8,535,371
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 16,434	\$ -	\$ (10,408)	\$ 201,550
Due to affiliates	-	-	(9,830)	1,172,002
Accrued interest	523	-	-	2,075
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	27,839	488,800	-	576,975
Current portion of notes payable, affiliates	-	4,000	(4,000)	222,047
Deferred revenue	1,228	-	-	3,735
Tenant security deposits	9,728	-	-	42,804
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	55,752	492,800	(24,238)	2,221,188
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	5,143	-	-	26,368
Accrued interest, affiliates	-	-	-	-
Notes payable, less current portion	622,912	-	-	1,725,944
Notes payable, less current portion, affiliates	-	-	-	-
Deferred revenue and other liabilities	-	133,773	-	133,773
Total long-term liabilities	628,055	133,773	-	1,886,085
Total liabilities	683,807	626,573	(24,238)	4,107,273
Net assets				
Unrestricted net assets, controlling	248,422	-	(96,174)	1,310,186
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	248,422	-	(96,174)	1,310,186
Temporarily restricted net assets	-	-	-	3,117,912
Permanently restricted net assets	-	-	-	-
Total net assets	248,422	-	(96,174)	4,428,098
Total liabilities and net assets	\$ 932,229	\$ 626,573	\$ (120,412)	\$ 8,535,371

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Northwest - Idaho
For the year ended December 31, 2010

	Mercy Housing Northwest - Idaho	Eagle Senior Village	Mercy Southeast Idaho, Inc. (Hamilton Court)	Mercy Moscow Inc. (Hawthorne)	Independence Hill
Revenues					
Rent - net of vacancies	\$ -	\$ 82,209	\$ 194,198	\$ 274,835	\$ 82,010
Developer fees	-	-	-	-	-
Services fees	74,993	-	-	-	-
Philanthropy	262,749	-	-	-	-
Capital grants	1,200	-	-	-	-
Consulting	232,525	-	-	-	-
Interest	47,218	90	106	42,046	19
Other	3,563	2,182	5,827	9,332	921
Total revenues	<u>622,248</u>	<u>84,481</u>	<u>200,131</u>	<u>326,213</u>	<u>82,950</u>
Expenses and losses					
Compensation	335,317	23,719	67,546	86,431	19,491
Administrative	145,816	17,545	26,242	47,587	9,687
Professional services	20,334	9,130	17,679	34,838	9,095
Depreciation and amortization	1,085	50,127	41,151	65,210	54,100
Grants	22,130	-	-	-	-
Facility	17,993	31,837	71,143	75,389	39,125
Interest and fees	39,193	-	12,284	9,721	-
Bad debts	68,960	-	758	421	-
Provision for impaired assets	30,326	-	-	-	-
Project expenses	119,073	-	-	-	-
Allocation	225,852	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>1,026,079</u>	<u>132,358</u>	<u>236,803</u>	<u>319,597</u>	<u>131,498</u>
Excess (deficiency) of revenues over expenses	(403,831)	(47,877)	(36,672)	6,616	(48,548)
Net assets at beginning of year	1,508,363	1,026,011	(143,429)	1,139,688	1,275,529
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ 1,104,532</u>	<u>\$ 978,134</u>	<u>\$ (180,101)</u>	<u>\$ 1,146,304</u>	<u>\$ 1,226,981</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Northwest - Idaho
For the year ended December 31, 2010

	Mercy Twin Falls, Inc. (Williswood)	Mercy Housing Idaho NSP LLC	Eliminations	Consolidated Mercy Housing Idaho, Inc.
Revenues				
Rent - net of vacancies	\$ 184,106	\$ -	\$ (1,878)	\$ 815,480
Developer fees	-	-	-	-
Services fees	-	-	(26,443)	48,550
Philanthropy	-	-	-	262,749
Capital grants	-	-	-	1,200
Consulting	-	-	-	232,525
Interest	20,378	-	-	109,857
Other	10,760	-	-	32,585
Total revenues	215,244	-	(28,321)	1,502,946
Expenses and losses				
Compensation	32,370	-	-	564,874
Administrative	32,172	-	-	279,049
Professional services	9,996	-	(26,443)	74,629
Depreciation and amortization	40,287	-	(5,900)	246,060
Grants	-	-	(1,878)	20,252
Facility	69,631	-	-	305,118
Interest and fees	14,902	-	-	76,100
Bad debts	7,445	-	(9,830)	67,754
Provision for impaired assets	-	-	-	30,326
Project expenses	-	-	-	119,073
Allocation	-	-	-	225,852
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-
Total expenses and losses	206,803	-	(44,051)	2,009,087
Excess (deficiency) of revenues over expenses	8,441	-	15,730	(506,141)
Net assets at beginning of year	239,981	-	(111,904)	4,934,239
Other transfers to (from) net assets	-	-	-	-
Net assets at end of year	\$ 248,422	\$ -	\$ (96,174)	\$ 4,428,098

Consolidating Statement of Financial Position
Mercy Housing Lakefront
December 31, 2010

	Mercy Housing Lakefront	Lavergne Courts, LLC	Washington Courts, LLC	Whitmore	111 & Wentworth Apartments Corporation	Wentworth Commons
Assets						
Current assets						
Cash and cash equivalents	\$ 2,484,927	\$ 133,323	\$ 74,450	\$ 175,614	\$ -	\$ 500
Cash, tenant security deposits	-	25,483	20,799	9,484	-	21,495
Cash, restricted	1,168,335	68,034	10,250	43,188	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	353,888	6,370	18,196	3,165	-	61,858
Due from affiliate, net	2,303,250	-	604	1,008	-	-
Pledges receivable	794,748	-	-	-	-	-
Grants receivable	1,564,141	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	1,714,886	-	-	-	-	-
Prepaid expenses and other assets	25,216	42,482	27,974	15,943	-	14,385
Total current assets	10,409,391	275,692	152,273	248,402	-	98,238
Property and equipment						
Land and land improvements	174,915	179,452	77,099	30,893	-	823,255
Buildings	516,847	4,451,579	2,948,244	1,562,176	-	8,228,852
Furniture and equipment	365,086	344,834	199,623	10,565	-	491,941
Predevelopment project costs	1,597,750	-	-	-	-	-
Construction in progress	-	1,108,705	1,013,974	-	-	-
Accumulated depreciation	(477,684)	(1,028,838)	(775,582)	(299,581)	-	(2,691,080)
Net property and equipment	2,176,914	5,055,732	3,463,358	1,304,053	-	6,852,968
Other long-term assets						
Restricted property reserves	-	2,130,795	1,419,773	349,599	-	228,787
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	116,003	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	953,715	-	-	-	981,944	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	9,383,402	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	3,883	-	148,461	-	39,983
Total other long-term assets	10,453,120	2,134,678	1,419,773	498,060	981,944	268,770
Total assets	\$ 23,039,425	\$ 7,466,102	\$ 5,035,404	\$ 2,050,515	\$ 981,944	\$ 7,219,976
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 708,048	\$ 303,599	\$ 205,028	\$ 71,854	\$ -	\$ 41,705
Due to affiliates	355,242	-	22,089	13,052	37,023	50,395
Accrued interest	10,059	21,777	9,807	5,191	-	-
Accrued interest, affiliates	-	-	30,198	22,957	-	-
Current portion of notes payable	1,150,000	115,404	43,609	20,507	-	-
Current portion of notes payable, affiliates	2,057,771	76,974	-	29,016	-	-
Deferred revenue	247,793	5,332	5,067	451	-	9,906
Tenant security deposits	-	21,107	18,035	8,656	-	13,122
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	4,528,913	544,193	333,833	171,684	37,023	115,128
Long-term liabilities						
Due to affiliates	-	-	-	-	982,369	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	391,173	124,684	89,418	-	-
Notes payable, less current portion	8,573,396	5,619,157	3,780,408	1,017,696	-	-
Notes payable, less current portion, affiliates	-	720,210	442,814	549,005	-	6,486,921
Deferred revenue and other liabilities	546,952	8,523	-	-	-	-
Total long-term liabilities	9,120,348	6,739,063	4,347,906	1,656,119	982,369	6,486,921
Total liabilities	13,649,261	7,283,256	4,681,739	1,827,803	1,019,392	6,602,049
Net assets						
Unrestricted net assets, controlling	1,628,971	182,846	353,665	222,712	(37,448)	617,927
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	1,628,971	182,846	353,665	222,712	(37,448)	617,927
Temporarily restricted net assets	7,386,193	-	-	-	-	-
Permanently restricted net assets	375,000	-	-	-	-	-
Total net assets	9,390,164	182,846	353,665	222,712	(37,448)	617,927
Total liabilities and net assets	\$ 23,039,425	\$ 7,466,102	\$ 5,035,404	\$ 2,050,515	\$ 981,944	\$ 7,219,976

Consolidating Statement of Financial Position
Mercy Housing Lakefront
December 31, 2010

	Belray Apartments Corporation	Belray Apartments	Harold Washington Apartments Corporation	Harold Washington Apartments	Magnolia LP (Carlton Apartments)	Red Door LP (Major Jenkins Apartments)
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 62,466	\$ 607	\$ -	\$ 4,087	\$ 316,222
Cash, tenant security deposits	-	10,969	-	-	7,186	22,386
Cash, restricted	-	500	-	-	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	6,851	-	-	34,807	41,117
Due from affiliate, net	9,242	13,467	8,658	-	-	415
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	17,542	-	-	28,253	38,485
Total current assets	9,242	111,795	9,265	-	74,333	418,625
Property and equipment						
Land and land improvements	-	160,000	-	-	65,063	103,750
Buildings	-	3,356,086	-	-	2,527,053	6,022,237
Furniture and equipment	-	127,575	-	-	137,546	255,442
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	-	(2,011,665)	-	-	(1,695,219)	(3,691,396)
Net property and equipment	-	1,631,996	-	-	1,034,443	2,690,033
Other long-term assets						
Restricted property reserves	-	1,055,517	-	-	372,443	1,102,233
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	290,398	-	427,270	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	259	-	-	4,460	11,470
Total other long-term assets	290,398	1,055,776	427,270	-	376,903	1,113,703
Total assets	\$ 299,640	\$ 2,799,567	\$ 436,535	\$ -	\$ 1,485,679	\$ 4,222,361
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ -	\$ 45,345	\$ -	\$ -	\$ 44,772	\$ 57,427
Due to affiliates	47,836	9,242	192,059	-	-	8,658
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	6,000	-	-	55,152	98,772
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	-	793	-	-	1,393	17,462
Tenant security deposits	-	9,881	-	-	5,416	18,431
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	47,836	71,261	192,059	-	106,733	200,750
Long-term liabilities						
Due to affiliates	300,250	-	504,204	-	-	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	9,766	-	-
Notes payable, less current portion	-	3,289,262	-	-	854,709	2,579,122
Notes payable, less current portion, affiliates	-	-	-	231,820	-	-
Deferred revenue and other liabilities	-	-	-	587	-	-
Total long-term liabilities	300,250	3,289,262	504,204	242,173	854,709	2,579,122
Total liabilities	348,086	3,360,523	696,263	242,173	961,442	2,779,872
Net assets						
Unrestricted net assets, controlling	(48,446)	(560,956)	(259,728)	(242,173)	524,237	1,442,489
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	(48,446)	(560,956)	(259,728)	(242,173)	524,237	1,442,489
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	(48,446)	(560,956)	(259,728)	(242,173)	524,237	1,442,489
Total liabilities and net assets	\$ 299,640	\$ 2,799,567	\$ 436,535	\$ -	\$ 1,485,679	\$ 4,222,361

Consolidating Statement of Financial Position
Mercy Housing Lakefront
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	4707 Malden LP (Miriam Apartments)	Roseland Apartment Corporation	Roseland LP (Holland Apartments)	South Loop Apartments Corporation	South Loop Apartments	Winthrop Apartments Corporation
Assets						
Current assets						
Cash and cash equivalents	\$ 2,163	\$ -	\$ 78,341	\$ -	\$ 111,503	\$ -
Cash, tenant security deposits	6,977	-	10,311	-	97,696	-
Cash, restricted	-	-	-	-	189,220	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	9,768	-	40,446	-	69,385	-
Due from affiliate, net	-	-	-	82,156	52,734	25,989
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	16,691	-	20,841	-	40,094	-
Total current assets	35,599	-	149,939	82,156	560,632	25,989
Property and equipment						
Land and land improvements	65,000	-	280,973	-	881,175	-
Buildings	2,362,888	-	8,362,566	-	14,561,937	-
Furniture and equipment	71,965	-	393,896	-	454,870	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(1,310,382)	-	(3,282,253)	-	(6,042,893)	-
Net property and equipment	1,189,471	-	5,755,182	-	9,855,089	-
Other long-term assets						
Restricted property reserves	147,772	-	959,456	-	4,020,181	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	356,735	-	263,347	-	(37,145)
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	265	-	20,990	-	26,943	-
Total other long-term assets	148,037	356,735	980,446	263,347	4,047,124	(37,145)
Total assets	\$ 1,373,107	\$ 356,735	\$ 6,885,567	\$ 345,503	\$ 14,462,845	\$ (11,156)
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 63,492	\$ -	\$ 101,172	\$ -	\$ 105,548	\$ -
Due to affiliates	-	55,161	-	130,747	82,156	105,066
Accrued interest	363	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	23,561	-	2,400	-	1,200	-
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	2,223	-	2,972	-	14,718	-
Tenant security deposits	5,164	-	8,552	-	46,783	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	94,803	55,161	115,096	130,747	250,405	105,066
Long-term liabilities						
Due to affiliates	-	354,265	-	263,620	461,302	-
Accrued interest	-	-	-	-	1,936,091	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	377,596	-	4,354,842	-	8,384,098	-
Notes payable, less current portion, affiliates	-	-	-	-	1,080,500	-
Deferred revenue and other liabilities	-	-	-	-	-	-
Total long-term liabilities	377,596	354,265	4,354,842	263,620	11,861,991	-
Total liabilities	472,399	409,426	4,469,938	394,367	12,112,396	105,066
Net assets						
Unrestricted net assets, controlling	900,708	(52,691)	2,415,629	(48,864)	2,350,449	(116,222)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	900,708	(52,691)	2,415,629	(48,864)	2,350,449	(116,222)
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	900,708	(52,691)	2,415,629	(48,864)	2,350,449	(116,222)
Total liabilities and net assets	\$ 1,373,107	\$ 356,735	\$ 6,885,567	\$ 345,503	\$ 14,462,845	\$ (11,156)

Consolidating Statement of Financial Position
Mercy Housing Lakefront
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	5042 Winthrop Apartments LP (Delmar Apartments)	Near North Apartment Corporation	Near North LP	Malden Arms Corp II NFP	Malden LP II (Malden Arms II Apts.)	Englewood Apartments NFP
Assets						
Current assets						
Cash and cash equivalents	\$ 125,096	\$ -	\$ 229,671	\$ -	\$ 42,018	\$ -
Cash, tenant security deposits	32,920	-	16,809	-	19,631	-
Cash, restricted	-	-	-	-	750	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	56,548	-	69,572	17,000	46,994	-
Due from affiliate, net	52,436	44,068	-	70,167	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	33,342	-	23,860	-	20,763	-
Total current assets	300,342	44,068	339,912	87,167	130,156	-
Property and equipment						
Land and land improvements	125,000	-	4,276,912	-	670,314	-
Buildings	5,770,534	-	12,575,573	-	4,340,388	-
Furniture and equipment	355,974	-	488,818	-	229,662	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(3,810,384)	-	(2,204,808)	-	(348,587)	-
Net property and equipment	2,441,124	-	15,136,495	-	4,891,777	-
Other long-term assets						
Restricted property reserves	409,719	-	718,151	-	2,930,396	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	5,379,326	-	512,958	-	1,699,938
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	4,118	-	50,288	-	43,196	-
Total other long-term assets	413,837	5,379,326	768,439	512,958	2,973,592	1,699,938
Total assets	\$ 3,155,303	\$ 5,423,394	\$ 16,244,846	\$ 600,125	\$ 7,995,525	\$ 1,699,938
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 47,457	\$ -	\$ 50,776	\$ -	\$ 43,787	\$ -
Due to affiliates	33,686	60,564	59,693	53,164	70,167	3,336
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	-	1,200	-	1,200	-
Current portion of notes payable, affiliates	-	-	-	-	(161)	-
Deferred revenue	6,619	-	6,911	-	1,036	-
Tenant security deposits	31,442	-	15,356	-	17,804	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	119,204	60,564	133,936	53,164	133,833	3,336
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	-	-	70,266	-
Accrued interest, affiliates	-	-	282,860	4,694	26,383	-
Notes payable, less current portion	4,712,865	-	3,244,600	-	2,433,213	-
Notes payable, less current portion, affiliates	-	-	2,922,000	27,025	576,000	1,100,000
Deferred revenue and other liabilities	-	-	-	-	1,783,321	-
Total long-term liabilities	4,712,865	-	6,449,460	31,719	4,889,183	1,100,000
Total liabilities	4,832,069	60,564	6,583,396	84,883	5,023,016	1,103,336
Net assets						
Unrestricted net assets, controlling	(1,676,766)	5,362,830	9,661,450	515,242	2,972,509	596,602
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	(1,676,766)	5,362,830	9,661,450	515,242	2,972,509	596,602
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	(1,676,766)	5,362,830	9,661,450	515,242	2,972,509	596,602
Total liabilities and net assets	\$ 3,155,303	\$ 5,423,394	\$ 16,244,846	\$ 600,125	\$ 7,995,525	\$ 1,699,938

Consolidating Statement of Financial Position
Mercy Housing Lakefront
December 31, 2010

	901 West 63rd LP (Englewood Apts.)	Countryside Seniors LLC	Countryside Senior Apts LP	Johnston Center MM LLC	Johnston Center Residences LLC	HWA-850 Eastwood GP Corp NFP
Assets						
Current assets						
Cash and cash equivalents	\$ (82)	\$ -	\$ 2,008	\$ -	\$ 4,389	\$ -
Cash, tenant security deposits	14,077	-	17,376	-	4,167	-
Cash, restricted	34,248	-	19,586	-	66,008	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	92,016	-	672	-	73,207	-
Due from affiliate, net	-	-	39	-	5,000	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	1,000,000
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	7,465	-	9,971	-	-	-
Total current assets	147,724	-	49,652	-	152,771	1,000,000
Property and equipment						
Land and land improvements	1,412,793	-	2,599,688	-	491,775	-
Buildings	15,721,573	-	11,887,510	-	11,388,203	-
Furniture and equipment	352,871	-	122,669	-	301,682	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(213,414)	-	(170,653)	-	(152,405)	-
Net property and equipment	17,273,823	-	14,439,214	-	12,029,255	-
Other long-term assets						
Restricted property reserves	1,834,636	-	2,094,351	-	114,210	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	2,516,108	-	62	-	6,049,630
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	490,406	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	105,294	-	161,916	-	165,293	-
Total other long-term assets	1,939,930	3,006,514	2,256,267	62	279,503	6,049,630
Total assets	\$ 19,361,477	\$ 3,006,514	\$ 16,745,133	\$ 62	\$ 12,461,529	\$ 7,049,630
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 2,231,154	\$ -	\$ 92,482	\$ -	\$ 62,391	\$ -
Due to affiliates	458,683	3,738	17,521	1,454	40,215	311
Accrued interest	-	-	17,902	-	-	-
Accrued interest, affiliates	77,295	-	-	-	3,430	-
Current portion of notes payable	10,531,037	-	4,842,122	-	-	-
Current portion of notes payable, affiliates	3,294,820	-	60,607	-	50,400	-
Deferred revenue	1,184	-	2,434	-	16,209	-
Tenant security deposits	13,445	-	17,412	-	2,723	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	16,607,618	3,738	5,050,480	1,454	175,368	311
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	4,306	-	-	-
Accrued interest, affiliates	-	-	-	-	32,643	-
Notes payable, less current portion	-	-	4,250,000	-	1,825,586	-
Notes payable, less current portion, affiliates	722,622	-	490,406	-	1,975,000	4,049,583
Deferred revenue and other liabilities	640,000	-	937,631	-	740,736	-
Total long-term liabilities	1,362,622	-	5,682,343	-	4,573,965	4,049,583
Total liabilities	17,970,240	3,738	10,732,823	1,454	4,749,333	4,049,894
Net assets						
Unrestricted net assets, controlling	1,391,237	3,002,776	6,012,310	(1,392)	7,712,196	(264)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	1,391,237	3,002,776	6,012,310	(1,392)	7,712,196	(264)
Temporarily restricted net assets	-	-	-	-	-	3,000,000
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	1,391,237	3,002,776	6,012,310	(1,392)	7,712,196	2,999,736
Total liabilities and net assets	\$ 19,361,477	\$ 3,006,514	\$ 16,745,133	\$ 62	\$ 12,461,529	\$ 7,049,630

Consolidating Statement of Financial Position
Mercy Housing Lakefront
December 31, 2010

	Harold Washington 850 Eastwood	Grayslake Senior Housing	Eliminations	Consolidated Mercy Housing Lakefront
Assets				
Current assets				
Cash and cash equivalents	\$ 293,499	\$ -	\$ (9,188)	\$ 4,131,614
Cash, tenant security deposits	15,592	-	-	353,358
Cash, restricted	587,700	-	-	2,187,819
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	114,772	7,372	(225,914)	898,090
Due from affiliate, net	-	-	(2,603,615)	65,618
Pledges receivable	-	-	-	794,748
Grants receivable	-	-	-	2,564,141
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	(1,674,886)	40,000
Prepaid expenses and other assets	21,980	-	-	405,287
Total current assets	1,033,543	7,372	(4,513,603)	11,440,675
Property and equipment				
Land and land improvements	4,482,419	528,779	(1,202,791)	16,226,464
Buildings	19,013,528	-	(3,102,455)	132,495,319
Furniture and equipment	-	-	-	4,705,019
Predevelopment project costs	-	-	-	1,597,750
Construction in progress	13,778,706	460,985	(3,249,516)	13,112,854
Accumulated depreciation	(183,194)	-	37,903	(30,352,115)
Net property and equipment	37,091,459	989,764	(7,516,859)	137,785,291
Other long-term assets				
Restricted property reserves	17,799,545	-	-	37,687,564
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	116,003
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	(19,261,473)	132,813
Notes and interest receivable, net	-	-	-	-
Notes and interest receivable, affiliates	-	-	(9,873,808)	-
Allowance for impaired assets	-	-	-	-
Other assets	2,417,401	5,078	-	3,209,298
Total other long-term assets	20,216,946	5,078	(29,135,281)	41,145,678
Total assets	\$ 58,341,948	\$ 1,002,214	\$ (41,165,743)	\$ 190,371,644
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 4,197,958	\$ -	\$ (19,140)	\$ 8,454,855
Due to affiliates	105,007	-	(1,897,646)	118,619
Accrued interest	489,420	15	-	554,534
Accrued interest, affiliates	-	-	(64,958)	68,922
Current portion of notes payable	-	500,000	-	17,392,164
Current portion of notes payable, affiliates	926,903	502,199	(2,328,188)	4,670,341
Deferred revenue	5,260	-	-	347,763
Tenant security deposits	73,573	-	-	326,902
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	5,798,121	1,002,214	(4,309,932)	31,934,100
Long-term liabilities				
Due to affiliates	-	-	(2,866,010)	-
Accrued interest	-	-	-	2,010,663
Accrued interest, affiliates	80,888	-	(1,042,509)	-
Notes payable, less current portion	35,867,488	-	-	91,164,038
Notes payable, less current portion, affiliates	4,763,520	-	(25,721,626)	415,800
Deferred revenue and other liabilities	3,295,596	-	(5,231,114)	2,722,232
Total long-term liabilities	44,007,492	-	(34,861,259)	96,312,733
Total liabilities	49,805,613	1,002,214	(39,171,191)	128,246,833
Net assets				
Unrestricted net assets, controlling	8,536,335	-	(1,994,552)	51,363,618
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	8,536,335	-	(1,994,552)	51,363,618
Temporarily restricted net assets	-	-	-	10,386,193
Permanently restricted net assets	-	-	-	375,000
Total net assets	8,536,335	-	(1,994,552)	62,124,811
Total liabilities and net assets	\$ 58,341,948	\$ 1,002,214	\$ (41,165,743)	\$ 190,371,644

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Lakefront
For the year ended December 31, 2010

	Mercy Housing Lakefront	Lavergne Courts, LLC	Washington Courts, LLC	Whitmore	111 & Wentworth Apartments Corporation	Wentworth Commons
Revenues						
Rent - net of vacancies	\$ -	\$ 1,796,162	\$ 1,175,666	\$ 705,968	\$ -	\$ 500,354
Developer fees	2,426,429	-	-	-	-	-
Services fees	741,417	-	-	-	-	-
Philanthropy	7,921,225	-	-	-	-	-
Capital grants	6,757,902	10,000	10,000	-	-	-
Consulting	-	-	-	-	-	-
Interest	381,917	775	1,841	143	-	3,070
Other	539,259	9,307	9,109	7,568	-	42,353
Total revenues	<u>18,768,149</u>	<u>1,816,244</u>	<u>1,196,616</u>	<u>713,679</u>	<u>-</u>	<u>545,777</u>
Expenses and losses						
Compensation	4,110,368	334,618	225,004	92,035	-	198,189
Administrative	545,950	157,859	136,661	62,519	10,200	61,559
Professional services	496,933	83,177	88,104	37,855	1,009	27,901
Depreciation and amortization	54,000	220,806	122,910	63,427	-	357,073
Grants	1,471,707	-	-	-	-	-
Facility	177,850	625,620	391,337	225,120	-	200,386
Interest and fees	82,678	257,442	189,188	109,444	268	977
Bad debts	236,478	2,365	643	258	-	1,028
Provision for impaired assets	11,173,854	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	939,151	-	-	-	-	-
(Gain) loss on sale of assets	(4,294,456)	-	-	-	-	-
(Gain) loss on investment in limited partnership	(197,325)	-	-	-	30	-
Total expenses and losses	<u>14,797,188</u>	<u>1,681,887</u>	<u>1,153,847</u>	<u>590,658</u>	<u>11,507</u>	<u>847,113</u>
Excess (deficiency) of revenues over expenses	<u>3,970,961</u>	<u>134,357</u>	<u>42,769</u>	<u>123,021</u>	<u>(11,507)</u>	<u>(301,336)</u>
Net assets at beginning of year	5,419,203	48,489	350,359	99,691	(25,941)	919,263
Other transfers to (from) net assets	-	-	(39,463)	-	-	-
Net assets at end of year	<u>\$ 9,390,164</u>	<u>\$ 182,846</u>	<u>\$ 353,665</u>	<u>\$ 222,712</u>	<u>\$ (37,448)</u>	<u>\$ 617,927</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Lakefront
For the year ended December 31, 2010

	Belray Apartments Corporation	Belray Apartments	Harold Washington Apartments Corporation	Harold Washington Apartments	Magnolia LP (Carlton Apartments)	Red Door LP (Major Jenkins Apartments)
Revenues						
Rent - net of vacancies	\$ -	\$ 444,149	\$ -	\$ 295,313	\$ 443,056	\$ 1,063,344
Developer fees	-	-	-	-	-	-
Services fees	3,202	-	11,575	-	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	-	26,143	-	695	3,663	15,940
Other	-	17,960	5,000	30,462	17,873	8,934
Total revenues	<u>3,202</u>	<u>488,252</u>	<u>16,575</u>	<u>326,470</u>	<u>464,592</u>	<u>1,088,218</u>
Expenses and losses						
Compensation	-	255,715	-	111,345	225,320	327,778
Administrative	14,004	70,530	73,212	57,319	59,705	139,411
Professional services	1,163	23,625	1,319	3,590	25,219	134,705
Depreciation and amortization	-	109,726	-	122,499	92,240	222,200
Grants	-	-	-	-	-	-
Facility	-	106,235	-	73,095	117,659	214,764
Interest and fees	267	-	268	60,178	15,300	55
Bad debts	-	(79)	-	1,504	(4,297)	6,991
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	11,855	991,985	-	-
(Gain) loss on investment in limited partnership	1,267	-	12,089	-	-	-
Total expenses and losses	<u>16,701</u>	<u>565,752</u>	<u>98,743</u>	<u>1,421,515</u>	<u>531,146</u>	<u>1,045,904</u>
Excess (deficiency) of revenues over expenses	<u>(13,499)</u>	<u>(77,500)</u>	<u>(82,168)</u>	<u>(1,095,045)</u>	<u>(66,554)</u>	<u>42,314</u>
Net assets at beginning of year	(34,947)	(483,456)	(177,560)	852,872	590,791	1,400,175
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ (48,446)</u>	<u>\$ (560,956)</u>	<u>\$ (259,728)</u>	<u>\$ (242,173)</u>	<u>\$ 524,237</u>	<u>\$ 1,442,489</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Lakefront
For the year ended December 31, 2010

	4707 Malden LP (Miriam Apartments)	Roseland Apartment Corporation	Roseland LP (Holland Apartments)	South Loop Apartments Corporation	South Loop Apartments	Winthrop Apartments Corporation
Revenues						
Rent - net of vacancies	\$ 404,387	\$ -	\$ 421,585	\$ -	\$ 720,238	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	28,466	-	9,005
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	2,741	-	6,478	-	9,012	-
Other	19,299	-	241,162	-	245,349	-
Total revenues	<u>426,427</u>	<u>-</u>	<u>669,225</u>	<u>28,466</u>	<u>974,599</u>	<u>9,005</u>
Expenses and losses						
Compensation	233,370	-	204,408	-	358,096	-
Administrative	47,421	16,200	88,174	41,400	181,697	32,604
Professional services	23,987	1,162	19,153	1,164	23,787	1,086
Depreciation and amortization	78,518	-	319,870	-	511,815	-
Grants	-	-	-	-	-	-
Facility	102,725	-	134,618	-	339,608	-
Interest and fees	19,506	269	-	269	176,010	301
Bad debts	10,555	-	8,307	-	29,732	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	84	-	65	-	1,449
Total expenses and losses	<u>516,082</u>	<u>17,715</u>	<u>774,530</u>	<u>42,898</u>	<u>1,620,745</u>	<u>35,440</u>
Excess (deficiency) of revenues over expenses	<u>(89,655)</u>	<u>(17,715)</u>	<u>(105,305)</u>	<u>(14,432)</u>	<u>(646,146)</u>	<u>(26,435)</u>
Net assets at beginning of year	990,363	(34,976)	2,520,934	(34,432)	2,661,595	(89,787)
Other transfers to (from) net assets	-	-	-	-	335,000	-
Net assets at end of year	<u>\$ 900,708</u>	<u>\$ (52,691)</u>	<u>\$ 2,415,629</u>	<u>\$ (48,864)</u>	<u>\$ 2,350,449</u>	<u>\$ (116,222)</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Lakefront
For the year ended December 31, 2010

	5042 Winthrop Apartments LP (Delmar Apartments)	Near North Apartment Corporation	Near North LP	Malden Arms Corp II NFP	Malden LP II (Malden Arms II Apts.)	Englewood Apartments NFP
Revenues						
Rent - net of vacancies	\$ 623,647	\$ -	\$ 671,628	\$ -	\$ 441,996	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	20,489	-	20,000	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	3,669	-	4,764	-	66,189	-
Other	97,930	-	9,172	-	16,290	-
Total revenues	<u>725,246</u>	<u>20,489</u>	<u>685,564</u>	<u>20,000</u>	<u>524,475</u>	<u>-</u>
Expenses and losses						
Compensation	304,666	-	234,150	-	221,363	-
Administrative	100,545	19,200	123,958	17,196	87,333	-
Professional services	34,471	1,045	21,873	541	18,475	2,965
Depreciation and amortization	217,305	-	577,945	-	204,501	-
Grants	-	-	-	-	-	-
Facility	193,148	-	177,293	-	98,169	-
Interest and fees	3	256	58,501	1,924	32,923	56
Bad debts	24,186	-	-	-	1,722	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	51	-	14	-	62
Total expenses and losses	<u>874,324</u>	<u>20,552</u>	<u>1,193,720</u>	<u>19,675</u>	<u>664,486</u>	<u>3,083</u>
Excess (deficiency) of revenues over expenses	<u>(149,078)</u>	<u>(63)</u>	<u>(508,156)</u>	<u>325</u>	<u>(140,011)</u>	<u>(3,083)</u>
Net assets at beginning of year	(1,527,688)	5,362,893	10,169,606	514,917	2,904,522	599,685
Other transfers to (from) net assets	-	-	-	-	207,998	-
Net assets at end of year	<u>\$ (1,676,766)</u>	<u>\$ 5,362,830</u>	<u>\$ 9,661,450</u>	<u>\$ 515,242</u>	<u>\$ 2,972,509</u>	<u>\$ 596,602</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Lakefront
For the year ended December 31, 2010

	901 West 63rd LP (Englewood Apts.)	Countryside Seniors LLC	Countryside Senior Apts LP	Johnston Center MM LLC	Johnston Center Residences LLC	HWA-850 Eastwood GP Corp NFP
Revenues						
Rent - net of vacancies	\$ 241,971	\$ -	\$ 31,663	\$ -	\$ 94,051	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	3,000,000
Consulting	-	-	-	-	-	-
Interest	-	-	10	-	2	-
Other	35	-	345	-	-	-
Total revenues	<u>242,006</u>	<u>-</u>	<u>32,018</u>	<u>-</u>	<u>94,053</u>	<u>3,000,000</u>
Expenses and losses						
Compensation	70,983	-	48,203	-	35,575	-
Administrative	307,064	-	177,537	-	82,905	-
Professional services	19,184	3,290	17,565	1,322	16,664	311
Depreciation and amortization	287,505	-	194,064	-	206,633	-
Grants	-	-	-	-	-	-
Facility	54,591	-	74,767	-	55,163	-
Interest and fees	124,385	59	62,393	32	74,408	-
Bad debts	-	-	-	-	-	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	54	-	38	-	(47)
Total expenses and losses	<u>863,712</u>	<u>3,403</u>	<u>574,529</u>	<u>1,392</u>	<u>471,348</u>	<u>264</u>
Excess (deficiency) of revenues over expenses	<u>(621,706)</u>	<u>(3,403)</u>	<u>(542,511)</u>	<u>(1,392)</u>	<u>(377,295)</u>	<u>2,999,736</u>
Net assets at beginning of year	960,000	3,006,179	4,573,001	-	30,615	-
Other transfers to (from) net assets	1,052,943	-	1,981,820	-	8,058,876	-
Net assets at end of year	<u>\$ 1,391,237</u>	<u>\$ 3,002,776</u>	<u>\$ 6,012,310</u>	<u>\$ (1,392)</u>	<u>\$ 7,712,196</u>	<u>\$ 2,999,736</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Lakefront
For the year ended December 31, 2010

	Harold Washington 850 Eastwood	Grayslake Senior Housing	Eliminations	Consolidated Mercy Housing Lakefront
Revenues				
Rent - net of vacancies	\$ 1,349,413	\$ -	\$ (902,225)	\$ 10,522,366
Developer fees	-	-	(1)	2,426,428
Services fees	-	-	(808,490)	25,664
Philanthropy	-	-	-	7,921,225
Capital grants	-	-	-	9,777,902
Consulting	-	-	-	-
Interest	151	-	(341,502)	185,701
Other	11,684	-	(499,531)	829,560
Total revenues	<u>1,361,248</u>	<u>-</u>	<u>(2,551,749)</u>	<u>31,688,846</u>
Expenses and losses				
Compensation	248,020	-	-	7,839,206
Administrative	100,329	-	(373,768)	2,438,724
Professional services	37,274	-	(349,585)	820,334
Depreciation and amortization	209,360	-	(21,548)	4,150,849
Grants	-	-	(1,323,757)	147,950
Facility	286,654	-	(13,475)	3,635,327
Interest and fees	667,172	-	(327,369)	1,607,163
Bad debts	491	-	(236,478)	83,406
Provision for impaired assets	-	-	(11,173,854)	-
Project expenses	-	-	-	-
Allocation	-	-	-	939,151
(Gain) loss on sale of assets	-	-	3,290,616	-
(Gain) loss on investment in limited partnership	-	-	309,702	127,533
Total expenses and losses	<u>1,549,300</u>	<u>-</u>	<u>(10,219,516)</u>	<u>21,789,643</u>
Excess (deficiency) of revenues over expenses	<u>(188,052)</u>	<u>-</u>	<u>7,667,767</u>	<u>9,899,203</u>
Net assets at beginning of year	-	-	(2,552,102)	39,014,264
Other transfers to (from) net assets	8,724,387	-	(7,110,217)	13,211,344
Net assets at end of year	<u>\$ 8,536,335</u>	<u>\$ -</u>	<u>\$ (1,994,552)</u>	<u>\$ 62,124,811</u>

Consolidating Statement of Financial Position
Mercy Housing Southeast
December 31, 2010

	Mercy Housing Southeast	Mercy Place (Belmont)	Mercy Housing Pembroke, Inc. (McFadden Place)	Mercy Housing Georgia Holdings, LLC	Marshside Village, Inc.
Assets					
Current assets					
Cash and cash equivalents	\$ 2,754	\$ 11,852	\$ 1,494	\$ 305	\$ 6,407
Cash, tenant security deposits	-	11,718	8,162	-	11,328
Cash, restricted	213,429	5,149	2,564	2,058	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	260,004	2,773	719	2,445	170
Due from affiliate, net	386,794	-	-	-	-
Pledges receivable	4,592	-	-	-	-
Grants receivable	37,000	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	1,697,563	-	-	-	-
Prepaid expenses and other assets	19,612	4,960	3,812	407	5,061
Total current assets	2,621,748	36,452	16,751	5,215	22,966
Property and equipment					
Land and land improvements	-	-	49,640	15,789	241,500
Buildings	-	3,269,826	1,779,257	297,827	3,539,038
Furniture and equipment	39,061	80,698	14,714	4,596	108,319
Predevelopment project costs	610,975	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(38,836)	(724,181)	(423,400)	(53,795)	(482,646)
Net property and equipment	611,200	2,626,343	1,420,211	264,417	3,406,211
Other long-term assets					
Restricted property reserves	-	79,778	68,378	-	174,392
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	310,668	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	88,096	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	2,327	-
Total other long-term assets	398,764	79,778	68,378	2,327	174,392
Total assets	\$ 3,631,712	\$ 2,742,573	\$ 1,505,340	\$ 271,959	\$ 3,603,569
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 297,055	\$ 19,818	\$ 20,075	\$ 6,634	\$ 17,740
Due to affiliates	4,684,301	23,653	39,329	-	-
Accrued interest	-	-	-	432	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	5,379	-
Current portion of notes payable, affiliates	716,156	-	-	12,601	-
Deferred revenue	-	9	168	-	-
Tenant security deposits	-	10,479	6,144	-	11,283
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	5,697,512	53,959	65,716	25,046	29,023
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	57,204	-	-	151,941	-
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	57,204	-	-	151,941	-
Total liabilities	5,754,716	53,959	65,716	176,987	29,023
Net assets					
Unrestricted net assets, controlling	(2,653,265)	(141,832)	(144,424)	94,972	(111,502)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(2,653,265)	(141,832)	(144,424)	94,972	(111,502)
Temporarily restricted net assets	530,261	2,830,446	1,584,048	-	3,686,048
Permanently restricted net assets	-	-	-	-	-
Total net assets	(2,123,004)	2,688,614	1,439,624	94,972	3,574,546
Total liabilities and net assets	\$ 3,631,712	\$ 2,742,573	\$ 1,505,340	\$ 271,959	\$ 3,603,569

Consolidating Statement of Financial Position
Mercy Housing Southeast
December 31, 2010

	Allegre Point Senior	MHSE Adamsville Green Sr Partners LLC GP	Consolidated Mercy Community Housing Georgia	Eliminations	Consolidated Mercy Housing Southeast
Assets					
Current assets					
Cash and cash equivalents	\$ 3,812	\$ -	\$ 545,893	\$ (2,623)	\$ 569,894
Cash, tenant security deposits	18,550	-	228,803	-	278,561
Cash, restricted	87,644	-	279,675	-	590,519
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	1,386	-	205,531	(9,203)	463,825
Due from affiliate, net	34	-	147,347	(448,966)	85,209
Pledges receivable	-	-	-	-	4,592
Grants receivable	-	-	-	-	37,000
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	(1,554,377)	143,186
Prepaid expenses and other assets	10,666	-	148,242	-	192,760
Total current assets	122,092	-	1,555,491	(2,015,169)	2,365,546
Property and equipment					
Land and land improvements	317,000	-	11,105,331	-	11,729,260
Buildings	5,924,001	-	87,041,649	(6,322,411)	95,529,187
Furniture and equipment	112,202	-	2,231,223	-	2,590,813
Predevelopment project costs	-	-	-	-	610,975
Construction in progress	-	-	3,589,493	(83,880)	3,505,613
Accumulated depreciation	(504,762)	-	(9,617,167)	203,330	(11,641,457)
Net property and equipment	5,848,441	-	94,350,529	(6,202,961)	102,324,391
Other long-term assets					
Restricted property reserves	85,959	-	1,876,908	-	2,285,415
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	310,668
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	100	2	-	102
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	88,096
Allowance for impaired assets	-	-	-	-	-
Other assets	40,422	-	3,417,126	-	3,459,875
Total other long-term assets	126,381	100	5,294,036	-	6,144,156
Total assets	\$ 6,096,914	\$ 100	\$ 101,200,056	\$ (8,218,130)	\$ 110,834,093
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 78,391	\$ -	\$ 2,485,976	\$ (26,547)	\$ 2,899,142
Due to affiliates	-	100	746,510	(904,285)	4,589,608
Accrued interest	-	-	36,711	-	37,143
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	1,359,687	-	1,365,066
Current portion of notes payable, affiliates	-	-	1,537,956	(1,550,556)	716,157
Deferred revenue	664	-	122,912	-	123,753
Tenant security deposits	17,819	-	147,430	-	193,155
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	96,874	100	6,437,182	(2,481,388)	9,924,024
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	135,217	-	135,217
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	-	45,368,239	-	45,577,384
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	7,026,029	(6,588,532)	437,497
Total long-term liabilities	-	-	52,529,485	(6,588,532)	46,150,098
Total liabilities	96,874	100	58,966,667	(9,069,920)	56,074,122
Net assets					
Unrestricted net assets, controlling	92,677	-	42,181,617	851,790	40,170,033
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	92,677	-	42,181,617	851,790	40,170,033
Temporarily restricted net assets	5,907,363	-	51,772	-	14,589,938
Permanently restricted net assets	-	-	-	-	-
Total net assets	6,000,040	-	42,233,389	851,790	54,759,971
Total liabilities and net assets	\$ 6,096,914	\$ 100	\$ 101,200,056	\$ (8,218,130)	\$ 110,834,093

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Southeast
For the year ended December 31, 2010

	Mercy Housing Southeast	Mercy Place (Belmont)	Mercy Housing Pembroke, Inc. (McFadden Place)	Mercy Housing Georgia Holdings, LLC	Marshside Village, Inc.
Revenues					
Rent - net of vacancies	\$ -	\$ 199,792	\$ 142,379	\$ 6,300	\$ 181,902
Developer fees	(148,702)	-	-	-	-
Services fees	653,383	-	-	-	-
Philanthropy	270,810	-	-	-	-
Capital Grants	20,000	-	-	-	-
Consulting	1,015	-	-	-	-
Interest	53,793	108	69	-	405
Other	1,709,026	1,046	2,444	-	5,267
Total revenues	<u>2,559,325</u>	<u>200,946</u>	<u>144,892</u>	<u>6,300</u>	<u>187,574</u>
Expenses and losses					
Compensation	1,086,718	68,036	26,709	-	40,991
Administrative	297,467	36,340	30,065	77	54,128
Professional services	58,888	9,280	19,716	2,495	7,643
Depreciation and amortization	1,366	126,273	66,611	11,613	144,795
Grants	63,340	-	-	-	-
Facility	106,090	48,542	53,920	4,934	80,674
Interest and fees	99,570	30	67	6,278	-
Bad debts	473,873	-	5	-	-
Provision for impaired assets	24,328	-	-	-	-
Project expenses	1,010,433	-	-	-	-
Allocation	549,348	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>3,771,421</u>	<u>288,501</u>	<u>197,093</u>	<u>25,397</u>	<u>328,231</u>
Excess (deficiency) of revenues over expenses	(1,212,096)	(87,555)	(52,201)	(19,097)	(140,657)
Net assets at beginning of year	(910,908)	2,776,169	1,491,825	114,069	3,715,203
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ (2,123,004)</u>	<u>\$ 2,688,614</u>	<u>\$ 1,439,624</u>	<u>\$ 94,972</u>	<u>\$ 3,574,546</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Southeast
For the year ended December 31, 2010

	Allegre Point Senior	MHSE Adamsville Green Sr Partners LLC GP	Consolidated Mercy Community Housing Georgia	Eliminations	Consolidated Mercy Housing Southeast
Revenues					
Rent - net of vacancies	\$ 310,140	\$ -	\$ 5,729,021	\$ -	\$ 6,569,534
Developer fees	-	-	-	-	(148,702)
Services fees	-	-	-	(434,809)	218,574
Philanthropy	-	-	-	-	270,810
Capital Grants	-	-	-	-	20,000
Consulting	-	-	-	-	1,015
Interest	62	-	9,213	(5,256)	58,394
Other	43,071	-	1,369,263	(156,917)	2,973,200
Total revenues	<u>353,273</u>	<u>-</u>	<u>7,107,497</u>	<u>(596,982)</u>	<u>9,962,825</u>
Expenses and losses					
Compensation	76,565	-	1,302,238	-	2,601,257
Administrative	66,196	-	1,088,621	(102,665)	1,470,229
Professional services	29,948	-	481,829	(349,136)	260,663
Depreciation and amortization	233,668	-	3,753,128	(76,619)	4,260,835
Grants	-	-	-	(38,904)	24,436
Facility	126,939	-	2,624,593	-	3,045,692
Interest and fees	216	-	1,984,653	(28,481)	2,062,333
Bad debts	1,600	-	30,601	(443,489)	62,590
Provision for impaired assets	-	-	-	-	24,328
Project expenses	-	-	-	-	1,010,433
Allocation	-	-	-	-	549,348
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>535,132</u>	<u>-</u>	<u>11,265,663</u>	<u>(1,039,294)</u>	<u>15,372,144</u>
Excess (deficiency) of revenues over expenses	(181,859)	-	(4,158,166)	442,312	(5,409,319)
Net assets at beginning of year	6,181,899	-	35,789,356	409,478	49,567,091
Other transfers to (from) net assets	-	-	10,602,199	-	10,602,199
Net assets at end of year	<u>\$ 6,000,040</u>	<u>\$ -</u>	<u>\$ 42,233,389</u>	<u>\$ 851,790</u>	<u>\$ 54,759,971</u>

Consolidating Statement of Financial Position
Mercy Community Housing Georgia
December 31, 2010

Assets

	Mercy Community Housing Georgia	Mercy Housing Georgia I (Heritage Place Apartments)	Mercy Housing Georgia IV (Heritage Corners/ HeritageRow)	Mercy Housing Georgia V (Chamblee Senior Apartments)	Mercy Housing Georgia VI, LP (The Atrium at College Station)	MCHG Partners, Inc
Current assets						
Cash and cash equivalents	\$ -	\$ 5,207	\$ 12,239	\$ 53,475	\$ 280,562	\$ -
Cash, tenant security deposits	-	35,722	26,224	11,801	47,934	-
Cash, restricted	-	-	50	20,449	7,076	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	14,862	15,399	3,808	801	-
Due from affiliate, net	93,690	466	-	-	42,476	83,673
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	14,591	10,408	12,182	24,438	-
Total current assets	93,690	70,848	64,320	101,715	403,287	83,673
Property and equipment						
Land and land improvements	-	1,846,351	979,190	734,506	140,506	-
Buildings	-	6,045,272	7,922,451	5,420,011	15,974,185	-
Furniture and equipment	-	101,504	98,270	213,542	469,599	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	-	(2,761,769)	(1,648,279)	(851,051)	(1,291,525)	-
Net property and equipment	-	5,231,358	7,351,632	5,517,008	15,292,765	-
Other long-term assets						
Restricted property reserves	-	174,380	84,593	141,902	238,342	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	53,463	-	-	-	-	830
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	10,749	97,601	138,686	412,672	-
Total other long-term assets	53,463	185,129	182,194	280,588	651,014	830
Total assets	\$ 147,153	\$ 5,487,335	\$ 7,598,146	\$ 5,899,311	\$ 16,347,066	\$ 84,503
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ -	\$ 138,147	\$ 55,918	\$ 39,508	\$ 137,212	\$ -
Due to affiliates	25,782	168,099	47,083	16,190	40,000	87,280
Accrued interest	-	459	5,166	6,040	14,115	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	24,355	27,838	10,381	25,389	-
Current portion of notes payable, affiliates	-	-	47,503	-	-	-
Deferred revenue	-	6,930	6,398	1,104	657	-
Tenant security deposits	-	23,855	19,639	10,400	1,227	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	25,782	361,845	209,545	83,623	218,600	87,280
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	-	1,194	135,217	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	-	503,623	1,151,521	937,771	7,978,206	-
Notes payable, less current portion, affiliates	-	-	-	56,107	-	-
Deferred revenue and other liabilities	-	-	761,816	-	60,129	-
Total long-term liabilities	-	503,623	1,913,337	995,072	8,173,552	-
Total liabilities	25,782	865,468	2,122,882	1,078,695	8,392,152	87,280
Net assets						
Unrestricted net assets, controlling	69,599	4,621,867	5,475,264	4,820,616	7,954,914	(2,777)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	69,599	4,621,867	5,475,264	4,820,616	7,954,914	(2,777)
Temporarily restricted net assets	51,772	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	121,371	4,621,867	5,475,264	4,820,616	7,954,914	(2,777)
Total liabilities and net assets	\$ 147,153	\$ 5,487,335	\$ 7,598,146	\$ 5,899,311	\$ 16,347,066	\$ 84,503

Consolidating Statement of Financial Position
Mercy Community Housing Georgia
December 31, 2010

	Acquisition Properties Georgia I (Magnolia Village)	Reynoldstown Senior Apartments (Renoldstown)	Savannah Gardens Phase I	Mercy Lithonia Park View, Inc	Mercy Housing Georgia VIII (Terraces at Park View)	MPI Highland Place LLC
Assets						
Current assets						
Cash and cash equivalents	\$ 5,611	\$ -	\$ -	\$ -	\$ 172,631	\$ -
Cash, tenant security deposits	20,793	-	-	-	20,014	-
Cash, restricted	44,404	-	-	-	45,837	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	736	-	-	-	68,135	-
Due from affiliate, net	-	-	-	-	4,871	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	14,527	-	-	-	17,454	-
Total current assets	86,071	-	-	-	328,942	-
Property and equipment						
Land and land improvements	613,677	-	1,150,000	-	2,604,955	-
Buildings	6,610,246	-	-	-	7,614,842	-
Furniture and equipment	405,415	-	-	-	180,963	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	215,721	1,663,598	-	-	-
Accumulated depreciation	(712,613)	-	-	-	(466,539)	-
Net property and equipment	6,916,725	215,721	2,813,598	-	9,934,221	-
Other long-term assets						
Restricted property reserves	784,181	-	-	-	220,000	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	28	-	(257)
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	116,515	-	58,015	-	203,105	-
Total other long-term assets	900,696	-	58,015	28	423,105	(257)
Total assets	\$ 7,903,492	\$ 215,721	\$ 2,871,613	\$ 28	\$ 10,686,268	\$ (257)
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 121,990	\$ -	\$ 194,544	\$ -	\$ 173,010	\$ -
Due to affiliates	122,644	2,630	-	2,545	19,830	3,559
Accrued interest	2,857	-	-	-	7,327	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	53,179	-	-	-	1,218,545	-
Current portion of notes payable, affiliates	-	151,299	817	-	-	-
Deferred revenue	2,036	-	-	-	149	-
Tenant security deposits	16,257	-	-	-	18,433	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	318,963	153,929	195,361	2,545	1,437,294	3,559
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	735,062	-	2,135,126	-	3,131,322	-
Notes payable, less current portion, affiliates	-	-	-	-	-	-
Deferred revenue and other liabilities	207,459	-	746	-	674,491	-
Total long-term liabilities	942,521	-	2,135,872	-	3,805,813	-
Total liabilities	1,261,484	153,929	2,331,233	2,545	5,243,107	3,559
Net assets						
Unrestricted net assets, controlling	6,642,008	61,792	540,380	(2,517)	5,443,161	(3,816)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	6,642,008	61,792	540,380	(2,517)	5,443,161	(3,816)
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	6,642,008	61,792	540,380	(2,517)	5,443,161	(3,816)
Total liabilities and net assets	\$ 7,903,492	\$ 215,721	\$ 2,871,613	\$ 28	\$ 10,686,268	\$ (257)

Consolidating Statement of Financial Position
Mercy Community Housing Georgia
December 31, 2010

	MPI Highland Place Apartments, LP (Hills of Fairington Apartments)	Anitoch II, LLC	Antioch Villas and Gardens	Eliminations	Consolidated Mercy Community Housing Georgia
Assets					
Current assets					
Cash and cash equivalents	\$ 19,356	\$ -	\$ -	\$ (3,188)	\$ 545,893
Cash, tenant security deposits	66,315	-	-	-	228,803
Cash, restricted	161,859	-	-	-	279,675
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	101,740	100	-	(50)	205,531
Due from affiliate, net	100,000	-	-	(177,829)	147,347
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	54,642	-	-	-	148,242
Total current assets	503,912	100	-	(181,067)	1,555,491
Property and equipment					
Land and land improvements	2,156,146	-	880,000	-	11,105,331
Buildings	37,454,642	-	-	-	87,041,649
Furniture and equipment	761,930	-	-	-	2,231,223
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	1,710,174	-	3,589,493
Accumulated depreciation	(1,885,391)	-	-	-	(9,617,167)
Net property and equipment	38,487,327	-	2,590,174	-	94,350,529
Other long-term assets					
Restricted property reserves	233,510	-	-	-	1,876,908
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(54,062)	2
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	1,964,296	-	415,487	-	3,417,126
Total other long-term assets	2,197,806	-	415,487	(54,062)	5,294,036
Total assets	\$ 41,189,045	\$ 100	\$ 3,005,661	\$ (235,129)	\$ 101,200,056
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 1,393,271	\$ -	\$ 216,267	\$ 16,109	\$ 2,485,976
Due to affiliates	468,014	-	-	(257,146)	746,510
Accrued interest	-	-	747	-	36,711
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	-	-	-	1,359,687
Current portion of notes payable, affiliates	1,333,827	-	4,510	-	1,537,956
Deferred revenue	105,638	-	-	-	122,912
Tenant security deposits	57,619	-	-	-	147,430
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	3,358,369	-	221,524	(241,037)	6,437,182
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	(1,194)	135,217
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	27,000,000	-	1,795,608	-	45,368,239
Notes payable, less current portion, affiliates	-	-	-	(56,107)	-
Deferred revenue and other liabilities	5,089,572	-	231,816	-	7,026,029
Total long-term liabilities	32,089,572	-	2,027,424	(57,301)	52,529,485
Total liabilities	35,447,941	-	2,248,948	(298,338)	58,966,667
Net assets					
Unrestricted net assets, controlling	5,741,104	100	756,713	63,209	42,181,617
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	5,741,104	100	756,713	63,209	42,181,617
Temporarily restricted net assets	-	-	-	-	51,772
Permanently restricted net assets	-	-	-	-	-
Total net assets	5,741,104	100	756,713	63,209	42,233,389
Total liabilities and net assets	\$ 41,189,045	\$ 100	\$ 3,005,661	\$ (235,129)	\$ 101,200,056

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Community Housing Georgia
For the year ended December 31, 2010

	Mercy Community Housing Georgia	Mercy Housing Georgia I (Heritage Place Apartments)	Mercy Housing Georgia IV (Heritage Corners/ HeritageRow)	Mercy Housing Georgia V (Chamblee Senior Apartments)	Mercy Housing Georgia VI, LP (The Atrium at College Station)	MCHG Partners, Inc
Revenues						
Rent - net of vacancies	\$ -	\$ 435,767	\$ 338,334	\$ 409,102	\$ 1,955,887	\$ -
Developer fees	-	-	-	-	-	-
Services fees	24,500	-	-	-	-	21,855
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	280	742	111	201	251	-
Other	-	18,934	20,374	605	37,936	-
Total revenues	<u>24,780</u>	<u>455,443</u>	<u>358,819</u>	<u>409,908</u>	<u>1,994,074</u>	<u>21,855</u>
Expenses and losses						
Compensation	-	99,133	68,579	96,679	304,808	-
Administrative	12,000	115,891	72,291	90,608	273,107	83,683
Professional services	1,008	27,287	27,839	32,418	262,617	1,006
Depreciation and amortization	-	334,932	341,397	287,334	670,961	-
Grants	-	-	-	-	-	-
Facility	-	296,103	147,257	106,986	677,832	-
Interest and fees	411	27,414	64,881	73,993	311,180	140
Bad debts	-	9,022	5,676	1,201	-	-
Provision for impaired assets	280	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	(37,607)	-	-	-	-	(152)
Total expenses and losses	<u>(23,908)</u>	<u>909,782</u>	<u>727,920</u>	<u>689,219</u>	<u>2,500,505</u>	<u>84,677</u>
Excess (deficiency) of revenues over expenses	48,688	(454,339)	(369,101)	(279,311)	(506,431)	(62,822)
Net assets at beginning of year	92,683	5,076,206	5,844,365	5,099,927	6,117,829	40,045
Other transfers to (from) net assets	(20,000)	-	-	-	2,343,516	20,000
Net assets at end of year	<u>\$ 121,371</u>	<u>\$ 4,621,867</u>	<u>\$ 5,475,264</u>	<u>\$ 4,820,616</u>	<u>\$ 7,954,914</u>	<u>\$ (2,777)</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Community Housing Georgia
For the year ended December 31, 2010

	Acquisition Properties Georgia I (Magnolia Village)	Reynoldstown Senior Apartments (Renoldstown)	Savanah Gardens Phase I	Mercy Lithonia Park View, Inc	Mercy Housing Georgia VIII (Terraces at Park View)	MPI Highland Place LLC
Revenues						
Rent - net of vacancies	\$ 470,712	\$ -	\$ -	\$ -	\$ 643,407	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	411	-	-	-	14	-
Other	4,128	38,333	-	-	29,525	-
Total revenues	475,251	38,333	-	-	672,946	-
Expenses and losses						
Compensation	92,777	-	-	-	120,649	-
Administrative	106,966	-	-	10	88,349	-
Professional services	53,651	-	-	1,007	40,728	1,007
Depreciation and amortization	259,417	-	-	-	414,352	-
Grants	-	-	-	-	-	-
Facility	181,071	-	-	-	194,059	-
Interest and fees	10,333	-	-	91	88,076	136
Bad debts	214	-	-	-	1,917	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	12	-	365
Total expenses and losses	704,429	-	-	1,120	948,130	1,508
Excess (deficiency) of revenues over expenses	(229,178)	38,333	-	(1,120)	(275,184)	(1,508)
Net assets at beginning of year	5,537,202	23,459	540,380	(1,397)	2,071,049	(2,308)
Other transfers to (from) net assets	1,333,984	-	-	-	3,647,296	-
Net assets at end of year	\$ 6,642,008	\$ 61,792	\$ 540,380	\$ (2,517)	\$ 5,443,161	\$ (3,816)

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Community Housing Georgia
For the year ended December 31, 2010

	MPI Highland Place Apartments, LP (Hills of Fairington Apartments)	Antioch II LLC, GP	Antioch Villas and Gardens	Eliminations	Consolidated Mercy Community Housing Georgia
Revenues					
Rent - net of vacancies	\$ 1,475,812	\$ -	\$ -	\$ -	\$ 5,729,021
Developer fees	-	-	-	-	-
Services fees	-	-	-	(46,355)	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	7,483	-	-	(280)	9,213
Other	1,219,428	-	-	-	1,369,263
Total revenues	<u>2,702,723</u>	<u>-</u>	<u>-</u>	<u>(46,635)</u>	<u>7,107,497</u>
Expenses and losses					
Compensation	519,613	-	-	-	1,302,238
Administrative	291,345	-	728	(46,357)	1,088,621
Professional services	33,261	-	-	-	481,829
Depreciation and amortization	1,444,735	-	-	-	3,753,128
Grants	-	-	-	-	-
Facility	1,021,285	-	-	-	2,624,593
Interest and fees	1,408,278	-	-	(280)	1,984,653
Bad debts	12,571	-	-	-	30,601
Provision for impaired assets	-	-	-	(280)	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	37,382	-
Total expenses and losses	<u>4,731,088</u>	<u>-</u>	<u>728</u>	<u>(9,535)</u>	<u>11,265,663</u>
Excess (deficiency) of revenues over expenses	(2,028,365)	-	(728)	(37,100)	(4,158,166)
Net assets at beginning of year	4,491,866	100	757,441	100,509	35,789,356
Other transfers to (from) net assets	3,277,603	-	-	(200)	10,602,199
Net assets at end of year	<u>\$ 5,741,104</u>	<u>\$ 100</u>	<u>\$ 756,713</u>	<u>\$ 63,209</u>	<u>\$ 42,233,389</u>

Consolidating Statement of Financial Position
Mercy Housing Northwest
December 31, 2010

Assets

	Mercy Housing Northwest	Intercommunity Housing Ferndale	Sterling Senior	Appian Way Manager LLC	Appian Way Mercy LLC	New Tacoma Phase I GP LLC
Current assets						
Cash and cash equivalents	\$ 2,114,496	\$ 20,205	\$ 4,589	\$ -	\$ 283,830	\$ -
Cash, tenant security deposits	-	8,540	6,564	-	104,399	-
Cash, restricted	889,679	-	8,860	-	36,628	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	161,850	974	65	-	64,597	-
Due from affiliate, net	922,748	113	650	-	-	-
Pledges receivable	80,141	-	-	-	-	-
Grants receivable	121,200	-	-	-	-	7,031,392
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	292,261	-	-	-	-	-
Prepaid expenses and other assets	13,540	4,972	3,413	-	41,770	-
Total current assets	4,595,915	34,804	24,141	-	531,224	7,031,392

Property and equipment

Land and land improvements	-	158,559	303,978	-	1,853,672	-
Buildings	20,294	1,262,397	2,190,185	-	21,295,862	-
Furniture and equipment	43,132	111,232	7,629	-	852,613	-
Predevelopment project costs	150,773	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(52,976)	(694,583)	(370,351)	-	(1,445,360)	-
Net property and equipment	161,223	837,605	2,131,441	-	22,556,787	-

Other long-term assets

Restricted property reserves	-	378,801	53,018	-	423,595	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	193,320	-	-	-	-	-
Pledges receivable, net	279,437	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	1,180,582	-	-	294,874	-	1,761,796
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	4,438,017	-	-	-	-	1,185,008
Allowance for impaired assets	-	-	-	-	-	-
Other assets	14,703	-	-	-	665,675	-
Total other long-term assets	6,106,059	378,801	53,018	294,874	1,089,270	2,946,804

Total assets

	\$ 10,863,197	\$ 1,251,210	\$ 2,208,600	\$ 294,874	\$ 24,177,281	\$ 9,978,196
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Liabilities

Current liabilities						
Accounts payable and accrued expenses	\$ 217,233	\$ 27,171	\$ 13,683	\$ -	\$ 68,855	\$ -
Due to affiliates	2,958	-	-	1,312	-	1,465
Accrued interest	-	152	-	-	29,981	-
Accrued interest, affiliates	51,445	-	-	-	-	-
Current portion of notes payable	10,032	26,127	-	-	87,748	-
Current portion of notes payable, affiliates	963,537	-	-	-	-	-
Deferred revenue	-	408	193	-	2,060	-
Tenant security deposits	-	8,128	6,026	-	83,925	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	1,245,205	61,986	19,902	1,312	272,569	1,465

Long-term liabilities

Due to affiliates	-	-	-	-	26,198	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	371,350	-
Notes payable, less current portion	62,159	-	-	-	10,539,685	-
Notes payable, less current portion, affiliates	-	-	79,106	-	4,385,089	-
Deferred revenue and other liabilities	474,965	-	-	-	772,101	-
Total long-term liabilities	537,124	-	79,106	-	16,094,423	-

Total liabilities

	1,782,329	61,986	99,008	1,312	16,366,992	1,465
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Net assets

Unrestricted net assets, controlling	7,598,684	505,120	(19,368)	293,562	7,810,289	1,760,331
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	7,598,684	505,120	(19,368)	293,562	7,810,289	1,760,331
Temporarily restricted net assets	1,482,184	684,104	2,128,960	-	-	8,216,400
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	9,080,868	1,189,224	2,109,592	293,562	7,810,289	9,976,731
Total liabilities and net assets	\$ 10,863,197	\$ 1,251,210	\$ 2,208,600	\$ 294,874	\$ 24,177,281	\$ 9,978,196

Consolidating Statement of Financial Position
Mercy Housing Northwest
December 31, 2010

	New Tacoma Senior Housing Phase I	New Tacoma Phase II Mercy LLC	Consolidated Mercy Properties Washington	Eliminations	Consolidated Mercy Housing Northwest
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ -	\$ 462,979	\$ -	\$ 2,886,099
Cash, tenant security deposits	-	-	258,365	-	377,868
Cash, restricted	37,455	2,302	79,260	-	1,054,184
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	-	250,995	-	478,481
Due from affiliate, net	-	-	1,701	(863,042)	62,170
Pledges receivable	-	-	-	-	80,141
Grants receivable	-	-	-	-	7,152,592
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	(74,976)	217,285
Prepaid expenses and other assets	-	18,892	95,319	-	177,906
Total current assets	37,455	21,194	1,148,619	(938,018)	12,486,726
Property and equipment					
Land and land improvements	1,400,000	823,041	8,573,048	(2,816)	13,109,482
Buildings	-	-	54,835,665	(5,486,270)	74,118,133
Furniture and equipment	-	-	2,100,785	-	3,115,391
Predevelopment project costs	-	-	-	-	150,773
Construction in progress	15,173,523	120,815	-	(121,732)	15,172,606
Accumulated depreciation	-	-	(22,688,078)	244,888	(25,006,460)
Net property and equipment	16,573,523	943,856	42,821,420	(5,365,930)	80,659,925
Other long-term assets					
Restricted property reserves	5,019,582	-	1,811,053	-	7,686,049
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	(193,320)	-
Pledges receivable, net	-	-	-	-	279,437
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(2,056,670)	1,180,582
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	(5,386,543)	236,482
Allowance for impaired assets	-	-	-	-	-
Other assets	819,482	-	521,548	-	2,021,408
Total other long-term assets	5,839,064	-	2,332,601	(7,636,533)	11,403,958
Total assets	\$ 22,450,042	\$ 965,050	\$ 46,302,640	\$ (13,940,481)	\$ 104,550,609
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 2,009,354	\$ -	\$ 322,038	\$ (2,500)	\$ 2,655,834
Due to affiliates	11,162	-	161,623	(171,622)	6,898
Accrued interest	-	-	62,909	-	93,042
Accrued interest, affiliates	-	-	-	-	51,445
Current portion of notes payable	-	-	3,471,028	-	3,594,935
Current portion of notes payable, affiliates	-	74,976	-	(74,976)	963,537
Deferred revenue	-	-	43,758	-	46,419
Tenant security deposits	-	-	227,899	-	325,978
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	2,020,516	74,976	4,289,255	(249,098)	7,738,088
Long-term liabilities					
Due to affiliates	-	-	180,000	(206,198)	-
Accrued interest	-	10,896	187,127	-	198,023
Accrued interest, affiliates	-	-	33,658	(405,008)	-
Notes payable, less current portion	16,105,059	875,348	16,914,576	-	44,496,827
Notes payable, less current portion, affiliates	1,185,008	-	911,419	(6,149,153)	411,469
Deferred revenue and other liabilities	813,152	-	260,289	(1,805,064)	515,443
Total long-term liabilities	18,103,219	886,244	18,487,069	(8,565,423)	45,621,762
Total liabilities	20,123,735	961,220	22,776,324	(8,814,521)	53,359,850
Net assets					
Unrestricted net assets, controlling	2,326,307	3,830	23,195,566	(5,125,960)	38,348,361
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	2,326,307	3,830	23,195,566	(5,125,960)	38,348,361
Temporarily restricted net assets	-	-	330,750	-	12,842,398
Permanently restricted net assets	-	-	-	-	-
Total net assets	2,326,307	3,830	23,526,316	(5,125,960)	51,190,759
Total liabilities and net assets	\$ 22,450,042	\$ 965,050	\$ 46,302,640	\$ (13,940,481)	\$ 104,550,609

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Northwest
For the year ended December 31, 2010

	Mercy Housing Northwest	Intercommunity Housing Ferndale	Sterling Senior	Appian Way Manager LLC	Appian Way Mercy LLC	New Tacoma Phase I GP LLC
Revenues						
Rent - net of vacancies	\$ -	\$ 286,624	\$ 111,922	\$ -	\$ 1,267,568	\$ -
Developer fees	2,245,988	-	-	-	-	-
Services fees	612,783	-	-	-	-	-
Fund raising	878,623	-	-	-	-	-
Capital grants	300,000	-	-	-	-	-
Consulting	446,183	-	-	-	-	-
Interest	247,116	21,246	41	-	353	-
Other	478,378	3,680	1,765	-	43,571	-
Total revenues	<u>5,209,071</u>	<u>311,550</u>	<u>113,728</u>	<u>-</u>	<u>1,311,492</u>	<u>-</u>
Expenses and losses						
Compensation	1,837,106	36,179	40,855	-	199,389	-
Administrative	408,367	29,428	17,700	-	163,462	-
Professional services	68,477	9,352	14,170	1,008	21,433	1,007
Depreciation and amortization	23,820	52,756	80,571	-	953,609	-
Grants	42,146	-	-	-	-	-
Facility	109,062	118,367	41,744	-	303,927	-
Interest and fees	56,968	3,062	-	(10)	479,895	43
Bad debts	32,652	180	-	-	23,813	-
Provision for impaired assets	376,162	-	-	-	-	-
Project expenses	53,303	-	-	-	-	-
Allocation	619,284	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	(1,593,179)	-	-	83	-	(3)
Total expenses and losses	<u>2,034,168</u>	<u>249,324</u>	<u>195,040</u>	<u>1,081</u>	<u>2,145,528</u>	<u>1,047</u>
Excess (deficiency) of revenues over expenses	<u>3,174,903</u>	<u>62,226</u>	<u>(81,312)</u>	<u>(1,081)</u>	<u>(834,036)</u>	<u>(1,047)</u>
Net assets at the beginning of year	5,905,965	1,126,998	2,190,904	294,643	8,317,115	9,977,778
Net transfers to (from) net assets	-	-	-	-	327,210	-
Net assets at end of year	<u>\$ 9,080,868</u>	<u>\$ 1,189,224</u>	<u>\$ 2,109,592</u>	<u>\$ 293,562</u>	<u>\$ 7,810,289</u>	<u>\$ 9,976,731</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing Northwest
For the year ended December 31, 2010

	New Tacoma Senior Housing Phase I	New Tacoma Phase II Mercy LLC	Consolidated Mercy Properties Washington	Eliminations	Consolidated Mercy Housing Northwest
Revenues					
Rent - net of vacancies	\$ -	\$ 4,202	\$ 4,198,111	\$ (40,549)	\$ 5,827,878
Developer fees	-	-	-	(91,359)	2,154,629
Services fees	-	-	-	(519,802)	92,981
Fund raising	-	-	-	-	878,623
Capital grants	-	-	-	-	300,000
Consulting	-	-	-	-	446,183
Interest	32,522	-	2,336	(209,945)	93,669
Other	-	-	136,382	(365,000)	298,776
Total revenues	<u>32,522</u>	<u>4,202</u>	<u>4,336,829</u>	<u>(1,226,655)</u>	<u>10,092,739</u>
Expenses and losses					
Compensation	2,469	-	777,392	-	2,893,390
Administrative	1,355	372	778,977	(217,426)	1,182,235
Professional services	-	-	393,576	(302,376)	206,647
Depreciation and amortization	-	-	2,420,144	(199,501)	3,331,399
Grants	-	-	365,000	(372,684)	34,462
Facility	-	-	1,505,747	(32,868)	2,045,979
Interest and fees	-	-	698,480	(205,208)	1,033,230
Bad debts	-	-	41,139	(2,500)	95,284
Provision for impaired assets	-	-	-	(341,508)	34,654
Project expenses	-	-	-	-	53,303
Allocation	-	-	-	-	619,284
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	(81)	(1,593,180)
Total expenses and losses	<u>3,824</u>	<u>372</u>	<u>6,980,455</u>	<u>(1,674,152)</u>	<u>9,936,687</u>
Excess (deficiency) of revenues over expenses	28,698	3,830	(2,643,626)	447,497	156,052
Net assets at the beginning of year	289,769	-	26,169,942	(5,573,457)	48,699,657
Net transfers to (from) net assets	<u>2,007,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,335,050</u>
Net assets at end of year	<u>\$ 2,326,307</u>	<u>\$ 3,830</u>	<u>\$ 23,526,316</u>	<u>\$ (5,125,960)</u>	<u>\$ 51,190,759</u>

Consolidating Statement of Financial Position
Mercy Properties Washington
December 31, 2010

Assets

	Mercy Properties Washington	Mercy Housing Washington I (Evergreen Vista)	Mercy Housing Washington II (Family Tree)	Mercy Housing Washington VIII (Hillside Gardens)	Mercy Housing Washington VI (Lincoln Way II)	Mercy Housing Washington V (Sterling Meadows)
Current assets						
Cash and cash equivalents	\$ 26,679	\$ 7,591	\$ 246,229	\$ 7,349	\$ 35,273	\$ 66,685
Cash, tenant security deposits	-	48,338	75,872	16,754	33,883	29,945
Cash, restricted	-	22,559	-	-	51,856	4,845
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	12,894	165,469	2,060	14,140	16,356
Due from affiliate, net	111,986	1,256	-	-	-	1,071
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	17,452	24,202	4,920	9,722	7,619
Total current assets	138,665	110,090	511,772	31,083	144,874	126,521
Property and equipment						
Land and land improvements	-	605,970	2,075,947	384,489	1,574,745	873,936
Buildings	-	10,918,147	11,974,832	3,022,581	4,550,634	4,899,217
Furniture and equipment	-	456,532	598,104	156,326	200,606	195,376
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	-	(5,819,698)	(7,566,862)	(1,056,302)	(2,235,118)	(1,927,649)
Net property and equipment	-	6,160,951	7,082,021	2,507,094	4,090,867	4,040,880
Other long-term assets						
Restricted property reserves	-	205,526	507,822	70,855	214,352	173,487
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	1,996,990	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	51,699	164,200	29,196	11,662	8,954
Total other long-term assets	1,996,990	257,225	672,022	100,051	226,014	182,441
Total assets	\$ 2,135,655	\$ 6,528,266	\$ 8,265,815	\$ 2,638,228	\$ 4,461,755	\$ 4,349,842
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 59	\$ 39,614	\$ 83,913	\$ 49,552	\$ 39,443	\$ 31,083
Due to affiliates	146,965	22,606	18,733	122,615	13,787	-
Accrued interest	-	14,923	28,373	-	6,229	6,536
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	3,250,922	84,511	4,536	22,401	16,798
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	-	2,877	24,939	128	21	4,840
Tenant security deposits	-	42,000	69,763	13,869	30,057	22,057
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	147,024	3,372,942	310,232	190,700	111,938	81,314
Long-term liabilities						
Due to affiliates	180,000	-	-	-	-	-
Accrued interest	-	-	-	-	187,127	-
Accrued interest, affiliates	-	-	-	-	-	-
Notes payable, less current portion	-	53,400	6,215,489	857,128	2,773,408	854,666
Notes payable, less current portion, affiliates	-	411,469	-	-	-	-
Deferred revenue and other liabilities	-	-	-	34,496	-	140,781
Total long-term liabilities	180,000	464,869	6,215,489	891,624	2,960,535	995,447
Total liabilities	327,024	3,837,811	6,525,721	1,082,324	3,072,473	1,076,761
Net assets						
Unrestricted net assets, controlling	1,477,881	2,690,455	1,740,094	1,555,904	1,389,282	3,273,081
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	1,477,881	2,690,455	1,740,094	1,555,904	1,389,282	3,273,081
Temporarily restricted net assets	330,750	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	1,808,631	2,690,455	1,740,094	1,555,904	1,389,282	3,273,081
Total liabilities and net assets	\$ 2,135,655	\$ 6,528,266	\$ 8,265,815	\$ 2,638,228	\$ 4,461,755	\$ 4,349,842

Consolidating Statement of Financial Position
Mercy Properties Washington
December 31, 2010

	Mercy Housing Washington VII (Eliza McCabe Townhomes)	Mercy Housing Washington IX, LP (Evergreen Vista II)	Mercy Housing Washington X, LLC (Catalina Apts.)	Eliminations	Consolidated Mercy Properties Washington
Assets					
Current assets					
Cash and cash equivalents	\$ 20,897	\$ 44,906	\$ 10,818	\$ (3,448)	\$ 462,979
Cash, tenant security deposits	24,339	17,106	12,128	-	258,365
Cash, restricted	-	-	-	-	79,260
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	35,014	4,542	520	-	250,995
Due from affiliate, net	-	3,757	-	(116,369)	1,701
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	8,645	9,918	12,841	-	95,319
Total current assets	88,895	80,229	36,307	(119,817)	1,148,619
Property and equipment					
Land and land improvements	615,966	1,845,921	758,573	(162,499)	8,573,048
Buildings	5,028,065	7,446,553	6,995,636	-	54,835,665
Furniture and equipment	257,050	129,998	106,793	-	2,100,785
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(1,643,929)	(1,288,300)	(1,150,220)	-	(22,688,078)
Net property and equipment	4,257,152	8,134,172	6,710,782	(162,499)	42,821,420
Other long-term assets					
Restricted property reserves	113,477	199,553	325,981	-	1,811,053
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(1,996,990)	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	24,519	143,111	88,207	-	521,548
Total other long-term assets	137,996	342,664	414,188	(1,996,990)	2,332,601
Total assets	\$ 4,484,043	\$ 8,557,065	\$ 7,161,277	\$ (2,279,306)	\$ 46,302,640
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 24,506	\$ 28,000	\$ 29,316	\$ (3,448)	\$ 322,038
Due to affiliates	101,622	5,913	20,640	(291,258)	161,623
Accrued interest	1,894	4,954	-	-	62,909
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	13,484	34,132	44,244	-	3,471,028
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	405	5,552	4,996	-	43,758
Tenant security deposits	23,576	14,750	11,827	-	227,899
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	165,487	93,301	111,023	(294,706)	4,289,255
Long-term liabilities					
Due to affiliates	-	-	-	-	180,000
Accrued interest	-	-	-	-	187,127
Accrued interest, affiliates	-	33,658	-	-	33,658
Notes payable, less current portion	1,165,118	3,221,044	1,774,323	-	16,914,576
Notes payable, less current portion, affiliates	-	499,950	-	-	911,419
Deferred revenue and other liabilities	32,323	52,689	-	-	260,289
Total long-term liabilities	1,197,441	3,807,341	1,774,323	-	18,487,069
Total liabilities	1,362,928	3,900,642	1,885,346	(294,706)	22,776,324
Net assets					
Unrestricted net assets, controlling	3,121,115	4,656,423	5,275,931	(1,984,600)	23,195,566
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	3,121,115	4,656,423	5,275,931	(1,984,600)	23,195,566
Temporarily restricted net assets	-	-	-	-	330,750
Permanently restricted net assets	-	-	-	-	-
Total net assets	3,121,115	4,656,423	5,275,931	(1,984,600)	23,526,316
Total liabilities and net assets	\$ 4,484,043	\$ 8,557,065	\$ 7,161,277	\$ (2,279,306)	\$ 46,302,640

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Washington
For the year ended December 31, 2010

	Mercy Properties Washington	Mercy Housing Washington I (Evergreen Vista)	Mercy Housing Washington II (Family Tree)	Mercy Housing Washington VIII (Hillside Gardens)	Mercy Housing Washington VI (Lincoln Way II)	Mercy Housing Washington V (Sterling Meadows)
Revenues						
Rent - net of vacancies	\$ -	\$ 884,089	\$ 1,252,876	\$ 185,508	\$ 398,120	\$ 355,148
Developer fees	-	-	-	-	-	-
Services fees	221,113	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	-	452	516	45	344	178
Other	2,981	39,492	44,234	6,612	8,008	3,457
Total revenues	<u>224,094</u>	<u>924,033</u>	<u>1,297,626</u>	<u>192,165</u>	<u>406,472</u>	<u>358,783</u>
Expenses and losses						
Compensation	-	142,970	201,863	41,034	71,228	84,656
Administrative	217,486	173,241	210,185	45,950	104,589	62,168
Professional services	1,019	81,822	105,771	16,686	24,178	26,615
Depreciation and amortization	-	418,240	525,451	137,351	230,958	203,943
Grants	-	-	365,000	-	-	-
Facility	-	407,770	370,310	112,082	159,644	114,742
Interest and fees	(375)	186,022	307,569	935	92,437	8,789
Bad debts	-	19,356	16,532	65	-	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	6,119	-	-	-	-	-
Total expenses and losses	<u>224,249</u>	<u>1,429,421</u>	<u>2,102,681</u>	<u>354,103</u>	<u>683,034</u>	<u>500,913</u>
Excess (deficiency) of revenues over expenses	(155)	(505,388)	(805,055)	(161,938)	(276,562)	(142,130)
Net assets at beginning of year	1,808,786	3,195,843	2,545,149	1,717,842	1,665,844	3,415,211
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ 1,808,631</u>	<u>\$ 2,690,455</u>	<u>\$ 1,740,094</u>	<u>\$ 1,555,904</u>	<u>\$ 1,389,282</u>	<u>\$ 3,273,081</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Washington
For the year ended December 31, 2010

	Mercy Housing Washington VII (Eliza McCabe Townhomes)	Mercy Housing Washington IX, LP (Evergreen Vista II)	Mercy Housing Washington X, LLC (Catalina Apts.)	Eliminations	Consolidated Mercy Properties Washington
Revenues					
Rent - net of vacancies	\$ 332,189	\$ 460,857	\$ 329,324	\$ -	\$ 4,198,111
Developer fees	-	-	-	-	-
Services fees	-	-	-	(221,113)	-
Philanthropy	-	-	-	-	-
Capital Grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	251	173	377	-	2,336
Other	12,234	17,208	5,135	(2,979)	136,382
Total revenues	<u>344,674</u>	<u>478,238</u>	<u>334,836</u>	<u>(224,092)</u>	<u>4,336,829</u>
Expenses and losses					
Compensation	50,137	99,686	85,818	-	777,392
Administrative	65,656	46,915	73,900	(221,113)	778,977
Professional services	19,843	95,015	22,627	-	393,576
Depreciation and amortization	213,922	394,713	295,566	-	2,420,144
Grants	-	-	-	-	365,000
Facility	125,003	111,186	105,010	-	1,505,747
Interest and fees	22,895	67,277	12,931	-	698,480
Bad debts	762	4,290	134	-	41,139
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	(6,119)	-
Total expenses and losses	<u>498,218</u>	<u>819,082</u>	<u>595,986</u>	<u>(227,232)</u>	<u>6,980,455</u>
Excess (deficiency) of revenues over expenses	(153,544)	(340,844)	(261,150)	3,140	(2,643,626)
Net assets at beginning of year	3,274,659	4,997,267	5,537,081	(1,987,740)	26,169,942
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ 3,121,115</u>	<u>\$ 4,656,423</u>	<u>\$ 5,275,931</u>	<u>\$ (1,984,600)</u>	<u>\$ 23,526,316</u>

Consolidating Statement of Financial Position
General Partners
December 31, 2010

	Consolidated Mercy Properties, Inc.	Consolidated Mercy Properties II, Inc.	Consolidated 2101 Telegraph Avenue, Inc.	Mercy Affordable Housing, Inc. (MAHI)	Consolidated McDermott Place
Assets					
Current assets					
Cash and cash equivalents	\$ 3,355,066	\$ 239,862	\$ 105,473	\$ -	\$ 5,068
Cash, tenant security deposits	846,777	60,017	22,156	-	9,504
Cash, restricted	605,925	19,550	74,461	-	(250)
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	246,172	14,039	60,749	-	1,539
Due from affiliate, net	379,998	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	579,953	41,752	27,522	-	6,493
Inventory	-	-	-	-	-
Assets held for sale	-	-	-	-	444,000
Total current assets	<u>6,013,891</u>	<u>375,220</u>	<u>290,361</u>	<u>-</u>	<u>466,354</u>
Property and equipment					
Land and land improvements	19,628,497	2,256,896	486,516	-	-
Buildings	189,984,213	13,539,838	9,228,151	-	-
Furniture and equipment	7,144,489	525,665	366,046	-	-
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	<u>(71,760,950)</u>	<u>(5,138,420)</u>	<u>(4,788,970)</u>	<u>-</u>	<u>-</u>
Net property and equipment	<u>144,996,249</u>	<u>11,183,979</u>	<u>5,291,743</u>	<u>-</u>	<u>-</u>
Other long-term assets					
Restricted property reserves	11,074,863	616,605	918,853	-	6,501
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	(9)	-	-	(20,798)	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	<u>2,447,804</u>	<u>130,316</u>	<u>7,660</u>	<u>-</u>	<u>12,433</u>
Total other long-term assets	<u>13,522,658</u>	<u>746,921</u>	<u>926,513</u>	<u>(20,798)</u>	<u>18,934</u>
Total assets	<u>\$ 164,532,798</u>	<u>\$ 12,306,120</u>	<u>\$ 6,508,617</u>	<u>\$ (20,798)</u>	<u>\$ 485,288</u>
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 2,250,728	\$ 103,387	\$ 103,234	\$ -	\$ 34,050
Due to affiliates	3,526,935	208,202	59,427	39,720	227,170
Accrued interest	499,307	47,481	-	-	2,456
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	2,101,016	96,870	-	-	367,987
Current portion of notes payable, affiliates	438,560	10,000	-	-	-
Deferred revenue	993,272	5,786	51,891	-	2,036
Tenant security deposits	808,178	57,258	21,783	-	9,504
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	<u>10,617,996</u>	<u>528,984</u>	<u>236,335</u>	<u>39,720</u>	<u>643,203</u>
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	16,343,562	102,578	2,502,787	-	208,812
Accrued interest, affiliates	1,447,454	112,357	-	-	-
Notes payable, less current portion	79,394,511	7,087,252	3,532,176	-	692,398
Notes payable, less current portion, affiliates	13,293,190	1,042,728	-	-	-
Deferred revenue and other liabilities	<u>1,102,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>111,580,964</u>	<u>8,344,915</u>	<u>6,034,963</u>	<u>-</u>	<u>901,210</u>
Total liabilities	<u>122,198,960</u>	<u>8,873,899</u>	<u>6,271,298</u>	<u>39,720</u>	<u>1,544,413</u>
Net assets					
Unrestricted net assets, controlling	42,123,933	3,432,221	237,319	(60,518)	(1,059,125)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	<u>42,123,933</u>	<u>3,432,221</u>	<u>237,319</u>	<u>(60,518)</u>	<u>(1,059,125)</u>
Temporarily restricted net assets	209,905	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	<u>42,333,838</u>	<u>3,432,221</u>	<u>237,319</u>	<u>(60,518)</u>	<u>(1,059,125)</u>
Total liabilities and net assets	<u>\$ 164,532,798</u>	<u>\$ 12,306,120</u>	<u>\$ 6,508,617</u>	<u>\$ (20,798)</u>	<u>\$ 485,288</u>

Consolidating Statement of Financial Position
General Partners
December 31, 2010

	Consolidated South of Market Mercy Housing	Visitation Valley Affordable Housing	Consolidated Neary Lagoon, Inc.	Consolidated Mercy Housing West	Consolidated San Juan Housing Corp.
Assets					
Current assets					
Cash and cash equivalents	\$ 786,942	\$ 6,219	\$ 6,667	\$ 4,302,874	\$ 3,283
Cash, tenant security deposits	359,926	101,502	46,151	1,500,463	119,842
Cash, restricted	298,381	54,317	45,709	5,251,839	690
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	41,658	58,869	157,967	825,054	12,678
Due from affiliate, net	33,253	-	85	360	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	890,871	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	133,502	48,968	28,116	3,985,824	32,582
Inventory	-	-	-	-	-
Assets held for sale	-	-	-	-	-
Total current assets	<u>1,653,662</u>	<u>269,875</u>	<u>284,695</u>	<u>16,757,285</u>	<u>169,075</u>
Property and equipment					
Land and land improvements	6,857,202	-	-	69,958,815	1,435,369
Buildings	51,511,889	25,749,878	7,148,996	547,249,078	7,734,362
Furniture and equipment	1,931,231	1,049,444	251,824	13,455,679	3,794,748
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	15,880,138	-
Accumulated depreciation	<u>(26,071,807)</u>	<u>(10,305,065)</u>	<u>(4,463,612)</u>	<u>(90,812,421)</u>	<u>(5,650,986)</u>
Net property and equipment	<u>34,228,515</u>	<u>16,494,257</u>	<u>2,937,208</u>	<u>555,731,289</u>	<u>7,313,493</u>
Other long-term assets					
Restricted property reserves	2,367,913	874,469	189,491	16,434,079	652,040
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	1,704	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	(16,128,772)	-	-	(1,370,976)	-
Notes and interest receivable, net	123,236	-	139,667	285,520	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	<u>224,121</u>	<u>51,162</u>	<u>93,124</u>	<u>5,880,240</u>	<u>97,382</u>
Total other long-term assets	<u>(13,413,502)</u>	<u>925,631</u>	<u>422,282</u>	<u>21,230,567</u>	<u>749,422</u>
Total assets	<u>\$ 22,468,675</u>	<u>\$ 17,689,763</u>	<u>\$ 3,644,185</u>	<u>\$ 593,719,141</u>	<u>\$ 8,231,990</u>
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 458,938	\$ 90,462	\$ 180,417	\$ 10,918,985	\$ 288,569
Due to affiliates	1,009,639	112,877	142,816	3,304,665	209,100
Accrued interest	41,060	23,099	2,223	729,881	17,652
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	305,494	46,791	34,720	5,713,508	121,728
Current portion of notes payable, affiliates	26,864	-	-	139,031	-
Deferred revenue	38,735	10,087	2,459	153,252	132
Tenant security deposits	333,357	100,073	46,675	1,393,607	116,159
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	<u>2,214,087</u>	<u>383,389</u>	<u>409,310</u>	<u>22,352,929</u>	<u>753,340</u>
Long-term liabilities					
Due to affiliates	1,272,554	-	-	-	-
Accrued interest	7,775,842	353,546	3,488,836	17,228,718	1,346,817
Accrued interest, affiliates	549,166	-	-	638,479	-
Notes payable, less current portion	28,563,570	6,387,971	6,605,013	322,363,117	6,969,712
Notes payable, less current portion, affiliates	-	-	-	10,816,782	-
Deferred revenue and other liabilities	<u>411,949</u>	<u>-</u>	<u>-</u>	<u>9,240,169</u>	<u>-</u>
Total long-term liabilities	<u>38,573,081</u>	<u>6,741,517</u>	<u>10,093,849</u>	<u>360,287,265</u>	<u>8,316,529</u>
Total liabilities	<u>40,787,168</u>	<u>7,124,906</u>	<u>10,503,159</u>	<u>382,640,194</u>	<u>9,069,869</u>
Net assets					
Unrestricted net assets, controlling	(18,318,493)	8,512,857	(6,858,974)	176,262,029	(837,879)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	<u>(18,318,493)</u>	<u>8,512,857</u>	<u>(6,858,974)</u>	<u>176,262,029</u>	<u>(837,879)</u>
Temporarily restricted net assets	-	2,052,000	-	34,816,918	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	<u>(18,318,493)</u>	<u>10,564,857</u>	<u>(6,858,974)</u>	<u>211,078,947</u>	<u>(837,879)</u>
Total liabilities and net assets	<u>\$ 22,468,675</u>	<u>\$ 17,689,763</u>	<u>\$ 3,644,185</u>	<u>\$ 593,719,141</u>	<u>\$ 8,231,990</u>

Consolidating Statement of Financial Position
General Partners
December 31, 2010

	Consolidated Florin Housing Corporation	Consolidated Affordable Housing Corporation	Eliminations	Consolidated General Partners
Assets				
Current assets				
Cash and cash equivalents	\$ 6,778	\$ 489,757	\$ -	\$ 9,307,989
Cash, tenant security deposits	40,459	156,445	-	3,263,242
Cash, restricted	995	60,228	-	6,411,845
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	-	14,510	-	1,433,235
Due from affiliate, net	-	1,748	(344,346)	71,098
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	890,871
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	18,425	89,847	-	4,992,984
Inventory	-	-	-	-
Assets held for sale	-	-	-	444,000
Total current assets	66,657	812,535	(344,346)	26,815,264
Property and equipment				
Land and land improvements	731,386	2,929,829	-	104,284,510
Buildings	6,766,848	28,691,342	-	887,604,595
Furniture and equipment	34,384	1,651,770	-	30,205,280
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	15,880,138
Accumulated depreciation	(2,926,294)	(17,301,521)	-	(239,220,046)
Net property and equipment	4,606,324	15,971,420	-	798,754,477
Other long-term assets				
Restricted property reserves	546,247	1,295,227	-	34,976,288
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	1,704
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	22,087,838	4,567,283
Notes and interest receivable, net	201,000	-	-	749,423
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	75,026	451,947	-	9,471,215
Total other long-term assets	822,273	1,747,174	22,087,838	49,765,913
Total assets	\$ 5,495,254	\$ 18,531,129	\$ 21,743,492	\$ 875,335,654
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 122,479	\$ 329,932	\$ -	\$ 14,881,181
Due to affiliates	127,605	1,012,633	(364,658)	9,616,131
Accrued interest	7,664	52,116	-	1,422,939
Accrued interest, affiliates	-	174,501	-	174,501
Current portion of notes payable	36,080	799,833	-	9,624,027
Current portion of notes payable, affiliates	-	76,152	(131,758)	558,849
Deferred revenue	5,230	25,311	-	1,288,191
Tenant security deposits	40,238	133,328	-	3,060,160
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	339,296	2,603,806	(496,416)	40,625,979
Long-term liabilities				
Due to affiliates	-	-	-	1,272,554
Accrued interest	983,052	175,212	-	50,509,762
Accrued interest, affiliates	-	4,236,684	-	6,984,140
Notes payable, less current portion	3,521,729	7,479,027	-	472,596,476
Notes payable, less current portion, affiliates	-	4,706,978	-	29,859,678
Deferred revenue and other liabilities	-	-	-	10,754,365
Total long-term liabilities	4,504,781	16,597,901	-	571,976,975
Total liabilities	4,844,077	19,201,707	(496,416)	612,602,954
Net assets				
Unrestricted net assets, controlling	651,177	(670,578)	22,239,908	225,653,877
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	651,177	(670,578)	22,239,908	225,653,877
Temporarily restricted net assets	-	-	-	37,078,823
Permanently restricted net assets	-	-	-	-
Total net assets	651,177	(670,578)	22,239,908	262,732,700
Total liabilities and net assets	\$ 5,495,254	\$ 18,531,129	\$ 21,743,492	\$ 875,335,654

Consolidating Statement of Activities
and Changes in Net Assets
General Partners
For the year ended December 31, 2010

	Consolidated Mercy Properties, Inc.	Consolidated Mercy Properties II, Inc.	Consolidated 2101 Telegraph Avenue, Inc.	Mercy Affordable Housing, Inc. (MAHI)	Consolidated McDermott Place
Revenues					
Rent - net of vacancies	\$ 18,513,170	\$ 1,448,735	\$ 855,788	\$ -	\$ 206,063
Developer fees	-	-	-	-	-
Services fees	56,104	-	-	-	-
Philanthropy	113,369	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	305,082	1,444	1,274	-	28
Other	718,808	34,760	23,125	-	6,322
Total revenues	<u>19,706,533</u>	<u>1,484,939</u>	<u>880,187</u>	<u>-</u>	<u>212,413</u>
Expenses and losses					
Compensation	4,461,140	299,326	295,721	-	85,390
Administrative	2,740,989	241,269	118,455	30	40,958
Professional services	1,164,510	79,390	98,375	1,009	12,314
Depreciation and amortization	7,698,556	568,152	351,282	-	1,317
Grants	302,742	-	-	-	-
Facility	6,646,440	354,528	293,034	-	87,647
Interest and fees	4,088,665	387,590	176,515	1,811	56,389
Bad debts	269,399	15,643	33	-	380
Provision for impaired assets	1,384,982	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	79,628	-	-	1,611	-
Total expenses and losses	<u>28,837,051</u>	<u>1,945,898</u>	<u>1,333,415</u>	<u>4,461</u>	<u>284,395</u>
Excess (deficiency) of revenues over expenses	(9,130,518)	(460,959)	(453,228)	(4,461)	(71,982)
Net assets at beginning of year	51,048,907	3,930,965	690,547	(56,057)	(987,143)
Other transfers to (from) net assets	415,449	(37,785)	-	-	-
Net assets at end of year	<u>\$ 42,333,838</u>	<u>\$ 3,432,221</u>	<u>\$ 237,319</u>	<u>\$ (60,518)</u>	<u>\$ (1,059,125)</u>

Consolidating Statement of Activities
and Changes in Net Assets
General Partners
For the year ended December 31, 2010

	Consolidated South of Market Mercy Housing	Consolidated Visitacion Valley Affordable Housing	Consolidated Neary Lagoon, Inc.	Consolidated Mercy Housing West	Consolidated San Juan Housing Corp.
Revenues					
Rent - net of vacancies	\$ 4,644,344	\$ 1,653,685	\$ 672,396	\$ 25,170,018	\$ 1,226,530
Developer fees	-	-	-	-	-
Services fees	4,557	-	-	-	-
Philanthropy	6,250	-	-	87,899	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	15,917	1,238	14,250	43,741	1,355
Other	147,522	24,669	8,203	1,565,817	42,875
Total revenues	<u>4,818,590</u>	<u>1,679,592</u>	<u>694,849</u>	<u>26,867,475</u>	<u>1,270,760</u>
Expenses and losses					
Compensation	1,032,846	377,463	152,229	6,059,671	297,831
Administrative	673,234	147,627	237,584	3,557,078	181,050
Professional services	359,730	20,133	71,664	1,807,549	70,618
Depreciation and amortization	1,742,503	1,002,019	132,553	23,928,085	479,825
Grants	-	-	-	-	-
Facility	1,490,266	828,715	304,263	8,060,694	460,277
Interest and fees	1,134,239	350,722	264,364	9,021,998	331,606
Bad debts	32,354	15,699	406	89,816	4,740
Provision for impaired assets	11,340	-	13,770	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	(95,768)	-	-	-	-
(Gain) loss on investment in limited partnership	3,739,530	-	-	141,830	-
Total expenses and losses	<u>10,120,274</u>	<u>2,742,378</u>	<u>1,176,833</u>	<u>52,666,721</u>	<u>1,825,947</u>
Excess (deficiency) of revenues over expenses	(5,301,684)	(1,062,786)	(481,984)	(25,799,246)	(555,187)
Net assets at beginning of year	(12,729,000)	11,627,643	(6,376,990)	211,268,684	(282,692)
Other transfers to (from) net assets	(287,809)	-	-	25,609,509	-
Net assets at end of year	<u>\$ (18,318,493)</u>	<u>\$ 10,564,857</u>	<u>\$ (6,858,974)</u>	<u>\$ 211,078,947</u>	<u>\$ (837,879)</u>

Consolidating Statement of Activities
and Changes in Net Assets
General Partners
For the year ended December 31, 2010

	Consolidated Florin Housing Corporation	Consolidated Affordable Housing Corporation	Eliminations	Consolidated General Partners
Revenues				
Rent - net of vacancies	\$ 522,021	\$ 3,266,301	\$ -	\$ 58,179,051
Developer fees	-	-	-	-
Services fees	-	-	(49,226)	11,435
Philanthropy	-	-	-	207,518
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	1,367	2,536	-	388,232
Other	15,037	1,462,874	(14,611)	4,035,401
Total revenues	<u>538,425</u>	<u>4,731,711</u>	<u>(63,837)</u>	<u>62,821,637</u>
Expenses and losses				
Compensation	142,941	708,112	-	13,912,670
Administrative	72,036	595,013	(49,226)	8,556,097
Professional services	60,292	242,564	-	3,988,148
Depreciation and amortization	186,100	1,164,855	-	37,255,247
Grants	-	218,565	-	521,307
Facility	170,423	1,302,727	-	19,999,014
Interest and fees	163,064	725,082	-	16,702,045
Bad debts	1,412	31,805	-	461,687
Provision for impaired assets	-	-	302,742	1,712,834
Project expenses	-	20	-	20
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	239,991	(137,634)	6,589
(Gain) loss on investment in limited partnership	-	-	(1,309,823)	2,652,776
Total expenses and losses	<u>796,268</u>	<u>5,228,734</u>	<u>(1,193,941)</u>	<u>105,768,434</u>
Excess (deficiency) of revenues over expenses	(257,843)	(497,023)	1,130,104	(42,946,797)
Net assets at beginning of year	909,020	(173,555)	20,823,707	279,694,036
Other transfers to (from) net assets	-	-	286,097	25,985,461
Net assets at end of year	<u>\$ 651,177</u>	<u>\$ (670,578)</u>	<u>\$ 22,239,908</u>	<u>\$ 262,732,700</u>

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

	Mercy Properties I, Inc	111 Jones Street Association	Britton Street Associates (Britton Courts)	Mercy Housing Nebraska I (Capital Corners)	Mercy Housing California VII (Casa San Juan)	Somerset Senior Housing (Casitas de Merced)
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 122,924	\$ 13,182	\$ 15,940	\$ 180,468	\$ 355
Cash, tenant security deposits	-	75,269	55,542	13,344	51,550	5,172
Cash, restricted	-	-	5,979	2,760	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	7,938	46,725	8,975	7,077	5
Due from affiliate, net	725,160	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	41,242	28,360	7,259	10,494	4,065
Total current assets	725,160	247,373	149,788	48,278	249,589	9,597
Property and equipment						
Land and land improvements	-	-	1,737,711	427,700	908,689	39,066
Buildings	-	9,426,816	15,200,428	1,853,601	7,680,504	1,417,473
Furniture and equipment	-	350,304	769,423	2,376	323,828	6,084
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	-	(7,662,285)	(6,201,427)	(865,492)	(4,031,418)	(718,494)
Net property and equipment	-	2,114,835	11,506,135	1,418,185	4,881,603	744,129
Other long-term assets						
Restricted property reserves	-	1,236,328	626,475	128,357	436,874	118,423
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	715,820	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	281,000	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	75,831	60,225	7,420	42,002	115
Total other long-term assets	996,820	1,312,159	686,700	135,777	478,876	118,538
Total Assets	\$ 1,721,980	\$ 3,674,367	\$ 12,342,623	\$ 1,602,240	\$ 5,610,068	\$ 872,264
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ -	\$ 79,916	\$ 152,548	\$ 38,960	\$ 42,790	\$ 31,352
Due to affiliates	1,254,031	31,709	204,425	87,653	133,374	41,537
Accrued interest	-	-	11,294	3,453	7,967	226,635
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	-	399,369	20,698	51,461	-
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	-	1,776	5,707	2,755	3,822	237
Tenant security deposits	-	73,739	59,296	12,336	45,858	5,000
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	1,254,031	187,140	832,639	165,855	285,272	304,761
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	3,782,128	3,342,057	90,967	38,863	-
Accrued interest, affiliates	6,531	-	-	-	-	-
Notes payable, less current portion	-	6,635,103	9,957,328	725,463	1,654,799	611,470
Notes payable, less current portion, affiliates	912,976	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	960	-
Total long-term liabilities	919,507	10,417,231	13,299,385	816,430	1,694,622	611,470
Total liabilities	2,173,538	10,604,371	14,132,024	982,285	1,979,894	916,231
Net assets						
Unrestricted net assets, controlling	(661,463)	(6,930,004)	(1,789,401)	619,955	3,630,174	(43,967)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	(661,463)	(6,930,004)	(1,789,401)	619,955	3,630,174	(43,967)
Temporarily restricted net assets	209,905	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	(451,558)	(6,930,004)	(1,789,401)	619,955	3,630,174	(43,967)
Total liabilities and net assets	\$ 1,721,980	\$ 3,674,367	\$ 12,342,623	\$ 1,602,240	\$ 5,610,068	\$ 872,264

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

Assets

	Mercy Housing California II (Columbia Park)	Mercy Housing Colorado VIII (Valle de Merced)	Mercy Housing Colorado I (Grace Apartments)	Mercy Housing California XI (Madison Place)	Marlton Affordable Housing Association (Marlton Manor)	Mason Apartments (Mason School Apts)
Current assets						
Cash and cash equivalents	\$ 309,120	\$ 18,418	\$ 35,065	\$ 40,455	\$ 1,474,106	\$ 16,193
Cash, tenant security deposits	53,148	23,731	10,569	27,778	34,309	6,919
Cash, restricted	105,518	34,133	-	25,823	51,286	15,497
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	2,446	7,738	-	3,474	-	(248)
Due from affiliate, net	332	2,489	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	20,245	8,345	10,170	11,393	52,959	5,748
Total current assets	490,809	94,854	55,804	108,923	1,612,660	44,109
Property and equipment						
Land and land improvements	1,464,742	937,456	160,654	304,958	1,615	38,134
Buildings	8,120,872	6,391,365	3,037,025	3,996,513	14,290,789	1,932,811
Furniture and equipment	269,559	165,642	81,523	209,809	583,777	305,104
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(4,817,703)	(1,694,576)	(969,810)	(2,259,311)	(4,921,332)	(1,481,087)
Net property and equipment	5,037,470	5,799,887	2,309,392	2,251,969	9,954,849	794,962
Other long-term assets						
Restricted property reserves	501,181	230,933	94,045	148,209	902,710	20,404
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	24,920	74,322	37,267	25,474	141,063	-
Total other long-term assets	526,101	305,255	131,312	173,683	1,043,773	20,404
Total Assets	\$ 6,054,380	\$ 6,199,996	\$ 2,496,508	\$ 2,534,575	\$ 12,611,282	\$ 859,475
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 36,083	\$ 39,508	\$ 73,426	\$ 38,735	\$ 142,912	\$ 36,276
Due to affiliates	13,507	201,387	-	141,391	24,597	76,689
Accrued interest	7,581	10,844	2,391	2,388	19,539	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	46,429	21,098	2,910	18,957	279,721	-
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	507	19	2,744	4,526	2,786	4,849
Tenant security deposits	49,774	18,224	9,788	27,778	36,710	4,636
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	153,881	291,080	91,259	233,775	506,265	122,450
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	1,930,485	129,845	-	596,007	-	-
Accrued interest, affiliates	-	210,229	7,437	-	-	-
Notes payable, less current portion	3,953,610	1,986,841	392,891	1,165,283	3,030,261	400,000
Notes payable, less current portion, affiliates	-	774,312	1,330,000	-	-	-
Deferred revenue and other liabilities	-	228,956	234,010	-	-	-
Total long-term liabilities	5,884,095	3,330,183	1,964,338	1,761,290	3,030,261	400,000
Total liabilities	6,037,976	3,621,263	2,055,597	1,995,065	3,536,526	522,450
Net assets						
Unrestricted net assets, controlling	16,404	2,578,733	440,911	539,510	9,074,756	337,025
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	16,404	2,578,733	440,911	539,510	9,074,756	337,025
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	16,404	2,578,733	440,911	539,510	9,074,756	337,025
Total liabilities and net assets	\$ 6,054,380	\$ 6,199,996	\$ 2,496,508	\$ 2,534,575	\$ 12,611,282	\$ 859,475

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

	Mercy Housing California V (Mercy Village Folsom)	Park Terrace Apartments	Quinn Cottages, LP	Mercy Housing California X (The Rose)	San Felipe Homes	2220 10th Avenue Associates (Santanna Apts)
Assets						
Current assets						
Cash and cash equivalents	\$ 35,318	\$ 10,279	\$ 807	\$ 105,494	\$ 28,466	\$ 72,326
Cash, tenant security deposits	48,763	30,945	4,374	18,922	9,438	22,665
Cash, restricted	15,726	83,095	-	-	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	2,449	10,230	16,364	509	515	4,282
Due from affiliate, net	-	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	16,134	14,368	18,120	24,256	4,740	8,069
Total current assets	118,390	148,917	39,665	149,181	43,159	107,342
Property and equipment						
Land and land improvements	785,272	764,914	-	-	145,725	-
Buildings	10,468,064	5,008,363	3,299,963	5,928,875	1,795,840	3,242,449
Furniture and equipment	424,289	214,667	175,751	235,391	6,718	32,299
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(3,013,104)	(2,037,000)	(1,751,251)	(1,676,696)	(1,090,029)	(1,440,027)
Net property and equipment	8,664,521	3,950,944	1,724,463	4,487,570	858,254	1,834,721
Other long-term assets						
Restricted property reserves	311,188	484,556	224,498	351,850	174,505	428,171
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	123,364	63,472	-	13,524	-	5,001
Total other long-term assets	434,552	548,028	224,498	365,374	174,505	433,172
Total Assets	\$ 9,217,463	\$ 4,647,889	\$ 1,988,626	\$ 5,002,125	\$ 1,075,918	\$ 2,375,235
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 59,299	\$ 74,303	\$ 55,175	\$ 76,089	\$ 21,386	\$ 17,145
Due to affiliates	504,091	38,515	59,564	219,316	56,853	5,000
Accrued interest	91,113	2,457	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	66,049	71,487	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	2,115	6,371	768	908,987	-	1,490
Tenant security deposits	48,763	30,098	3,341	18,922	9,303	22,666
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	771,430	223,231	118,848	1,223,314	87,542	46,301
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	52,428	93,446	597,585	494,259	985,722	1,277,784
Accrued interest, affiliates	57,087	-	-	-	-	-
Notes payable, less current portion	4,646,874	1,349,663	1,644,000	1,430,603	1,900,000	2,750,923
Notes payable, less current portion, affiliates	1,361,970	-	-	-	-	-
Deferred revenue and other liabilities	100,000	-	-	-	-	-
Total long-term liabilities	6,218,359	1,443,109	2,241,585	1,924,862	2,885,722	4,028,707
Total liabilities	6,989,789	1,666,340	2,360,433	3,148,176	2,973,264	4,075,008
Net assets						
Unrestricted net assets, controlling	2,227,674	2,981,549	(371,807)	1,853,949	(1,897,346)	(1,699,773)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	2,227,674	2,981,549	(371,807)	1,853,949	(1,897,346)	(1,699,773)
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	2,227,674	2,981,549	(371,807)	1,853,949	(1,897,346)	(1,699,773)
Total liabilities and net assets	\$ 9,217,463	\$ 4,647,889	\$ 1,988,626	\$ 5,002,125	\$ 1,075,918	\$ 2,375,235

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

	Mercy Housing California VIII (School House Station)	Mercy Housing Iowa II LP (Sherwood Place Apts)	Mercy Housing California I (St. Francis Terrace)	Mercy Housing Arizona I (Villas de Merced)	Mercy Housing Georgia II (Orchard Grove)	Mercy Housing Colorado IX (Parkside Apts)
Assets						
Current assets						
Cash and cash equivalents	\$ 280,928	\$ 8,475	\$ 1,057	\$ 2,388	\$ 2,448	\$ 30,890
Cash, tenant security deposits	61,842	7,750	26,692	6,601	7,964	13,006
Cash, restricted	70,962	100	3,815	-	-	15,002
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	13,267	1,451	9,554	9,358	5,592	301
Due from affiliate, net	-	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	13,463	5,325	13,219	30,807	9,732	13,393
Total current assets	440,462	23,101	54,337	49,154	25,736	72,592
Property and equipment						
Land and land improvements	1,117,500	472,113	891,045	644,491	1,046,518	1,800,201
Buildings	9,436,582	2,339,806	4,824,363	6,420,793	3,599,398	7,351,335
Furniture and equipment	225,026	156,308	224,332	204,693	182,437	225,296
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(4,717,530)	(1,032,068)	(4,069,144)	(2,683,986)	(1,257,819)	(1,937,429)
Net property and equipment	6,061,578	1,936,159	1,870,596	4,585,991	3,570,534	7,439,403
Other long-term assets						
Restricted property reserves	403,299	91,467	242,960	177,399	224,638	155,587
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	52,767	3,352	5,984	270,315	40,051	86,273
Total other long-term assets	456,066	94,819	248,944	447,714	264,689	241,860
Total Assets	\$ 6,958,106	\$ 2,054,079	\$ 2,173,877	\$ 5,082,859	\$ 3,860,959	\$ 7,753,855
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 109,092	\$ 45,959	\$ 60,587	\$ 101,422	\$ 98,511	\$ 58,545
Due to affiliates	15,000	-	70,085	175,604	83,524	12,321
Accrued interest	10,994	7,725	1,767	20,283	12	12,645
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	83,679	10,556	14,779	66,580	4,708	33,426
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	356	1,179	860	14,059	18	4,560
Tenant security deposits	63,218	7,750	26,692	6,601	5,812	12,947
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	282,339	73,169	174,770	384,549	192,585	134,444
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	221,878	-	1,314,157	212,867	-	-
Accrued interest, affiliates	-	8,145	-	139,536	-	352,384
Notes payable, less current portion	3,782,360	918,013	2,968,562	4,456,654	595,052	2,027,455
Notes payable, less current portion, affiliates	-	126,779	281,000	229,447	386,000	2,283,443
Deferred revenue and other liabilities	-	-	-	-	345,187	-
Total long-term liabilities	4,004,238	1,052,937	4,563,719	5,038,504	1,326,239	4,663,282
Total liabilities	4,286,577	1,126,106	4,738,489	5,423,053	1,518,824	4,797,726
Net assets						
Unrestricted net assets, controlling	2,671,529	927,973	(2,564,612)	(340,194)	2,342,135	2,956,129
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	2,671,529	927,973	(2,564,612)	(340,194)	2,342,135	2,956,129
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	2,671,529	927,973	(2,564,612)	(340,194)	2,342,135	2,956,129
Total liabilities and net assets	\$ 6,958,106	\$ 2,054,079	\$ 2,173,877	\$ 5,082,859	\$ 3,860,959	\$ 7,753,855

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

	Mercy Housing Arizona II (Page Commons)	Parkside Terrace Apartments LLC	Parkside Terrace, LP	Mulberry Court, LLC	Mercy Housing South Carolina I (Mulberry Court Apartments)	Savannah Rose of Sharon, LLC
Assets						
Current assets						
Cash and cash equivalents	\$ 38,464	\$ -	\$ 3,111	\$ -	\$ 3,750	\$ -
Cash, tenant security deposits	14,400	-	33,654	-	7,569	-
Cash, restricted	8,022	-	-	-	12,000	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	91	-	6,179	-	3,773	-
Due from affiliate, net	-	-	-	-	-	20,320
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	15,328	-	15,586	-	7,396	-
Total current assets	76,305	-	58,530	-	34,488	20,320
Property and equipment						
Land and land improvements	862,581	-	36,349	-	834,890	-
Buildings	7,156,523	-	3,405,798	-	3,902,585	-
Furniture and equipment	325,477	-	71,354	-	23,297	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(2,114,858)	-	(1,672,171)	-	(546,193)	-
Net property and equipment	6,229,723	-	1,841,330	-	4,214,579	-
Other long-term assets						
Restricted property reserves	330,241	-	415,128	-	112,625	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	29	-	49,918	-	(98)
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	61,097	-	17,325	-	89,311	-
Total other long-term assets	391,338	29	432,453	49,918	201,936	(98)
Total Assets	\$ 6,697,366	\$ 29	\$ 2,332,313	\$ 49,918	\$ 4,451,003	\$ 20,222
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 37,012	\$ -	\$ 93,628	\$ -	\$ 64,635	\$ -
Due to affiliates	34,493	14,351	47,584	34,334	-	24,703
Accrued interest	10,673	-	3,221	-	4,415	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	28,612	-	23,896	-	28,473	-
Current portion of notes payable, affiliates	-	-	40,000	-	134,140	-
Deferred revenue	9,663	-	3,719	-	402	-
Tenant security deposits	14,400	-	32,389	-	5,814	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	134,853	14,351	244,437	34,334	237,879	24,703
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	7,200	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	79,624	-
Notes payable, less current portion	2,828,734	-	3,892,155	-	655,144	-
Notes payable, less current portion, affiliates	-	-	-	-	489,778	-
Deferred revenue and other liabilities	-	-	-	-	-	-
Total long-term liabilities	2,835,934	-	3,892,155	-	1,224,546	-
Total liabilities	2,970,787	14,351	4,136,592	34,334	1,462,425	24,703
Net assets						
Unrestricted net assets, controlling	3,726,579	(14,322)	(1,804,279)	15,584	2,988,578	(4,481)
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	3,726,579	(14,322)	(1,804,279)	15,584	2,988,578	(4,481)
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	3,726,579	(14,322)	(1,804,279)	15,584	2,988,578	(4,481)
Total liabilities and net assets	\$ 6,697,366	\$ 29	\$ 2,332,313	\$ 49,918	\$ 4,451,003	\$ 20,222

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

	Mercy Housing Georgia III (Rose of Sharon)	Mercy Housing South Dakota I, LLC (Driftwood Estates)	Mercy Housing South Dakota II, LLC (Northern Heights)	Mercy Housing Colorado XI (Pinon Terrace)	Commons on Main, LLC	Commons on Main, LP
Assets						
Current assets						
Cash and cash equivalents	\$ 28,136	\$ 184,715	\$ 145,607	\$ 80,560	\$ -	\$ (12,341)
Cash, tenant security deposits	92,409	9,290	18,541	26,913	-	9,219
Cash, restricted	121,441	-	-	750	-	12,543
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	26,964	6,572	5,075	4,405	-	12,224
Due from affiliate, net	559	-	-	-	-	16,984
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	89,611	6,920	11,325	14,029	-	19,123
Total current assets	359,120	207,497	180,548	126,657	-	57,752
Property and equipment						
Land and land improvements	224,224	614,740	804,386	1,637,849	-	76,317
Buildings	10,212,450	4,179,103	4,451,277	10,117,623	-	2,210,960
Furniture and equipment	148,030	266,702	189,210	178,264	-	26,009
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(1,514,269)	(861,989)	(859,175)	(1,318,617)	-	-
Net property and equipment	9,070,435	4,198,556	4,585,698	10,615,119	-	2,313,286
Other long-term assets						
Restricted property reserves	827,714	423,766	324,054	210,021	-	395,152
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	3,828,710	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	726,834	25,451	46,046	202,728	-	75,668
Total other long-term assets	1,554,548	449,217	370,100	412,749	3,828,710	470,820
Total Assets	\$ 10,984,103	\$ 4,855,270	\$ 5,136,346	\$ 11,154,525	\$ 3,828,710	\$ 2,841,858
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 108,592	\$ 70,158	\$ 83,441	\$ 48,989	\$ -	\$ 97,896
Due to affiliates	49,404	53,091	79,637	12,731	44,454	323,242
Accrued interest	21,238	11,132	4,747	4,021	-	275
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	237,536	52,928	9,326	8,799	-	3,754
Current portion of notes payable, affiliates	-	-	-	-	-	211,031
Deferred revenue	2,514	-	-	905	-	2,008
Tenant security deposits	78,157	9,070	17,997	26,813	-	8,461
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	497,441	196,379	195,148	102,258	44,454	646,667
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	460,460	-	-	9,673	-	19,570
Accrued interest, affiliates	-	290,213	31,942	85,231	-	-
Notes payable, less current portion	6,979,374	1,130,709	760,532	983,946	-	431,712
Notes payable, less current portion, affiliates	-	1,271,688	1,014,167	1,057,500	-	-
Deferred revenue and other liabilities	-	-	-	-	-	138,681
Total long-term liabilities	7,439,834	2,692,610	1,806,641	2,136,350	-	589,963
Total liabilities	7,937,275	2,888,989	2,001,789	2,238,608	44,454	1,236,630
Net assets						
Unrestricted net assets, controlling	3,046,828	1,966,281	3,134,557	8,915,917	3,784,256	1,605,228
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	3,046,828	1,966,281	3,134,557	8,915,917	3,784,256	1,605,228
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	3,046,828	1,966,281	3,134,557	8,915,917	3,784,256	1,605,228
Total liabilities and net assets	\$ 10,984,103	\$ 4,855,270	\$ 5,136,346	\$ 11,154,525	\$ 3,828,710	\$ 2,841,858

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

	Aromor Mercy LLC (Aromor Apts)	Mercy Galewood SLF, Inc.	Northglen, LP	Mercy Crestview Village Housing, LP	Western Manor, LP	FHD Holdings LLC
Assets						
Current assets						
Cash and cash equivalents	\$ 86,019	\$ -	\$ -	\$ -	\$ -	\$ 5,972
Cash, tenant security deposits	7,302	-	-	-	-	-
Cash, restricted	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	4,581	-	-	-	-	-
Due from affiliate, net	-	-	-	-	-	28,500
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	10,332	-	-	-	-	-
Total current assets	108,234	-	-	-	-	34,472
Property and equipment						
Land and land improvements	762,319	-	-	-	-	-
Buildings	7,300,869	-	-	-	-	-
Furniture and equipment	541,510	-	-	-	-	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	(546,592)	-	-	-	-	-
Net property and equipment	8,058,106	-	-	-	-	-
Other long-term assets						
Restricted property reserves	253,910	-	-	-	-	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	403,437
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	(48)	-	-	-	90,991
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	47,658	-	-	-	-	-
Total other long-term assets	301,568	(48)	-	-	-	494,428
Total Assets	\$ 8,467,908	\$ (48)	\$ -	\$ -	\$ -	\$ 528,900
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 46,026	\$ -	\$ -	\$ -	\$ -	\$ -
Due to affiliates	12,725	3,382	-	-	-	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	-	-	-	-	500,000
Current portion of notes payable, affiliates	-	-	-	-	-	-
Deferred revenue	2,286	-	-	-	-	-
Tenant security deposits	5,743	-	-	-	-	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	66,780	3,382	-	-	-	500,000
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Accrued interest, affiliates	240,962	-	-	-	-	-
Notes payable, less current portion	-	-	-	-	-	-
Notes payable, less current portion, affiliates	2,551,500	-	-	-	-	-
Deferred revenue and other liabilities	54,453	-	-	-	-	-
Total long-term liabilities	2,846,915	-	-	-	-	-
Total liabilities	2,913,695	3,382	-	-	-	500,000
Net assets						
Unrestricted net assets, controlling	5,554,213	(3,430)	-	-	-	28,900
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	5,554,213	(3,430)	-	-	-	28,900
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	5,554,213	(3,430)	-	-	-	28,900
Total liabilities and net assets	\$ 8,467,908	\$ (48)	\$ -	\$ -	\$ -	\$ 528,900

Consolidating Statement of Financial Position
Mercy Properties Inc.
December 31, 2010

	Franciscan Homes III, LP	Franciscan Homes IV, LP	Eliminations	Consolidated Mercy Properties, Inc
Assets				
Current assets				
Cash and cash equivalents	\$ 2,455	\$ 14,054	\$ (30,538)	\$ 3,355,066
Cash, tenant security deposits	6,092	5,095	-	846,777
Cash, restricted	8,865	12,608	-	605,925
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	8,875	9,431	-	246,172
Due from affiliate, net	-	1,867	(416,213)	379,998
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	8,161	10,236	-	579,953
Total current assets	34,448	53,291	(446,751)	6,013,891
Property and equipment				
Land and land improvements	42,857	43,481	-	19,628,497
Buildings	-	-	(17,003)	189,984,213
Furniture and equipment	-	-	-	7,144,489
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	-	-	1,932	(71,760,950)
Net property and equipment	42,857	43,481	(15,071)	144,996,249
Other long-term assets				
Restricted property reserves	44,394	23,801	-	11,074,863
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	(403,437)	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	(4,685,331)	(9)
Notes and interest receivable, net	-	-	-	-
Notes and interest receivable, affiliates	-	-	(281,000)	-
Allowance for impaired assets	-	-	-	-
Other assets	-	2,944	-	2,447,804
Total other long-term assets	44,394	26,745	(5,369,768)	13,522,658
Total Assets	\$ 121,699	\$ 123,517	\$ (5,831,590)	\$ 164,532,798
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 53,285	\$ 87,585	\$ (30,538)	\$ 2,250,728
Due to affiliates	422,338	715,840	(1,795,547)	3,526,935
Accrued interest	-	497	-	499,307
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	8,000	7,785	-	2,101,016
Current portion of notes payable, affiliates	53,389	-	-	438,560
Deferred revenue	505	779	-	993,272
Tenant security deposits	5,940	4,142	-	808,178
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	543,457	816,628	(1,826,085)	10,617,996
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	125,637	560,544	-	16,343,562
Accrued interest, affiliates	-	-	(61,867)	1,447,454
Notes payable, less current portion	1,144,735	1,604,262	-	79,394,511
Notes payable, less current portion, affiliates	355,478	167,410	(1,300,258)	13,293,190
Deferred revenue and other liabilities	-	88,831	(88,831)	1,102,247
Total long-term liabilities	1,625,850	2,421,047	(1,450,956)	111,580,964
Total liabilities	2,169,307	3,237,675	(3,277,041)	122,198,960
Net assets				
Unrestricted net assets, controlling	(2,047,608)	(3,114,158)	(2,554,549)	42,123,933
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	(2,047,608)	(3,114,158)	(2,554,549)	42,123,933
Temporarily restricted net assets	-	-	-	209,905
Permanently restricted net assets	-	-	-	-
Total net assets	(2,047,608)	(3,114,158)	(2,554,549)	42,333,838
Total liabilities and net assets	\$ 121,699	\$ 123,517	\$ (5,831,590)	\$ 164,532,798

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Mercy Properties I, Inc	111 Jones Street Association	Britton Street Associates (Britton Courts)	Mercy Housing Nebraska I (Capital Corners)	Mercy Housing California VII (Casa San Juan)	Somerset Senior Housing (Casitas de Merced)
Revenues						
Rent - net of vacancies	\$ -	\$ 1,087,761	\$ 1,426,763	\$ 180,989	\$ 679,200	\$ 125,092
Developer fees	-	-	-	-	-	-
Services fees	407,057	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	33,753	3,037	1,982	203	737	152
Other revenue	62,432	23,340	14,601	1,194	16,126	300
Total revenues	503,242	1,114,138	1,443,346	182,386	696,063	125,544
Expenses and losses						
Compensation	-	330,550	264,535	28,894	96,963	48,409
Administrative	522,229	122,697	115,945	24,034	79,593	20,087
Professional services	4,318	87,473	16,695	9,120	63,695	10,576
Depreciation and amortization	-	290,938	584,870	75,559	289,849	54,300
Grants	302,742	-	-	-	-	-
Facility	-	446,615	469,451	68,638	199,538	61,652
Interest and fees	24,186	202,810	423,677	49,576	105,079	20,532
Bad debts	83,796	675	29,696	3,066	799	1,197
Provision for impaired assets	(35,024)	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	5,471	-	-	-	-	-
Total expenses and losses	907,718	1,481,758	1,904,869	258,887	835,516	216,753
Excess (deficiency) of revenues over expenses	(404,476)	(367,620)	(461,523)	(76,501)	(139,453)	(91,209)
Net assets at beginning of year	(47,082)	(6,562,384)	(1,327,878)	696,456	3,769,627	47,242
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ (451,558)</u>	<u>\$ (6,930,004)</u>	<u>\$ (1,789,401)</u>	<u>\$ 619,955</u>	<u>\$ 3,630,174</u>	<u>\$ (43,967)</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Mercy Housing California II (Columbia Park)	Mercy Housing Colorado VIII (Valle de Merced)	Mercy Housing Colorado I (Grace Apartments)	Mercy Housing California XI (Madison Place)	Marlton Affordable Housing Association (Marlton Manor)	Mason Apartments (Mason School Apts)
Revenues						
Rent - net of vacancies	\$ 725,054	\$ 381,853	\$ 429,331	\$ 305,520	\$ 2,376,439	\$ 227,012
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	823	821	70	274	1,087	43
Other revenue	19,258	10,915	20,575	16,852	5,473	153,588
Total revenues	745,135	393,589	449,976	322,646	2,382,999	380,643
Expenses and losses						
Compensation	122,825	100,548	110,444	84,548	563,015	34,090
Administrative	81,070	63,797	53,400	51,904	279,312	31,082
Professional services	57,805	10,900	11,516	9,965	25,210	43,995
Depreciation and amortization	320,716	288,374	125,716	179,731	562,182	77,657
Grants	-	-	-	-	-	-
Facility	177,068	122,307	189,069	122,284	771,559	115,763
Interest and fees	250,110	120,072	39,417	93,758	226,145	61
Bad debts	-	400	452	66	-	1,673
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	1,009,594	706,398	530,014	542,256	2,427,423	304,321
Excess (deficiency) of revenues over expenses	(264,459)	(312,809)	(80,038)	(219,610)	(44,424)	76,322
Net assets at beginning of year	280,863	2,891,542	520,949	759,120	9,367,404	260,703
Other transfers to (from) net assets	-	-	-	-	(248,224)	-
Net assets at end of year	\$ 16,404	\$ 2,578,733	\$ 440,911	\$ 539,510	\$ 9,074,756	\$ 337,025

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Mercy Housing California V (Mercy Village Folsom)	Park Terrace Apartments	Quinn Cottages, LP	Mercy Housing California X (The Rose)	San Felipe Homes	2220 10th Avenue Associates (Santanna Apts)
Revenues						
Rent - net of vacancies	\$ 573,511	\$ 452,338	\$ 150,044	\$ 742,500	\$ 167,185	\$ 289,628
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	23,919	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	40	62,083	243	336	254	362
Other revenue	10,486	10,946	5,168	7,802	15,146	6,851
Total revenues	<u>584,037</u>	<u>525,367</u>	<u>155,455</u>	<u>774,557</u>	<u>182,585</u>	<u>296,841</u>
Expenses and losses						
Compensation	95,171	104,143	158,433	317,870	42,277	63,325
Administrative	77,235	78,577	54,938	97,427	29,622	29,604
Professional services	13,410	68,113	16,463	87,597	10,673	13,690
Depreciation and amortization	425,007	205,447	123,576	111,715	30,885	90,657
Grants	-	-	-	-	-	-
Facility	145,043	170,265	111,970	179,818	80,250	73,754
Interest and fees	170,602	41,194	42,120	33,617	57,787	80,128
Bad debts	5,934	-	612	6,418	-	15,493
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	<u>932,402</u>	<u>667,739</u>	<u>508,112</u>	<u>834,462</u>	<u>251,494</u>	<u>366,651</u>
Excess (deficiency) of revenues over expenses	(348,365)	(142,372)	(352,657)	(59,905)	(68,909)	(69,810)
Net assets at beginning of year	2,576,039	3,123,921	(19,150)	1,913,854	(1,828,437)	(1,629,963)
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ 2,227,674</u>	<u>\$ 2,981,549</u>	<u>\$ (371,807)</u>	<u>\$ 1,853,949</u>	<u>\$ (1,897,346)</u>	<u>\$ (1,699,773)</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Mercy Housing California VIII (School House Station)	Mercy Housing Iowa II LP (Sherwood Place Apts)	Mercy Housing California I (St. Francis Terrace)	Mercy Housing Arizona I (Villas de Merced)	Mercy Housing Georgia II (Orchard Grove)	Mercy Housing Colorado IX (Parkside Apts)
Revenues						
Rent - net of vacancies	\$ 846,462	\$ 203,424	\$ 315,572	\$ 754,363	\$ 278,152	\$ 494,005
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	636	126	991	255	80	149
Other revenue	12,778	912	5,979	93,555	5,902	21,985
Total revenues	859,876	204,462	322,542	848,173	284,134	516,139
Expenses and losses						
Compensation	112,027	34,257	99,382	154,502	87,988	121,583
Administrative	101,172	30,723	53,163	78,232	44,213	84,972
Professional services	173,062	8,550	11,249	15,660	24,266	16,015
Depreciation and amortization	355,507	104,547	190,666	249,081	198,942	363,735
Grants	-	-	-	-	-	-
Facility	185,205	72,960	158,430	287,441	153,619	110,005
Interest and fees	149,060	40,588	105,964	282,964	349	211,741
Bad debts	7,749	511	11,508	15,257	1,852	8,550
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	1,083,782	292,136	630,362	1,083,137	511,229	916,601
Excess (deficiency) of revenues over expenses	(223,906)	(87,674)	(307,820)	(234,964)	(227,095)	(400,462)
Net assets at beginning of year	2,895,435	1,015,647	(2,256,792)	(105,230)	2,569,230	3,356,591
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	\$ 2,671,529	\$ 927,973	\$ (2,564,612)	\$ (340,194)	\$ 2,342,135	\$ 2,956,129

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Mercy Housing Arizona II (Page Commons)	Parkside Terrace Apartments LLC	Parkside Terrace, LP	Mulberry Court LLC	Mercy Housing South Carolina I (Mulberry Court Apartments)	Savannah Rose of Sharon, LLC
Revenues						
Rent - net of vacancies	\$ 597,664	\$ -	\$ 417,664	\$ -	\$ 250,369	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	15,000
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	440	-	3,096	-	83	-
Other revenue	12,450	-	28,301	-	4,244	-
Total revenues	610,554	-	449,061	-	254,696	15,000
Expenses and losses						
Compensation	118,600	-	71,905	-	46,695	-
Administrative	125,786	-	73,907	10,300	41,944	15,030
Professional services	61,645	1,006	13,031	1,083	18,891	1,152
Depreciation and amortization	362,771	-	75,331	-	179,222	-
Grants	-	-	-	-	-	-
Facility	136,997	-	173,058	-	92,244	-
Interest and fees	145,236	640	41,831	133	90,252	168
Bad debts	1,197	-	11,670	-	6,216	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	12	-	22	-	28
Total expenses and losses	952,232	1,658	460,733	11,538	475,464	16,378
Excess (deficiency) of revenues over expenses	(341,678)	(1,658)	(11,672)	(11,538)	(220,768)	(1,378)
Net assets at beginning of year	4,068,257	(12,664)	(1,792,607)	27,122	3,209,346	(3,103)
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	\$ 3,726,579	\$ (14,322)	\$ (1,804,279)	\$ 15,584	\$ 2,988,578	\$ (4,481)

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Mercy Housing Georgia III (Rose of Sharon)	Mercy Housing South Dakota I, LLC (Dritfwood Estates)	Mercy Housing South Dakota II, LLC (Northern Heights)	Mercy Housing Colorado XI (Pinon Terrace)	Commons on Main, LLC	Commons on Main, LP
Revenues						
Rent - net of vacancies	\$ 1,327,848	\$ 539,768	\$ 563,886	\$ 459,441	\$ -	\$ 362,190
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	89,450	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	210,496	498	492	187	-	338
Other revenue	78,626	6,522	10,006	32,915	-	10,062
Total revenues	<u>1,706,420</u>	<u>546,788</u>	<u>574,384</u>	<u>492,543</u>	<u>-</u>	<u>372,590</u>
Expenses and losses						
Compensation	246,177	76,931	90,829	101,869	-	176,585
Administrative	151,122	69,659	101,862	69,684	14,000	69,475
Professional services	117,547	12,975	12,425	44,887	1,007	15,650
Depreciation and amortization	433,341	201,231	205,725	384,950	-	164,368
Grants	-	-	-	-	-	-
Facility	648,067	181,544	205,124	157,936	-	199,861
Interest and fees	379,821	151,726	105,707	119,023	195	30,598
Bad debts	4,392	2,941	5,140	5,551	-	20,209
Provision for impaired assets	-	-	-	-	-	1,223,206
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	153	-
Total expenses and losses	<u>1,980,467</u>	<u>697,007</u>	<u>726,812</u>	<u>883,900</u>	<u>15,355</u>	<u>1,899,952</u>
Excess (deficiency) of revenues over expenses	(274,047)	(150,219)	(152,428)	(391,357)	(15,355)	(1,527,362)
Net assets at beginning of year	3,320,875	2,116,500	3,286,985	9,307,274	3,799,611	3,132,590
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ 3,046,828</u>	<u>\$ 1,966,281</u>	<u>\$ 3,134,557</u>	<u>\$ 8,915,917</u>	<u>\$ 3,784,256</u>	<u>\$ 1,605,228</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Aromor Mercy LLC (Aromor Apts)	Mercy Galewood SLF, Inc.	Northglen, LP	Mercy Crestview Village Housing, LP	Western Manor, LP	FHD Holdings LLC
Revenues						
Rent - net of vacancies	\$ 468,577	\$ -	\$ -	\$ -	\$ -	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	9,500
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	215	-	-	-	-	-
Other revenue	15,431	-	-	-	-	(324)
Total revenues	<u>484,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,176</u>
Expenses and losses						
Compensation	185,826	-	-	-	-	-
Administrative	85,663	-	-	-	-	-
Professional services	27,633	87	-	-	-	153
Depreciation and amortization	348,343	-	-	-	-	-
Grants	-	-	-	-	-	-
Facility	125,899	-	-	-	-	-
Interest and fees	112,649	156	-	-	-	31,576
Bad debts	1,802	-	-	-	-	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	79,721	-	-	-	(26,001)
Total expenses and losses	<u>887,815</u>	<u>79,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,728</u>
Excess (deficiency) of revenues over expenses	(403,592)	(79,964)	-	-	-	3,448
Net assets at beginning of year	5,484,194	76,534	(676)	(1,666)	(671)	25,452
Other transfers to (from) net assets	473,611	-	676	1,666	671	-
Net assets at end of year	<u>\$ 5,554,213</u>	<u>\$ (3,430)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,900</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties Inc.
For the year ended December 31, 2010

	Franciscan Homes III, LP	Franciscan Homes IV, LP	Eliminations	Consolidated Mercy Properties, Inc
Revenues				
Rent - net of vacancies	\$ 156,324	\$ 157,241	\$ -	\$ 18,513,170
Developer fees	-	-	-	-
Services fees	-	-	(375,453)	56,104
Philanthropy	-	-	-	113,369
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	21	3	(19,324)	305,082
Other revenue	17,366	10,214	(49,169)	718,808
Total revenues	<u>173,711</u>	<u>167,458</u>	<u>(443,946)</u>	<u>19,706,533</u>
Expenses and losses				
Compensation	85,313	84,631	-	4,461,140
Administrative	44,529	38,457	(375,457)	2,740,989
Professional services	11,157	14,165	-	1,164,510
Depreciation and amortization	26,338	17,897	(618)	7,698,556
Grants	-	-	-	302,742
Facility	120,805	132,201	-	6,646,440
Interest and fees	23,484	103,257	(19,324)	4,088,665
Bad debts	7,142	7,435	-	269,399
Provision for impaired assets	86,805	363,283	(253,288)	1,384,982
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	20,222	79,628
Total expenses and losses	<u>405,573</u>	<u>761,326</u>	<u>(628,465)</u>	<u>28,837,051</u>
Excess (deficiency) of revenues over expenses	(231,862)	(593,868)	184,519	(9,130,518)
Net assets at beginning of year	(1,815,746)	(2,707,339)	(2,739,068)	51,048,907
Other transfers to (from) net assets	-	187,049	-	415,449
Net assets at end of year	<u>\$ (2,047,608)</u>	<u>\$ (3,114,158)</u>	<u>\$ (2,554,549)</u>	<u>\$ 42,333,838</u>

Consolidating Statement of Financial Position
Mercy Properties II, Inc.
December 31, 2010

	Mercy Properties II, Inc.	Mercy Housing Utah I (Francis Peak View)	Mercy Housing Idaho IV (Skyview Terrace)	Mercy Housing Idaho V (Sisters Villa)	Eliminations	Consolidated Mercy Properties II, Inc.
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 223,862	\$ 350	\$ 25,905	\$ (10,255)	\$ 239,862
Cash, tenant security deposits	-	32,750	11,343	15,924	-	60,017
Cash, restricted	-	1,882	5,583	12,085	-	19,550
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	13,489	526	24	-	14,039
Due from affiliate, net	36,875	-	-	-	(36,875)	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	22,053	11,742	7,957	-	41,752
Total current assets	36,875	294,036	29,544	61,895	(47,130)	375,220
Property and equipment						
Land and land improvements	-	1,190,644	64,487	1,001,765	-	2,256,896
Buildings	-	6,606,508	3,045,842	3,887,488	-	13,539,838
Furniture and equipment	-	215,630	261,391	48,644	-	525,665
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	-	(2,301,960)	(1,667,732)	(1,168,728)	-	(5,138,420)
Net property and equipment	-	5,710,822	1,703,988	3,769,169	-	11,183,979
Other long-term assets						
Restricted property reserves	-	368,675	99,141	148,789	-	616,605
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	(272)	-	-	-	272	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	32,588	5,627	92,101	-	130,316
Total other long-term assets	(272)	401,263	104,768	240,890	272	746,921
Total assets	\$ 36,603	\$ 6,406,121	\$ 1,838,300	\$ 4,071,954	\$ (46,858)	\$ 12,306,120
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ -	\$ 36,680	\$ 32,874	\$ 44,088	\$ (10,255)	\$ 103,387
Due to affiliates	118,342	22,844	123,912	9,650	(66,546)	208,202
Accrued interest	-	36,777	4,185	6,519	-	47,481
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	-	64,526	17,380	14,964	-	96,870
Current portion of notes payable, affiliates	-	-	10,000	-	-	10,000
Deferred revenue	-	2,899	2,505	382	-	5,786
Tenant security deposits	-	32,750	10,584	13,924	-	57,258
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	118,342	196,476	201,440	89,527	(76,801)	528,984
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	22,497	61,044	19,037	-	102,578
Accrued interest, affiliates	-	-	85,356	27,001	-	112,357
Notes payable, less current portion	-	4,091,992	1,127,534	1,867,726	-	7,087,252
Notes payable, less current portion, affiliates	-	-	628,482	414,246	-	1,042,728
Deferred revenue and other liabilities	-	-	-	-	-	-
Total long-term liabilities	-	4,114,489	1,902,416	2,328,010	-	8,344,915
Total liabilities	118,342	4,310,965	2,103,856	2,417,537	(76,801)	8,873,899
Net assets						
Unrestricted net assets, controlling	(81,739)	2,095,156	(265,556)	1,654,417	29,943	3,432,221
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	-	-	-	-	-	-
Total net assets	(81,739)	2,095,156	(265,556)	1,654,417	29,943	3,432,221
Total liabilities and net assets	\$ 36,603	\$ 6,406,121	\$ 1,838,300	\$ 4,071,954	\$ (46,858)	\$ 12,306,120

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Properties II, Inc.
For the year ended December 31, 2010

	Mercy Properties II, Inc.	Mercy Housing Utah I (Francis Peak View)	Mercy Housing Idaho IV (Skyview Terrace)	Mercy Housing Idaho V (Sisters Villa)	Eliminations	Consolidated Mercy Properties II, Inc.
Revenues						
Rent - net of vacancies	\$ -	\$ 857,202	\$ 268,991	\$ 322,542	\$ -	\$ 1,448,735
Developer fees	-	-	-	-	-	-
Services fees	30,581	-	-	-	(30,581)	-
Philanthropy	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	-	1,104	188	152	-	1,444
Other	3,000	20,332	11,750	2,678	(3,000)	34,760
Total revenues	<u>33,581</u>	<u>878,638</u>	<u>280,929</u>	<u>325,372</u>	<u>(33,581)</u>	<u>1,484,939</u>
Expenses and losses						
Compensation	-	156,934	89,479	52,913	-	299,326
Administrative	35,200	120,892	61,595	54,163	(30,581)	241,269
Professional services	1,095	62,181	10,979	5,135	-	79,390
Depreciation and amortization	-	291,651	111,109	165,392	-	568,152
Grants	-	-	-	-	-	-
Facility	-	177,357	102,809	74,362	-	354,528
Interest and fees	2,388	214,172	62,759	108,271	-	387,590
Bad debts	-	10,674	4,969	-	-	15,643
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	44	-	-	-	(44)	-
Total expenses and losses	<u>38,727</u>	<u>1,033,861</u>	<u>443,699</u>	<u>460,236</u>	<u>(30,625)</u>	<u>1,945,898</u>
Excess (deficiency) of revenues over expenses	(5,146)	(155,223)	(162,770)	(134,864)	(2,956)	(460,959)
Net assets at beginning of year	(76,593)	2,288,164	(102,786)	1,789,281	32,899	3,930,965
Other transfers to (from) net assets	-	(37,785)	-	-	-	(37,785)
Net assets at end of year	<u>\$ (81,739)</u>	<u>\$ 2,095,156</u>	<u>\$ (265,556)</u>	<u>\$ 1,654,417</u>	<u>\$ 29,943</u>	<u>\$ 3,432,221</u>

Consolidating Statement of Financial Position
2101 Telegraph Avenue, Inc.
December 31, 2010

	2101 Telegraph Avenue, Inc.	2101 Telegraph Avenue Associates	Eliminations	Consolidated 2101 Telegraph Avenue, Inc.
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 105,473	\$ -	\$ 105,473
Cash, tenant security deposits	-	22,156	-	22,156
Cash, restricted	-	74,461	-	74,461
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	-	60,749	-	60,749
Due from affiliate, net	1,250	-	(1,250)	-
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	-	27,522	-	27,522
Total current assets	1,250	290,361	(1,250)	290,361
Property and equipment				
Land and land improvements	-	486,516	-	486,516
Buildings	-	9,228,151	-	9,228,151
Furniture and equipment	-	366,046	-	366,046
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	-	(4,788,970)	-	(4,788,970)
Net property and equipment	-	5,291,743	-	5,291,743
Other long-term assets				
Restricted property reserves	-	918,853	-	918,853
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	(74,345)	-	74,345	-
Notes and interest receivable, net	-	-	-	-
Notes and interest receivable, affiliates	317,391	-	(317,391)	-
Allowance for impaired assets	-	-	-	-
Other assets	-	7,660	-	7,660
Total other long-term assets	243,046	926,513	(243,046)	926,513
Total assets	<u>\$ 244,296</u>	<u>\$ 6,508,617</u>	<u>\$ (244,296)</u>	<u>\$ 6,508,617</u>
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ -	\$ 103,234	\$ -	\$ 103,234
Due to affiliates	59,427	5,000	(5,000)	59,427
Accrued interest	-	-	-	-
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	-	-	-	-
Current portion of notes payable, affiliates	-	-	-	-
Deferred revenue	-	51,891	-	51,891
Tenant security deposits	-	21,783	-	21,783
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	59,427	181,908	(5,000)	236,335
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	-	2,502,787	-	2,502,787
Accrued interest, affiliates	-	150,118	(150,118)	-
Notes payable, less current portion	-	3,532,176	-	3,532,176
Notes payable, less current portion, affiliates	-	424,120	(424,120)	-
Deferred revenue and other liabilities	-	-	-	-
Total long-term liabilities	-	6,609,201	(574,238)	6,034,963
Total liabilities	<u>59,427</u>	<u>6,791,109</u>	<u>(579,238)</u>	<u>6,271,298</u>
Net assets				
Unrestricted net assets, controlling	184,869	(282,492)	334,942	237,319
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	184,869	(282,492)	334,942	237,319
Temporarily restricted net assets	-	-	-	-
Permanently restricted net assets	-	-	-	-
Total net assets	<u>184,869</u>	<u>(282,492)</u>	<u>334,942</u>	<u>237,319</u>
Total liabilities and net assets	<u>\$ 244,296</u>	<u>\$ 6,508,617</u>	<u>\$ (244,296)</u>	<u>\$ 6,508,617</u>

Consolidating Statement of Activities
and Changes in Net Assets
2101 Telegraph Avenue, Inc.
For the year ended December 31, 2010

	2101 Telegraph Avenue, Inc.	2101 Telegraph Avenue Associates	Eliminations	Consolidated 2101 Telegraph Avenue, Inc.
Revenues				
Rent - net of vacancies	\$ -	\$ 855,788	\$ -	\$ 855,788
Developer fees	-	-	-	-
Services fees	10,000	-	(10,000)	-
Philanthropy	-	-	-	-
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	14,527	1,274	(14,527)	1,274
Other	350	23,125	(350)	23,125
Total revenues	<u>24,877</u>	<u>880,187</u>	<u>(24,877)</u>	<u>880,187</u>
Expenses and losses				
Compensation	-	295,721	-	295,721
Administrative	18,600	109,855	(10,000)	118,455
Professional services	1,009	97,366	-	98,375
Depreciation and amortization	-	351,282	-	351,282
Grants	-	-	-	-
Facility	-	293,034	-	293,034
Interest and fees	770	190,272	(14,527)	176,515
Bad debts	-	33	-	33
Provision for impaired assets	9,527	-	(9,527)	-
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	4,574	-	(4,574)	-
Total expenses and losses	<u>34,480</u>	<u>1,337,563</u>	<u>(38,628)</u>	<u>1,333,415</u>
Excess (deficiency) of revenues over expenses	<u>(9,603)</u>	<u>(457,376)</u>	<u>13,751</u>	<u>(453,228)</u>
Net assets at beginning of year	194,472	174,884	321,191	690,547
Other transfers to (from) net assets	-	-	-	-
Net assets at end of year	<u>\$ 184,869</u>	<u>\$ (282,492)</u>	<u>\$ 334,942</u>	<u>\$ 237,319</u>

Consolidating Statement of Financial Position
McDermott Place
December 31, 2010

	McDermott Place	Bishops Block	Eliminations	Consolidated McDermott Place
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 5,068	\$ -	\$ 5,068
Cash, tenant security deposits	-	9,504	-	9,504
Cash, restricted	-	(250)	-	(250)
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	-	1,539	-	1,539
Due from affiliate, net	11,996	-	(11,996)	-
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	-	6,493	-	6,493
Total current assets	11,996	22,354	(11,996)	22,354
Property and equipment				
Land and land improvements	-	66,022	-	66,022
Buildings	-	1,070,861	-	1,070,861
Furniture and equipment	-	49,456	-	49,456
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	-	(742,339)	-	(742,339)
Net property and equipment	-	444,000	-	444,000
Other long-term assets				
Restricted property reserves	-	6,501	-	6,501
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	(986,839)	-	986,839	-
Notes and interest receivable, net	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	-	12,433	-	12,433
Total other long-term assets	(986,839)	18,934	986,839	18,934
Total assets	\$ (974,843)	\$ 485,288	\$ 974,843	\$ 485,288
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ -	\$ 34,050	\$ -	\$ 34,050
Due to affiliates	61,488	222,678	(56,996)	227,170
Accrued interest	-	2,456	-	2,456
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	-	367,987	-	367,987
Current portion of notes payable, affiliates	-	-	-	-
Deferred revenue	-	2,036	-	2,036
Tenant security deposits	-	9,504	-	9,504
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	61,488	638,711	(56,996)	643,203
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	-	208,812	-	208,812
Accrued interest, affiliates	-	-	-	-
Notes payable, less current portion	-	692,398	-	692,398
Notes payable, less current portion, affiliates	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-
Total long-term liabilities	-	901,210	-	901,210
Total liabilities	61,488	1,539,921	(56,996)	1,544,413
Net assets				
Unrestricted net assets, controlling	(1,036,331)	(1,054,633)	1,031,839	(1,059,125)
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	(1,036,331)	(1,054,633)	1,031,839	(1,059,125)
Temporarily restricted net assets	-	-	-	-
Permanently restricted net assets	-	-	-	-
Total net assets	(1,036,331)	(1,054,633)	1,031,839	(1,059,125)
Total liabilities and net assets	\$ (974,843)	\$ 485,288	\$ 974,843	\$ 485,288

Consolidating Statement of Activities
and Changes in Net Assets
McDermott Place
For the year ended December 31, 2010

	McDermott Place	Bishops Block	Eliminations	Consolidated McDermott Place
Revenues				
Rent - net of vacancies	\$ -	\$ 206,063	\$ -	\$ 206,063
Developer fees	-	-	-	-
Services fees	5,000	-	(5,000)	-
Philanthropy	-	-	-	-
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	-	28	-	28
Other	-	6,322	-	6,322
Total revenues	<u>5,000</u>	<u>212,413</u>	<u>(5,000)</u>	<u>212,413</u>
Expenses and losses				
Compensation	-	85,390	-	85,390
Administrative	6,400	39,558	(5,000)	40,958
Professional services	1,087	11,227	-	12,314
Depreciation and amortization	-	1,317	-	1,317
Grants	-	-	-	-
Facility	-	87,647	-	87,647
Interest and fees	1,683	54,706	-	56,389
Bad debts	-	380	-	380
Provision for impaired assets	-	-	-	-
Resident programs and services	-	-	-	-
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	7	-	(7)	-
Total expenses and losses	<u>9,177</u>	<u>280,225</u>	<u>(5,007)</u>	<u>284,395</u>
Excess (deficiency) of revenues over expenses	(4,177)	(67,812)	7	(71,982)
Net assets at beginning of year	(1,032,154)	(986,821)	1,031,832	(987,143)
Other transfers to (from) net assets	-	-	-	-
Net assets at end of year	<u>\$ (1,036,331)</u>	<u>\$ (1,054,633)</u>	<u>\$ 1,031,839</u>	<u>\$ (1,059,125)</u>

Consolidating Statement of Financial Position
South of Market Mercy Housing
December 31, 2010

Assets

	South of Market Mercy Housing	1028 Howard St Associates (1028 Howard St Apartments)	1101 Howard St Associates (1101 Howard St Apartments)	Mercy Housing California VI (205 Jones St Apartments)	1475 167th Ave. Associates (Bermuda Gardens)
Current assets					
Cash and cash equivalents	\$ -	\$ 55,793	\$ 109,415	\$ 97,637	\$ 13,791
Cash, tenant security deposits	-	29,800	39,464	25,775	56,600
Cash, restricted	-	-	45,000	-	16,500
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	1,599	-	1,616	15,755
Due from affiliate, net	213,245	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	10,271	14,249	15,322	17,972
Total current assets	213,245	97,463	208,128	140,350	120,618
Property and equipment					
Land and land improvements	-	-	807,358	233,860	835,000
Buildings	-	5,098,047	5,026,254	3,585,952	5,112,656
Furniture and equipment	-	452,595	102,922	125,777	99,731
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	-	(3,230,579)	(2,166,582)	(2,039,713)	(2,410,588)
Net property and equipment	-	2,320,063	3,769,952	1,905,876	3,636,799
Other long-term assets					
Restricted property reserves	-	92,893	176,888	161,856	228,598
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	(15,862,411)	-	-	-	-
Notes and interest receivable, net	123,236	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	-	-	20,435	60,832
Total other long-term assets	(15,739,175)	92,893	176,888	182,291	289,430
Total assets	\$ (15,525,930)	\$ 2,510,419	\$ 4,154,968	\$ 2,228,517	\$ 4,046,847
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ 29,169	\$ 28,979	\$ 36,273	\$ 116,390
Due to affiliates	488,691	141,570	85,429	118,291	589,274
Accrued interest	-	1,425	1,796	1,956	13,120
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	22,375	26,058	13,376	69,826
Current portion of notes payable, affiliates	-	-	-	-	26,864
Deferred revenue	-	8,788	15	16,371	665
Tenant security deposits	-	26,709	25,263	25,775	52,427
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	488,691	230,036	167,540	212,042	868,566
Long-term liabilities					
Due to affiliates	775,972	-	-	-	-
Accrued interest	-	1,046,549	1,165,038	758,878	657,405
Accrued interest, affiliates	-	-	-	-	88,045
Notes payable, less current portion	-	2,363,334	2,725,133	2,119,290	4,640,177
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	259,345
Total long-term liabilities	775,972	3,409,883	3,890,171	2,878,168	5,644,972
Total liabilities	1,264,663	3,639,919	4,057,711	3,090,210	6,513,538
Net assets					
Unrestricted net assets, controlling	(16,790,593)	(1,129,500)	97,257	(861,693)	(2,466,691)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(16,790,593)	(1,129,500)	97,257	(861,693)	(2,466,691)
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(16,790,593)	(1,129,500)	97,257	(861,693)	(2,466,691)
Total liabilities and net assets	\$ (15,525,930)	\$ 2,510,419	\$ 4,154,968	\$ 2,228,517	\$ 4,046,847

Consolidating Statement of Financial Position
South of Market Mercy Housing
December 31, 2010

	Centro Partners (El Centro Residential Suites)	La Playa Residential	West 28th Street (Montclair/ Tolton Court)	16th & Church St. Associates (Padre Palou Community)	Mercy Housing California III (Plaza Maria Apts.)
Assets					
Current assets					
Cash and cash equivalents	\$ 83,580	\$ 44,751	\$ 43,321	\$ 51,972	\$ 200,913
Cash, tenant security deposits	37,345	11,374	17,576	13,589	55,339
Cash, restricted	12,935	-	25,284	10,403	43,319
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	5,178	2,392	620	5,079	7,653
Due from affiliate, net	2,141	-	-	-	5,773
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	15,054	3,567	5,208	9,939	16,219
Total current assets	156,233	62,084	92,009	90,982	329,216
Property and equipment					
Land and land improvements	913,787	568,985	720,004	-	750,000
Buildings	4,522,193	1,946,483	4,455,250	2,386,743	6,583,535
Furniture and equipment	149,976	21,527	199,020	89,747	266,343
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(2,107,686)	(849,732)	(1,917,064)	(1,648,114)	(3,821,331)
Net property and equipment	3,478,270	1,687,263	3,457,210	828,376	3,778,547
Other long-term assets					
Restricted property reserves	389,958	181,440	190,230	119,533	56,293
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	22,048	632	-	3,983	18,705
Total other long-term assets	412,006	182,072	190,230	123,516	74,998
Total assets	\$ 4,046,509	\$ 1,931,419	\$ 3,739,449	\$ 1,042,874	\$ 4,182,761
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 39,452	\$ 13,841	\$ 41,920	\$ 25,910	\$ 57,312
Due to affiliates	-	-	22,661	70,000	30,000
Accrued interest	1,891	1,142	-	-	8,292
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	45,473	7,403	-	-	46,862
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	182	97	70	2	4,527
Tenant security deposits	37,245	11,374	16,422	12,746	53,234
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	124,243	33,857	81,073	108,658	200,227
Long-term liabilities					
Due to affiliates	-	-	-	496,582	-
Accrued interest	1,710,891	497,388	-	620,875	316,856
Accrued interest, affiliates	-	-	-	461,121	-
Notes payable, less current portion	3,549,157	1,347,236	1,800,754	1,115,000	2,857,358
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	5,260,048	1,844,624	1,800,754	2,693,578	3,174,214
Total liabilities	5,384,291	1,878,481	1,881,827	2,802,236	3,374,441
Net assets					
Unrestricted net assets, controlling	(1,337,782)	52,938	1,857,622	(1,759,362)	808,320
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(1,337,782)	52,938	1,857,622	(1,759,362)	808,320
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(1,337,782)	52,938	1,857,622	(1,759,362)	808,320
Total liabilities and net assets	\$ 4,046,509	\$ 1,931,419	\$ 3,739,449	\$ 1,042,874	\$ 4,182,761

Consolidating Statement of Financial Position
South of Market Mercy Housing
December 31, 2010

	Mercy Housing California IX (Sycamore St. Commons)	Mercy Housing California IV (Vista Grande Apts.)	Eliminations	Consolidated South of Market Mercy Housing
Assets				
Current assets				
Cash and cash equivalents	\$ 43,595	\$ 42,174	\$ -	\$ 786,942
Cash, tenant security deposits	43,211	29,853	-	359,926
Cash, restricted	144,852	88	-	298,381
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	(114)	1,880	-	41,658
Due from affiliate, net	-	-	(187,906)	33,253
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	17,493	8,208	-	133,502
Total current assets	249,037	82,203	(187,906)	1,653,662
Property and equipment				
Land and land improvements	1,560,000	468,208	-	6,857,202
Buildings	8,674,800	4,119,976	-	51,511,889
Furniture and equipment	300,047	123,546	-	1,931,231
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	(4,270,904)	(1,609,514)	-	(26,071,807)
Net property and equipment	6,263,943	3,102,216	-	34,228,515
Other long-term assets				
Restricted property reserves	750,096	20,128	-	2,367,913
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	(266,361)	(16,128,772)
Notes and interest receivable, net	-	-	-	123,236
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	77,096	20,390	-	224,121
Total other long-term assets	827,192	40,518	(266,361)	(13,413,502)
Total assets	\$ 7,340,172	\$ 3,224,937	\$ (454,267)	\$ 22,468,675
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 46,718	\$ 22,974	\$ -	\$ 458,938
Due to affiliates	25,076	135,872	(697,225)	1,009,639
Accrued interest	6,949	4,489	-	41,060
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	47,170	26,951	-	305,494
Current portion of notes payable, affiliates	-	-	-	26,864
Deferred revenue	1,731	6,287	-	38,735
Tenant security deposits	42,968	29,194	-	333,357
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	170,612	225,767	(697,225)	2,214,087
Long-term liabilities				
Due to affiliates	-	-	-	1,272,554
Accrued interest	855,757	146,205	-	7,775,842
Accrued interest, affiliates	-	-	-	549,166
Notes payable, less current portion	4,565,432	1,480,699	-	28,563,570
Notes payable, less current portion, affiliates	-	-	-	-
Deferred revenue and other liabilities	-	152,604	-	411,949
Total long-term liabilities	5,421,189	1,779,508	-	38,573,081
Total liabilities	5,591,801	2,005,275	(697,225)	40,787,168
Net assets				
Unrestricted net assets, controlling	1,748,371	1,219,662	242,958	(18,318,493)
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	1,748,371	1,219,662	242,958	(18,318,493)
Temporarily restricted net assets	-	-	-	-
Permanently restricted net assets	-	-	-	-
Total net assets	1,748,371	1,219,662	242,958	(18,318,493)
Total liabilities and net assets	\$ 7,340,172	\$ 3,224,937	\$ (454,267)	\$ 22,468,675

Consolidating Statement of Activities
and Changes in Net Assets
South of Market Mercy Housing
For the year ended December 31, 2010

Revenues

	South of Market Mercy Housing	1028 Howard St Associates (1028 Howard St Apartments)	1101 Howard St Associates (1101 Howard St Apartments)	Mercy Housing California VI (205 Jones St Apartments)	1475 16th Ave. Associates (Bermuda Gardens)
Rent - net of vacancies	\$ -	\$ 362,824	\$ 377,511	\$ 378,072	\$ 765,014
Developer fees	-	-	-	-	-
Services fees	117,057	-	-	-	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	11,340	578	347	272	1,076
Other revenue	54,136	6,916	4,216	6,476	24,165

Total revenues

	182,533	370,318	382,074	384,820	790,255
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Expenses and losses

Compensation	-	70,173	84,940	90,532	124,000
Administrative	174,414	43,553	45,953	71,278	105,280
Professional services	788	30,517	36,611	10,759	59,985
Depreciation and amortization	-	195,721	139,520	133,588	193,969
Grants	-	-	-	-	-
Facility	-	121,534	94,779	122,831	215,125
Interest and fees	12,375	77,127	89,365	71,458	254,697
Bad debts	-	1,329	-	-	7,500
Provision for impaired assets	11,340	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	(95,768)	-	-	-	-
(Gain) loss on investment in limited partnership	3,750,300	-	-	-	-

Total expenses and losses

	3,853,449	539,954	491,168	500,446	960,556
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Excess (deficiency) of revenues over expenses

	(3,670,916)	(169,636)	(109,094)	(115,626)	(170,301)
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Net assets at beginning of year
Other transfers to (from) net assets

	(12,831,868)	(959,864)	206,351	(746,067)	(2,296,390)
	(287,809)	-	-	-	-

Net assets at end of year

	\$ (16,790,593)	\$ (1,129,500)	\$ 97,257	\$ (861,693)	\$ (2,466,691)
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Consolidating Statement of Activities
and Changes in Net Assets
South of Market Mercy Housing
For the year ended December 31, 2010

	Centro Partners (El Centro Residential Suites)	La Playa Residential	West 28th Street (Montclair/ Tolton Court)	16th & Church St. Associates (Padre Palou Community)	Mercy Housing California III (Plaza Maria Apts.)
Revenues					
Rent - net of vacancies	\$ 452,485	\$ 126,263	\$ 272,651	\$ 217,118	\$ 696,308
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	429	221	324	196	220
Other revenue	12,001	4,391	41,797	9,358	9,043
Total revenues	<u>464,915</u>	<u>130,875</u>	<u>314,772</u>	<u>226,672</u>	<u>705,571</u>
Expenses and losses					
Compensation	128,878	26,534	74,248	54,760	124,756
Administrative	62,869	12,575	36,409	23,076	82,877
Professional services	39,655	8,364	8,580	8,790	55,519
Depreciation and amortization	117,533	48,248	162,516	75,393	243,594
Grants	-	-	-	-	-
Facility	141,700	51,274	116,582	131,744	241,777
Interest and fees	134,047	48,907	766	100,495	129,137
Bad debts	1,166	-	7,345	-	1,204
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>625,848</u>	<u>195,902</u>	<u>406,446</u>	<u>394,258</u>	<u>878,864</u>
Excess (deficiency) of revenues over expenses	(160,933)	(65,027)	(91,674)	(167,586)	(173,293)
Net assets at beginning of year	(1,176,849)	117,965	1,949,296	(1,591,776)	981,613
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ (1,337,782)</u>	<u>\$ 52,938</u>	<u>\$ 1,857,622</u>	<u>\$ (1,759,362)</u>	<u>\$ 808,320</u>

Consolidating Statement of Activities
and Changes in Net Assets
South of Market Mercy Housing
For the year ended December 31, 2010

	Mercy Housing California IX (Sycamore St. Commons)	Mercy Housing California IV (Vista Grande Apts.)	Eliminations	Consolidated South of Market Mercy Housing
Revenues				
Rent - net of vacancies	\$ 639,537	\$ 356,561	\$ -	\$ 4,644,344
Developer fees	-	-	-	-
Services fees	-	-	(112,500)	4,557
Philanthropy	-	6,250	-	6,250
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	868	46	-	15,917
Other revenue	11,016	15,124	(51,117)	147,522
Total revenues	<u>651,421</u>	<u>377,981</u>	<u>(163,617)</u>	<u>4,818,590</u>
Expenses and losses				
Compensation	175,545	78,480	-	1,032,846
Administrative	85,058	42,392	(112,500)	673,234
Professional services	68,235	31,927	-	359,730
Depreciation and amortization	323,901	108,520	-	1,742,503
Grants	-	-	-	-
Facility	150,083	102,837	-	1,490,266
Interest and fees	151,671	64,194	-	1,134,239
Bad debts	-	13,810	-	32,354
Provision for impaired assets	-	-	-	11,340
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	(95,768)
(Gain) loss on investment in limited partnership	-	-	(10,770)	3,739,530
Total expenses and losses	<u>954,493</u>	<u>442,160</u>	<u>(123,270)</u>	<u>10,120,274</u>
Excess (deficiency) of revenues over expenses	<u>(303,072)</u>	<u>(64,179)</u>	<u>(40,347)</u>	<u>(5,301,684)</u>
Net assets at beginning of year	2,051,443	1,283,841	283,305	(12,729,000)
Other transfers to (from) net assets	-	-	-	(287,809)
Net assets at end of year	<u>\$ 1,748,371</u>	<u>\$ 1,219,662</u>	<u>\$ 242,958</u>	<u>\$ (18,318,493)</u>

Consolidating Statement of Financial Position
Visitacion Valley Affordable Housing
December 31, 2010

	Visitacion Valley Affordable Hsg	Visitacion Valley Family Hsg, Associates (Heritage Homes)	Eliminations	Consolidated Visitacion Valley Affordable Hsg
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 6,219	\$ -	\$ 6,219
Cash, tenant security deposits	-	101,502	-	101,502
Cash, restricted	-	54,317	-	54,317
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	-	58,869	-	58,869
Due from affiliate, net	3,750	-	(3,750)	-
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	-	48,968	-	48,968
Total current assets	3,750	269,875	(3,750)	269,875
Property and equipment				
Land and land improvements	-	-	-	-
Buildings	-	25,749,878	-	25,749,878
Furniture and equipment	-	1,049,444	-	1,049,444
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	-	(10,305,065)	-	(10,305,065)
Net property and equipment	-	16,494,257	-	16,494,257
Other long-term assets				
Restricted property reserves	-	874,469	-	874,469
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	3,124,341	-	(3,124,341)	-
Notes and interest receivable, net	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	-	51,162	-	51,162
Total other long-term assets	3,124,341	925,631	(3,124,341)	925,631
Total assets	\$ 3,128,091	\$ 17,689,763	\$ (3,128,091)	\$ 17,689,763
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ -	\$ 90,462	\$ -	\$ 90,462
Due to affiliates	112,877	15,000	(15,000)	112,877
Accrued interest	-	23,099	-	23,099
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	-	46,791	-	46,791
Current portion of notes payable, affiliates	-	-	-	-
Deferred revenue	-	10,087	-	10,087
Tenant security deposits	-	100,073	-	100,073
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	112,877	285,512	(15,000)	383,389
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	-	353,546	-	353,546
Accrued interest, affiliates	-	-	-	-
Notes payable, less current portion	-	6,387,971	-	6,387,971
Notes payable, less current portion, affiliates	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-
Total long-term liabilities	-	6,741,517	-	6,741,517
Total liabilities	112,877	7,027,029	(15,000)	7,124,906
Net assets				
Unrestricted net assets, controlling	963,214	10,662,734	(3,113,091)	8,512,857
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	963,214	10,662,734	(3,113,091)	8,512,857
Temporarily restricted net assets	2,052,000	-	-	2,052,000
Permanently restricted net assets	-	-	-	-
Total net assets	3,015,214	10,662,734	(3,113,091)	10,564,857
Total liabilities and net assets	\$ 3,128,091	\$ 17,689,763	\$ (3,128,091)	\$ 17,689,763

Consolidating Statement of Activities
and Changes in Net Assets
Visitacion Valley Affordable Housing
For the year ended December 31, 2010

	Visitacion Valley Affordable Hsg	Visitacion Valley Family Hsg, Associates (Heritage Homes)	Eliminations	Consolidated Visitacion Valley Affordable Hsg
Revenues				
Rent - net of vacancies	\$ -	\$ 1,653,685	\$ -	\$ 1,653,685
Developer fees	-	-	-	-
Services fees	15,000	-	(15,000)	-
Philanthropy	-	-	-	-
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	-	1,238	-	1,238
Other	3,750	24,669	(3,750)	24,669
Total revenues	<u>18,750</u>	<u>1,679,592</u>	<u>(18,750)</u>	<u>1,679,592</u>
Expenses and losses				
Compensation	-	377,463	-	377,463
Administrative	29,604	133,023	(15,000)	147,627
Professional services	933	19,200	-	20,133
Depreciation and amortization	-	1,002,019	-	1,002,019
Facility	-	828,715	-	828,715
Interest and fees	1,799	348,923	-	350,722
Bad debts	-	15,699	-	15,699
Provision for impaired assets	-	-	-	-
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	524	-	(524)	-
Total expenses and losses	<u>32,860</u>	<u>2,725,042</u>	<u>(15,524)</u>	<u>2,742,378</u>
Excess (deficiency) of revenues over expenses	(14,110)	(1,045,450)	(3,226)	(1,062,786)
Net assets at beginning of year	3,029,324	11,708,184	(3,109,865)	11,627,643
Other transfers to (from) net assets	-	-	-	-
Net assets at end of year	<u>\$ 3,015,214</u>	<u>\$ 10,662,734</u>	<u>\$ (3,113,091)</u>	<u>\$ 10,564,857</u>

Consolidating Statement of Financial Position
Neary Lagoon, Inc.
December 31, 2010

	Neary Lagoon, Inc.	Neary lagoon Partners (Neary Lagoon Cooperative)	Eliminations	Consolidated Neary Lagoon, Inc.
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 6,667	\$ -	\$ 6,667
Cash, tenant security deposits	-	46,151	-	46,151
Cash, restricted	-	45,709	-	45,709
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	-	156,197	1,770	157,967
Due from affiliate, net	-	1,855	(1,770)	85
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	-	28,116	-	28,116
Total current assets	-	284,695	-	284,695
Property and equipment				
Land and land improvements	-	-	-	-
Buildings	-	7,148,996	-	7,148,996
Furniture and equipment	-	251,824	-	251,824
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	-	(4,463,612)	-	(4,463,612)
Net property and equipment	-	2,937,208	-	2,937,208
Other long-term assets				
Restricted property reserves	-	189,491	-	189,491
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	(125,250)	-	125,250	-
Notes and interest receivable, net	139,667	-	-	139,667
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	-	93,124	-	93,124
Total other long-term assets	14,417	282,615	125,250	422,282
Total assets	\$ 14,417	\$ 3,504,518	\$ 125,250	\$ 3,644,185
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 17,423	\$ 162,994	\$ -	\$ 180,417
Due to affiliates	69,379	73,437	-	142,816
Accrued interest	-	2,223	-	2,223
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	-	34,720	-	34,720
Current portion of notes payable, affiliates	-	-	-	-
Deferred revenue	-	2,459	-	2,459
Tenant security deposits	-	46,675	-	46,675
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	86,802	322,508	-	409,310
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	-	3,488,836	-	3,488,836
Accrued interest, affiliates	-	-	-	-
Notes payable, less current portion	-	6,605,013	-	6,605,013
Notes payable, less current portion, affiliates	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-
Total long-term liabilities	-	10,093,849	-	10,093,849
Total liabilities	86,802	10,416,357	-	10,503,159
Net assets				
Unrestricted net assets, controlling	(72,385)	(6,911,839)	125,250	(6,858,974)
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	(72,385)	(6,911,839)	125,250	(6,858,974)
Temporarily restricted net assets	-	-	-	-
Permanently restricted net assets	-	-	-	-
Total net assets	(72,385)	(6,911,839)	125,250	(6,858,974)
Total liabilities and net assets	\$ 14,417	\$ 3,504,518	\$ 125,250	\$ 3,644,185

Consolidating Statement of Activities
and Changes in Net Assets
Neary Lagoon, Inc.
For the year ended December 31, 2010

	Neary Lagoon, Inc.	Neary Lagoon Partners (Neary Lagoon Cooperative)	Eliminations	Consolidated Neary Lagoon, Inc.
Revenues				
Rent - net of vacancies	\$ -	\$ 672,396	\$ -	\$ 672,396
Developer fees	-	-	-	-
Services fees	-	-	-	-
Philanthropy	-	-	-	-
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	13,770	480	-	14,250
Other	-	8,203	-	8,203
Total revenues	<u>13,770</u>	<u>681,079</u>	<u>-</u>	<u>694,849</u>
Expenses and losses				
Compensation	-	152,229	-	152,229
Administrative	18,996	218,588	-	237,584
Professional services	619	71,045	-	71,664
Depreciation and amortization	-	132,553	-	132,553
Grants	-	-	-	-
Facility	-	304,263	-	304,263
Interest and fees	486	263,878	-	264,364
Bad debts	-	406	-	406
Provision for impaired assets	13,770	-	-	13,770
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	4,619	-	(4,619)	-
Total expenses and losses	<u>38,490</u>	<u>1,142,962</u>	<u>(4,619)</u>	<u>1,176,833</u>
Excess (deficiency) of revenues over expenses	(24,720)	(461,883)	4,619	(481,984)
Net assets at beginning of year	(47,665)	(6,449,956)	120,631	(6,376,990)
Other transfers to (from) net assets	-	-	-	-
Net assets at end of year	<u>\$ (72,385)</u>	<u>\$ (6,911,839)</u>	<u>\$ 125,250</u>	<u>\$ (6,858,974)</u>

Consolidating Statement of Financial Position
Mercy Housing West
December 31, 2010

Assets

	Mercy Housing West	Mercy Housing California XIV (10th & Mission)	Mercy Housing California XIV (Nueva Vista)	Mercy Housing California XVII (Derek Silva Community)	Mercy Housing California XXIV (Carter Terrace)
Current assets					
Cash and cash equivalents	\$ -	\$ 238,094	\$ 110,228	\$ 228,930	\$ 82,102
Cash, tenant security deposits	-	117,142	35,052	18,420	120,519
Cash, restricted	-	597,921	32,894	53,415	388,313
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	6,027	13,703	2,111	22,750	35,914
Due from affiliate, net	1,065,325	-	242	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	890,486	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	62,973	18,070	39,717	33,348
Total current assets	1,961,838	1,029,833	198,597	363,232	660,196
Property and equipment					
Land and land improvements	-	1,323,633	917,754	135,399	3,615,496
Buildings	-	63,171,066	10,939,574	14,556,497	20,853,712
Furniture and equipment	-	1,482,269	326,999	76,207	1,588,730
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	-	(3,235,924)	(3,518,019)	(4,138,170)	(7,351,847)
Net property and equipment	-	62,741,044	8,666,308	10,629,933	18,706,091
Other long-term assets					
Restricted property reserves	-	657,595	376,372	584,691	929,542
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	14,937,090	-	-	-	-
Notes and interest receivable, net	285,520	-	-	-	-
Notes and interest receivable, affiliates	22,091,214	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	412,974	69,191	236,372	169,514
Total other long-term assets	37,313,824	1,070,569	445,563	821,063	1,099,056
Total assets	\$ 39,275,662	\$ 64,841,446	\$ 9,310,468	\$ 11,814,228	\$ 20,465,343
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ 297,653	\$ 37,035	\$ 58,285	\$ 110,271
Due to affiliates	1,361,283	34,083	28,717	125,176	80,477
Accrued interest	-	-	3,569	2,588	5,796
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	11,711	54,314	200,000	300,000
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	-	7,432	3,239	59,035	16,083
Tenant security deposits	-	116,621	35,052	17,598	107,439
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	1,361,283	467,500	161,926	462,682	620,066
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	379,894	-	419,596	2,358,223
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	37,996,965	4,194,190	9,193,104	18,158,391
Notes payable, less current portion, affiliates	6,727,672	-	-	-	-
Deferred revenue and other liabilities	-	99,921	5	920,000	-
Total long-term liabilities	6,727,672	38,476,780	4,194,195	10,532,700	20,516,614
Total liabilities	8,088,955	38,944,280	4,356,121	10,995,382	21,136,680
Net assets					
Unrestricted net assets, noncontrolling	(3,630,211)	25,897,166	4,954,347	818,846	(671,337)
Unrestricted net assets, controlling	-	-	-	-	-
Total unrestricted net assets	(3,630,211)	25,897,166	4,954,347	818,846	(671,337)
Temporarily restricted net assets	34,816,918	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	31,186,707	25,897,166	4,954,347	818,846	(671,337)
Total liabilities and net assets	\$ 39,275,662	\$ 64,841,446	\$ 9,310,468	\$ 11,814,228	\$ 20,465,343

Consolidating Statement of Financial Position
Mercy Housing West
December 31, 2010

Assets

	Mercy Housing California XVIII (Leland Polk Senior)	Mercy Housing California XIII (Linbrook Court)	Mercy Housing California XX (Mission Creek Senior)	Mercy Housing California XVI (Villa Madera)	Mercy Housing California XXIII (St. Vincent's Garden)
Current assets					
Cash and cash equivalents	\$ 33,837	\$ 289,690	\$ 434,671	\$ 24,062	\$ 374,292
Cash, tenant security deposits	26,029	28,790	73,572	58,840	36,156
Cash, restricted	-	90,660	222,085	-	2,832
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	57	233,077	1,371	19,838
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	71,534	14,381	71,910	11,855	798,099
Total current assets	131,400	423,578	1,035,315	96,128	1,231,217
Property and equipment					
Land and land improvements	1,023,191	1,804,059	28,240	2,206,746	8,487,572
Buildings	15,659,881	9,971,643	39,618,491	11,998,565	26,126,010
Furniture and equipment	153,533	266,802	967,205	213,962	574,044
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(3,380,006)	(3,334,895)	(7,480,633)	(3,182,370)	(3,716,550)
Net property and equipment	13,456,599	8,707,609	33,133,303	11,236,903	31,471,076
Other long-term assets					
Restricted property reserves	638,359	336,308	1,370,108	369,435	921,002
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	161,369	74,967	479,051	74,486	75,896
Total other long-term assets	799,728	411,275	1,849,159	443,921	996,898
Total assets	\$ 14,387,727	\$ 9,542,462	\$ 36,017,777	\$ 11,776,952	\$ 33,699,191
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 79,643	\$ 53,736	\$ 221,118	\$ 33,915	\$ 105,276
Due to affiliates	26,764	30,000	53,691	163,754	105,000
Accrued interest	3,694	12,603	8,442	31,113	256,537
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	200,000	41,408	241,070	126,537	2,198,031
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	951	41	1,081	-	2,410
Tenant security deposits	21,178	31,990	65,098	54,552	33,900
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	332,230	169,778	590,500	409,871	2,701,154
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	2,548,697	575,089	672,973	424,512	1,786,312
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	11,716,932	4,273,561	23,823,597	8,596,138	20,360,046
Notes payable, less current portion, affiliates	-	-	-	284,000	-
Deferred revenue and other liabilities	-	-	-	595,752	-
Total long-term liabilities	14,265,629	4,848,650	24,496,570	9,900,402	22,146,358
Total liabilities	14,597,859	5,018,428	25,087,070	10,310,273	24,847,512
Net assets					
Unrestricted net assets, noncontrolling	(210,132)	4,524,034	10,930,707	1,466,679	8,851,679
Unrestricted net assets, controlling	-	-	-	-	-
Total unrestricted net assets	(210,132)	4,524,034	10,930,707	1,466,679	8,851,679
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(210,132)	4,524,034	10,930,707	1,466,679	8,851,679
Total liabilities and net assets	\$ 14,387,727	\$ 9,542,462	\$ 36,017,777	\$ 11,776,952	\$ 33,699,191

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Assets

	Mercy Housing California XXIII (Villa Amador)	Village Park Housing Associates (Village Park Apts.)	Mercy Housing California XXIII (White Rock Village)	Mercy Housing California XIX (1500 S. Grand)	Mercy Housing California XXV (Casa Alegre)
Current assets					
Cash and cash equivalents	\$ 65,202	\$ 20,164	\$ 300	\$ 73,519	\$ 122,329
Cash, tenant security deposits	76,053	33,515	123,448	41,786	18,847
Cash, restricted	285,026	4,375	-	5,168	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	43,728	2,654	22,687	55,597	696
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	28,370	13,237	69,594	2,067,916	22,351
Total current assets	498,379	73,945	216,029	2,243,986	164,223
Property and equipment					
Land and land improvements	6,265,525	200,000	5,531,488	164,151	873,574
Buildings	26,871,075	4,390,569	23,490,279	19,922,696	3,404,005
Furniture and equipment	674,962	181,723	660,541	137,716	41,308
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(3,771,573)	(2,979,354)	(5,675,578)	(3,954,877)	(1,125,889)
Net property and equipment	30,039,989	1,792,938	24,006,730	16,269,686	3,192,998
Other long-term assets					
Restricted property reserves	416,741	199,328	404,321	304,881	167,421
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	293
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	375,595	8,488	315,774	107,144	9,913
Total other long-term assets	792,336	207,816	720,095	412,025	177,627
Total assets	\$ 31,330,704	\$ 2,074,699	\$ 24,942,854	\$ 18,925,697	\$ 3,534,848
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 93,351	\$ 38,542	\$ 119,409	\$ 52,035	\$ 22,919
Due to affiliates	44,092	71,325	229,330	91,388	70,098
Accrued interest	50,947	2,548	71,578	5,305	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	36,193	438,374	247,906	12,469	-
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	2,012	-	3,192	898	35
Tenant security deposits	74,981	33,515	123,319	41,803	18,867
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	301,576	584,304	794,734	203,898	111,919
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	969,409	1,067,443	747,884	1,203,633	176,838
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	16,891,539	1,995,897	19,640,364	7,086,621	897,000
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	149,585	-	930,383	2,396,021	-
Total long-term liabilities	18,010,533	3,063,340	21,318,631	10,686,275	1,073,838
Total liabilities	18,312,109	3,647,644	22,113,365	10,890,173	1,185,757
Net assets					
Unrestricted net assets, noncontrolling	13,018,595	(1,572,945)	2,829,489	8,035,524	2,349,091
Unrestricted net assets, controlling	-	-	-	-	-
Total unrestricted net assets	13,018,595	(1,572,945)	2,829,489	8,035,524	2,349,091
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	13,018,595	(1,572,945)	2,829,489	8,035,524	2,349,091
Total liabilities and net assets	\$ 31,330,704	\$ 2,074,699	\$ 24,942,854	\$ 18,925,697	\$ 3,534,848

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Assets

	Pinewood Court Apartments	Mercy Housing California XXII (Dudley Apartments)	Mercy Housing California XXVI (Martin Luther King Village)	Mercy Housing California XLI (Westbrook Plaza)	Mercy Housing California XIV (Edith Witt Sr.)
Current assets					
Cash and cash equivalents	\$ 1,680	\$ 11,097	\$ 11,280	\$ 21,573	\$ 77,064
Cash, tenant security deposits	39,729	24,314	13,806	19,844	32,741
Cash, restricted	356,676	10,194	97,266	484,927	664,589
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	1,686	9,827	2,444	15,067	126,761
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	384
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	15,874	26,530	18,095	-	39,964
Total current assets	415,645	81,962	142,891	541,411	941,503
Property and equipment					
Land and land improvements	1,999,638	121,460	2,777,060	692,296	1,779,088
Buildings	6,616,305	7,278,620	10,389,636	24,271,338	41,643,701
Furniture and equipment	144,635	188,543	349,061	225,111	947,474
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(2,146,545)	(2,174,377)	(1,325,773)	(163,610)	(736,782)
Net property and equipment	6,614,033	5,414,246	12,189,984	25,025,135	43,633,481
Other long-term assets					
Restricted property reserves	128,768	473,516	852,351	-	553,889
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	138,889	44,516	129,616	343,451	183,027
Total other long-term assets	267,657	518,032	981,967	343,451	736,916
Total assets	\$ 7,297,335	\$ 6,014,240	\$ 13,314,842	\$ 25,909,997	\$ 45,311,900
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 42,686	\$ 96,781	\$ 51,873	\$ 2,664,228	\$ 1,251,337
Due to affiliates	47,948	410,467	-	30,175	98,464
Accrued interest	10,099	-	-	-	-
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	27,157	-	1,126,667	-	-
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	573	3,807	395	5,173	7,500
Tenant security deposits	38,423	24,314	13,255	28,466	32,571
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	166,886	535,369	1,192,190	2,728,042	1,389,872
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	191,812	861,943	367,870	360,845	-
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	3,058,353	4,276,660	9,565,068	21,769,146	16,905,237
Notes payable, less current portion, affiliates	-	-	-	-	11,736,014
Deferred revenue and other liabilities	450,939	138,738	30,385	1,403,205	971,412
Total long-term liabilities	3,701,104	5,277,341	9,963,323	23,533,196	29,612,663
Total liabilities	3,867,990	5,812,710	11,155,513	26,261,238	31,002,535
Net assets					
Unrestricted net assets, noncontrolling	3,429,345	201,530	2,159,329	(351,241)	14,309,365
Unrestricted net assets, controlling	-	-	-	-	-
Total unrestricted net assets	3,429,345	201,530	2,159,329	(351,241)	14,309,365
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	3,429,345	201,530	2,159,329	(351,241)	14,309,365
Total liabilities and net assets	\$ 7,297,335	\$ 6,014,240	\$ 13,314,842	\$ 25,909,997	\$ 45,311,900

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	Mercy Housing California XXVII (Serna Village)	Mercy Housing California XXVIII (Vineyard Townhomes)	Mercy Terrace, LLC	Mercy Housing California XXIX (Grizzly Hollow Phase III)	New Dana Strand Townhomes
Assets					
Current assets					
Cash and cash equivalents	\$ 151,929	\$ 269,113	\$ 1,243,070	\$ 369	\$ 48,664
Cash, tenant security deposits	52,925	58,093	65,494	30,991	72,309
Cash, restricted	212,664	266	198,016	1,272	111,414
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	26,503	11,655	21,365	11,127	115,292
Due from affiliate, net	-	-	-	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	16,377	16,260	48,913	13,984	316,168
Total current assets	460,398	355,387	1,576,858	57,743	663,847
Property and equipment					
Land and land improvements	1,761,988	2,269,564	-	2,921,288	5,022,013
Buildings	14,350,538	14,454,293	20,137,980	13,138,049	33,429,406
Furniture and equipment	228,939	192,137	265,032	155,101	1,080,784
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(3,071,562)	(2,132,985)	(4,294,879)	(2,790,042)	(4,973,105)
Net property and equipment	13,269,903	14,783,009	16,108,133	13,424,396	34,559,098
Other long-term assets					
Restricted property reserves	408,957	259,217	1,890,466	162,598	355,705
Cash, restricted	-	-	-	-	-
Long-term investments	-	1,411	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	102,927	186,027	678,101	71,578	504,093
Total other long-term assets	511,884	446,655	2,568,567	234,176	859,798
Total assets	\$ 14,242,185	\$ 15,585,051	\$ 20,253,558	\$ 13,716,315	\$ 36,082,743
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 54,140	\$ 49,695	\$ 104,097	\$ 77,442	\$ 88,146
Due to affiliates	45,000	75,000	1,462,329	78,612	93,500
Accrued interest	6,618	20,716	4,019	4,007	43,873
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	152,042	44,516	115,114	32,329	40,456
Current portion of notes payable, affiliates	-	-	131,758	-	-
Deferred revenue	1,616	7,949	1,835	1,292	15,511
Tenant security deposits	53,834	57,862	58,000	30,149	71,213
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	313,250	255,738	1,877,152	223,831	352,699
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	203,433	14,144	-	889,483	444,375
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	2,300,529	3,857,632	14,000,000	7,894,870	21,293,836
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	221,632	-	251,710	311,717
Total long-term liabilities	2,503,962	4,093,408	14,000,000	9,036,063	22,049,928
Total liabilities	2,817,212	4,349,146	15,877,152	9,259,894	22,402,627
Net assets					
Unrestricted net assets, noncontrolling	11,424,973	11,235,905	4,376,406	4,456,421	13,680,116
Unrestricted net assets, controlling	-	-	-	-	-
Total unrestricted net assets	11,424,973	11,235,905	4,376,406	4,456,421	13,680,116
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	11,424,973	11,235,905	4,376,406	4,456,421	13,680,116
Total liabilities and net assets	\$ 14,242,185	\$ 15,585,051	\$ 20,253,558	\$ 13,716,315	\$ 36,082,743

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	Mercy Housing California XXXII (Creekview Manor)	Mercy Housing California XXXVI (Kent Gardens Senior Housing)	Mercy Housing California XXXI (Martinelli House)	Mercy Housing California XXXV (Arden Aire Apartments)	Mercy Housing California XXXIII (Casa Verde)	Mercy Housing California XXXVII (Ross Ranch)
Assets						
Current assets						
Cash and cash equivalents	\$ 75,547	\$ 89,493	\$ 108,174	\$ 44,222	\$ 88,288	\$ -
Cash, tenant security deposits	122,923	27,154	34,042	19,106	44,892	-
Cash, restricted	7,867	10,007	326,058	8,955	183,754	2,444
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	4,731	1,660	1,700	10,467	2,281	-
Due from affiliate, net	-	-	-	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	27,561	23,325	46,240	14,609	16,195	-
Total current assets	238,629	151,639	516,214	97,359	335,410	2,444
Property and equipment						
Land and land improvements	8,258,174	2,954,452	388,345	996,396	812,667	1,200,000
Buildings	16,565,454	14,753,746	9,639,147	9,577,495	10,520,660	-
Furniture and equipment	629,140	437,990	414,180	223,746	359,974	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	377,647
Accumulated depreciation	(3,342,462)	(1,761,427)	(1,305,787)	(1,138,432)	(1,345,573)	-
Net property and equipment	22,110,306	16,384,761	9,135,885	9,659,205	10,347,728	1,577,647
Other long-term assets						
Restricted property reserves	332,208	844,389	152,010	524,488	543,515	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	276,424	118,054	102,082	121,794	56,430	1,092
Total other long-term assets	608,632	962,443	254,092	646,282	599,945	1,092
Total assets	\$ 22,957,567	\$ 17,498,843	\$ 9,906,191	\$ 10,402,846	\$ 11,283,083	\$ 1,581,183
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 38,534	\$ 39,303	\$ 73,604	\$ 30,216	\$ 35,313	\$ -
Due to affiliates	43,606	15,450	346	-	15,000	-
Accrued interest	12,901	-	11,710	-	-	161,218
Accrued interest, affiliates	-	-	-	-	-	-
Current portion of notes payable	23,975	-	43,239	-	-	-
Current portion of notes payable, affiliates	-	-	-	-	-	7,273
Deferred revenue	700	2,613	3,442	2,729	330	-
Tenant security deposits	77,038	26,363	33,053	18,616	36,851	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	196,754	83,729	165,394	51,561	87,494	168,491
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	198,493	-	-	231,472	-	-
Accrued interest, affiliates	-	-	638,479	-	-	-
Notes payable, less current portion	4,924,323	1,479,431	2,856,478	7,009,500	1,766	1,414,722
Notes payable, less current portion, affiliates	-	10,355,200	3,529,317	-	-	-
Deferred revenue and other liabilities	107,886	-	-	175,001	85,637	-
Total long-term liabilities	5,230,702	11,834,631	7,024,274	7,415,973	87,403	1,414,722
Total liabilities	5,427,456	11,918,360	7,189,668	7,467,534	174,897	1,583,213
Net assets						
Unrestricted net assets, noncontrolling	17,530,111	5,580,483	2,716,523	2,935,312	11,108,186	(2,030)
Unrestricted net assets, controlling	-	-	-	-	-	-
Total unrestricted net assets	17,530,111	5,580,483	2,716,523	2,935,312	11,108,186	(2,030)
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	17,530,111	5,580,483	2,716,523	2,935,312	11,108,186	(2,030)
Total liabilities and net assets	\$ 22,957,567	\$ 17,498,843	\$ 9,906,191	\$ 10,402,846	\$ 11,283,083	\$ 1,581,183

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	Colonia San Martin Associates, LP	Mercy Housing California XXXIX (Gleason Park)	Eliminations	Consolidated Mercy Housing West
Assets				
Current assets				
Cash and cash equivalents	\$ 2,988	\$ -	\$ (39,097)	\$ 4,302,874
Cash, tenant security deposits	33,931	-	-	1,500,463
Cash, restricted	307,642	585,139	-	5,251,839
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	2,278	-	-	825,054
Due from affiliate, net	-	121	(1,065,328)	360
Pledges receivable	-	-	-	-
Grants receivable	-	1	-	890,871
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	15,603	6,771	-	3,985,824
Total current assets	362,442	592,032	(1,104,425)	16,757,285
Property and equipment				
Land and land improvements	3,427,557	1	-	69,958,815
Buildings	9,508,647	-	-	547,249,078
Furniture and equipment	267,831	-	-	13,455,679
Predevelopment project costs	-	-	-	-
Construction in progress	-	15,502,491	-	15,880,138
Accumulated depreciation	(1,263,395)	-	-	(90,812,421)
Net property and equipment	11,940,640	15,502,492	-	555,731,289
Other long-term assets				
Restricted property reserves	129,863	1,146,035	-	16,434,079
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	1,704
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	-	-	(16,308,066)	(1,370,976)
Notes and interest receivable, net	-	-	-	285,520
Notes and interest receivable, affiliates	-	-	(22,091,214)	-
Allowance for impaired assets	-	-	-	-
Other assets	115,462	135,943	-	5,880,240
Total other long-term assets	245,325	1,281,978	(38,399,280)	21,230,567
Total assets	\$ 12,548,407	\$ 17,376,502	\$ (39,503,705)	\$ 593,719,141
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 48,001	\$ 4,879,686	\$ (29,285)	\$ 10,918,985
Due to affiliates	-	-	(1,626,410)	3,304,665
Accrued interest	-	-	-	729,881
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	-	-	-	5,713,508
Current portion of notes payable, affiliates	-	-	-	139,031
Deferred revenue	1,378	-	-	153,252
Tenant security deposits	17,686	-	-	1,393,607
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	67,065	4,879,686	(1,655,695)	22,352,929
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	134,345	-	-	17,228,718
Accrued interest, affiliates	-	-	-	638,479
Notes payable, less current portion	2,995,000	11,936,221	-	322,363,117
Notes payable, less current portion, affiliates	-	559,793	(22,375,214)	10,816,782
Deferred revenue and other liabilities	240	-	-	9,240,169
Total long-term liabilities	3,129,585	12,496,014	(22,375,214)	360,287,265
Total liabilities	3,196,650	17,375,700	(24,030,909)	382,640,194
Net assets				
Unrestricted net assets, noncontrolling	9,351,757	802	(15,472,796)	176,262,029
Unrestricted net assets, controlling	-	-	-	-
Total unrestricted net assets	9,351,757	802	(15,472,796)	176,262,029
Temporarily restricted net assets	-	-	-	34,816,918
Permanently restricted net assets	-	-	-	-
Total net assets	9,351,757	802	(15,472,796)	211,078,947
Total liabilities and net assets	\$ 12,548,407	\$ 17,376,502	\$ (39,503,705)	\$ 593,719,141

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing West
For the year ended December 31, 2010

	Mercy Housing West	Mercy Housing California XIV (10th & Mission)	Mercy Housing California XIV (Nueva Vista)	Mercy Housing California XVII (Derek Silva Community)	Mercy Housing California XXIV (Carter Terrace)
Revenues					
Rent - net of vacancies	\$ -	\$ 1,357,828	\$ 497,990	\$ 1,058,141	\$ 1,518,463
Developer fees	-	-	-	-	-
Services fees	507,556	-	-	-	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	-	10,907	300	471	707
Other revenue	66,605	541,624	6,545	97,658	11,897
Total revenues	<u>574,161</u>	<u>1,910,359</u>	<u>504,835</u>	<u>1,156,270</u>	<u>1,531,067</u>
Expenses and losses					
Compensation	-	521,853	87,983	346,460	306,641
Administrative	532,598	181,860	84,772	119,314	139,626
Professional services	696	83,232	54,140	19,605	91,334
Depreciation and amortization	-	2,656,302	496,263	569,854	1,233,475
Grants	-	-	-	-	-
Facility	-	507,208	115,649	381,824	555,127
Interest and fees	797	654,788	43,470	241,745	747,039
Bad debts	-	2,635	-	920	8,290
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	154,077	-	-	-	-
Total expenses and losses	<u>688,168</u>	<u>4,607,878</u>	<u>882,277</u>	<u>1,679,722</u>	<u>3,081,532</u>
Excess (deficiency) of revenues over expenses	(114,007)	(2,697,519)	(377,442)	(523,452)	(1,550,465)
Net assets at beginning of year	31,300,714	22,285,392	5,368,952	1,342,298	305,082
Other transfers to (from) net assets	-	6,309,293	(37,163)	-	574,046
Net assets at end of year	<u>\$ 31,186,707</u>	<u>\$ 25,897,166</u>	<u>\$ 4,954,347</u>	<u>\$ 818,846</u>	<u>\$ (671,337)</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing West
For the year ended December 31, 2010

	Mercy Housing California XVIII (Leland Polk Senior)	Mercy Housing California XIII (Linbrook Court)	Mercy Housing California XX (Mission Creek Senior)	Mercy Housing California XVI (Villa Madera)	Mercy Housing California XXIII (St. Vincent's Garden)
Revenues					
Rent - net of vacancies	\$ 1,073,968	\$ 708,988	\$ 2,123,133	\$ 761,665	\$ 1,210,706
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	513	261	1,085	1,509	3,146
Other revenue	19,589	8,148	97,303	16,571	1,831
Total revenues	<u>1,094,070</u>	<u>717,397</u>	<u>2,221,521</u>	<u>779,745</u>	<u>1,215,683</u>
Expenses and losses					
Compensation	294,510	113,455	650,485	88,956	120,552
Administrative	83,705	111,576	170,834	104,367	106,338
Professional services	89,016	76,581	18,950	67,143	60,387
Depreciation and amortization	664,792	412,187	1,620,782	537,415	1,560,346
Grants	-	-	-	-	-
Facility	261,416	135,959	394,801	194,431	243,529
Interest and fees	536,325	228,534	743,221	313,412	922,799
Bad debts	-	3,998	-	(1,474)	5,181
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>1,929,764</u>	<u>1,082,290</u>	<u>3,599,073</u>	<u>1,304,250</u>	<u>3,019,132</u>
Excess (deficiency) of revenues over expenses	(835,694)	(364,893)	(1,377,552)	(524,505)	(1,803,449)
Net assets at beginning of year	625,562	4,888,927	12,308,259	1,991,184	8,602,727
Other transfers to (from) net assets	-	-	-	-	2,052,401
Net assets at end of year	<u>\$ (210,132)</u>	<u>\$ 4,524,034</u>	<u>\$ 10,930,707</u>	<u>\$ 1,466,679</u>	<u>\$ 8,851,679</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing West
For the year ended December 31, 2010

	Mercy Housing California XXIII (Villa Amador)	Village Park Housing Associates (Village Park Apts.)	Mercy Housing California XXIII (White Rock Village)	Mercy Housing California XIX (1500 S. Grand)	Mercy Housing California XXV (Casa Alegre)
Revenues					
Rent - net of vacancies	\$ 962,698	\$ 335,081	\$ 1,765,988	\$ 615,524	\$ 222,291
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	1,313	255	1,771	172	227
Other revenue	33,137	1,980	55,937	199,007	2,836
Total revenues	<u>997,148</u>	<u>337,316</u>	<u>1,823,696</u>	<u>814,703</u>	<u>225,354</u>
Expenses and losses					
Compensation	139,332	87,763	228,510	119,117	83,602
Administrative	97,392	50,331	157,829	103,636	51,050
Professional services	72,845	50,388	94,689	49,569	40,789
Depreciation and amortization	1,380,031	135,169	1,030,137	757,462	161,348
Grants	-	-	-	-	-
Facility	328,682	112,062	501,958	248,847	63,422
Interest and fees	669,866	102,510	754,833	274,457	24,917
Bad debts	8,255	-	7,222	4,840	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>2,696,403</u>	<u>538,223</u>	<u>2,775,178</u>	<u>1,557,928</u>	<u>425,128</u>
Excess (deficiency) of revenues over expenses	(1,699,255)	(200,907)	(951,482)	(743,225)	(199,774)
Net assets at beginning of year	14,717,850	(1,372,038)	3,780,971	8,778,749	2,548,865
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ 13,018,595</u>	<u>\$ (1,572,945)</u>	<u>\$ 2,829,489</u>	<u>\$ 8,035,524</u>	<u>\$ 2,349,091</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing West
For the year ended December 31, 2010

	Pinewood Court Apartments	Mercy Housing California XXII (Dudley Apartments)	Mercy Housing California XXVI (Martin Luther King Village)	Mercy Housing California XLI (Westbrook Plaza)	Mercy Housing California XIV (Edith Witt Sr.)
Revenues					
Rent - net of vacancies	\$ 495,040	\$ 618,127	\$ 558,154	\$ 17,417	\$ 380,986
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	42,541	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	105	500	1,095	-	72
Other revenue	17,850	28,748	20,245	5,740	8,138
Total revenues	512,995	689,916	579,494	23,157	389,196
Expenses and losses					
Compensation	116,764	294,218	242,967	29,894	171,473
Administrative	69,542	96,538	80,367	222,548	317,355
Professional services	103,745	24,616	86,908	46,695	55,853
Depreciation and amortization	373,721	302,367	625,108	169,234	929,141
Grants	-	-	-	-	-
Facility	115,706	313,471	129,887	50,910	78,822
Interest and fees	169,552	134,667	271,324	70	212,519
Bad debts	-	641	2,614	-	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	949,030	1,166,518	1,439,175	519,351	1,765,163
Excess (deficiency) of revenues over expenses	(436,035)	(476,602)	(859,681)	(496,194)	(1,375,967)
Net assets at beginning of year	3,865,380	678,132	1,869,735	175,183	2,029
Other transfers to (from) net assets	-	-	1,149,275	(30,230)	15,683,303
Net assets at end of year	<u>\$ 3,429,345</u>	<u>\$ 201,530</u>	<u>\$ 2,159,329</u>	<u>\$ (351,241)</u>	<u>\$ 14,309,365</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing West
For the year ended December 31, 2010

	Mercy Housing California XXVII (Serna Village)	Mercy Housing California XXVIII (Vineyard Townhomes)	Mercy Terrace, LLC	Mercy Housing California XXIX (Grizzly Hollow Phase III)	New Dana Strand Townhomes
Revenues					
Rent - net of vacancies	\$ 834,019	\$ 685,506	\$ 2,932,983	\$ 407,782	\$ 978,234
Developer fees	-	-	-	-	-
Services fees	-	-	-	-	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	349	5	345	721	2,457
Other revenue	17,276	14,162	60,703	11,575	4,082
Total revenues	<u>851,644</u>	<u>699,673</u>	<u>2,994,031</u>	<u>420,078</u>	<u>984,773</u>
Expenses and losses					
Compensation	140,387	116,534	603,255	71,144	244,162
Administrative	122,735	93,691	212,325	60,563	150,106
Professional services	98,479	74,929	13,470	48,747	68,362
Depreciation and amortization	674,395	720,642	802,501	677,494	1,740,929
Grants	-	-	-	-	-
Facility	208,089	312,348	1,593,249	161,219	208,610
Interest and fees	119,370	253,631	226,728	261,158	378,835
Bad debts	2,337	14,916	526	2,422	2,430
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-
Total expenses and losses	<u>1,365,792</u>	<u>1,586,691</u>	<u>3,452,054</u>	<u>1,282,747</u>	<u>2,793,434</u>
Excess (deficiency) of revenues over expenses	(514,148)	(887,018)	(458,023)	(862,669)	(1,808,661)
Net assets at beginning of year	11,939,121	12,122,923	4,834,429	5,319,090	15,531,602
Other transfers to (from) net assets	-	-	-	-	(42,825)
Net assets at end of year	<u>\$ 11,424,973</u>	<u>\$ 11,235,905</u>	<u>\$ 4,376,406</u>	<u>\$ 4,456,421</u>	<u>\$ 13,680,116</u>

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing West
For the year ended December 31, 2010

	Mercy Housing California XXXII (Creekview Manor)	Mercy Housing California XXXVI (Kent Gardens Senior Housing)	Mercy Housing California XXXI (Martinelli House)	Mercy Housing California XXXV (Arden Aire Apartments)	Mercy Housing California XXXIII (Casa Verde)	Mercy Housing California XXXVII (Ross Ranch)
Revenues						
Rent - net of vacancies	\$ 794,891	\$ 599,414	\$ 730,925	\$ 266,199	\$ 430,454	\$ -
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	45,358	-	-	-
Capital grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	895	720	117	12,528	374	-
Other revenue	16,189	7,010	2,358	61,104	41,738	-
Total revenues	811,975	607,144	778,758	339,831	472,566	-
Expenses and losses						
Compensation	145,311	186,307	188,544	101,767	97,559	-
Administrative	126,471	113,291	120,114	42,681	88,539	-
Professional services	64,637	85,812	15,764	50,421	81,117	-
Depreciation and amortization	1,091,180	703,708	405,083	394,681	510,937	-
Grants	-	-	-	-	-	-
Facility	204,477	140,375	189,740	87,612	109,575	-
Interest and fees	223,679	39	318,419	147,124	5	-
Bad debts	466	1,369	7,562	3,048	5,689	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	1,856,221	1,230,901	1,245,226	827,334	893,421	-
Excess (deficiency) of revenues over expenses	(1,044,246)	(623,757)	(466,468)	(487,503)	(420,855)	-
Net assets at beginning of year	18,574,357	6,204,240	2,980,542	3,422,815	11,529,041	(2,030)
Other transfers to (from) net assets	-	-	202,449	-	-	-
Net assets at end of year	\$ 17,530,111	\$ 5,580,483	\$ 2,716,523	\$ 2,935,312	\$ 11,108,186	\$ (2,030)

Consolidating Statement of Activities
and Changes in Net Assets
Mercy Housing West
For the year ended December 31, 2010

	Colonia San Martin Associates, LP	Mercy Housing California XXXIX (Gleason Park)	Eliminations	Consolidated Mercy Housing West
Revenues				
Rent - net of vacancies	\$ 227,423	\$ -	\$ -	\$ 25,170,018
Developer fees	-	-	-	-
Services fees	-	-	(507,556)	-
Philanthropy	-	-	-	87,899
Capital grants	-	-	-	-
Consulting	-	-	-	-
Interest	96	725	-	43,741
Other revenue	163,531	-	(75,300)	1,565,817
Total revenues	391,050	725	(582,856)	26,867,475
Expenses and losses				
Compensation	120,166	-	-	6,059,671
Administrative	61,518	23	(516,557)	3,557,078
Professional services	18,630	-	-	1,807,549
Depreciation and amortization	591,401	-	-	23,928,085
Grants	-	-	-	-
Facility	111,689	-	-	8,060,694
Interest and fees	46,165	-	-	9,021,998
Bad debts	5,929	-	-	89,816
Provision for impaired assets	-	-	-	-
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	-	-	(12,247)	141,830
Total expenses and losses	955,498	23	(528,804)	52,666,721
Excess (deficiency) of revenues over expenses	(564,448)	702	(54,052)	(25,799,246)
Net assets at beginning of year	9,916,205	3,640	(15,171,244)	211,268,684
Other transfers to (from) net assets	-	(3,540)	(247,500)	25,609,509
Net assets at end of year	<u>\$ 9,351,757</u>	<u>\$ 802</u>	<u>\$ (15,472,796)</u>	<u>\$ 211,078,947</u>

Consolidating Statement of Financial Position
San Juan Housing Corp.
December 31, 2010

	San Juan Housing Corp.	Kennedy Estates Housing Associates (Kennedy Estates)	Tahoe Valley Townhomes Associates	Eliminations	Consolidated San Juan Housing Corp.
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 4,501	\$ 5,400	\$ (6,618)	\$ 3,283
Cash, tenant security deposits	-	62,751	57,091	-	119,842
Cash, restricted	-	201	489	-	690
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	3,242	9,436	-	12,678
Due from affiliate, net	259,506	-	-	(259,506)	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	17,642	14,940	-	32,582
Total current assets	259,506	88,337	87,356	(266,124)	169,075
Property and equipment					
Land and land improvements	-	601,511	833,858	-	1,435,369
Buildings	-	5,624,493	2,109,869	-	7,734,362
Furniture and equipment	-	163,265	3,631,483	-	3,794,748
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	-	(2,769,779)	(2,881,207)	-	(5,650,986)
Net property and equipment	-	3,619,490	3,694,003	-	7,313,493
Other long-term assets					
Restricted property reserves	-	453,121	198,919	-	652,040
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	(35,774)	-	-	35,774	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	27,372	70,010	-	97,382
Total other long-term assets	(35,774)	480,493	268,929	35,774	749,422
Total assets	\$ 223,732	\$ 4,188,320	\$ 4,050,288	\$ (230,350)	\$ 8,231,990
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 116,817	\$ 106,401	\$ 71,969	\$ (6,618)	\$ 288,569
Due to affiliates	156,037	289,219	235,020	(471,176)	209,100
Accrued interest	-	6,578	11,074	-	17,652
Accrued interest, affiliates	-	-	-	-	-
Current portion of notes payable	-	61,087	60,641	-	121,728
Current portion of notes payable, affiliates	-	-	-	-	-
Deferred revenue	-	73	59	-	132
Tenant security deposits	-	60,549	55,610	-	116,159
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	272,854	523,907	434,373	(477,794)	753,340
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	346,834	999,983	-	1,346,817
Accrued interest, affiliates	-	-	-	-	-
Notes payable, less current portion	-	1,896,664	5,073,048	-	6,969,712
Notes payable, less current portion, affiliates	-	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	2,243,498	6,073,031	-	8,316,529
Total liabilities	272,854	2,767,405	6,507,404	(477,794)	9,069,869
Net assets					
Unrestricted net assets, controlling	(49,122)	1,420,915	(2,457,116)	247,444	(837,879)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	-	-	-	-	-
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(49,122)	1,420,915	(2,457,116)	247,444	(837,879)
Total liabilities and net assets	\$ 223,732	\$ 4,188,320	\$ 4,050,288	\$ (230,350)	\$ 8,231,990

Consolidating Statement of Activities
and Changes in Net Assets
San Juan Housing Corp.
For the year ended December 31, 2010

	San Juan Housing Corp.	Kennedy Estates Housing Associates (Kennedy Estates)	Tahoe Valley Townhomes Associates	Eliminations	Consolidated San Juan Housing Corp.
Revenues					
Rent - net of vacancies	\$ -	\$ 663,252	\$ 563,278	\$ -	\$ 1,226,530
Developer fees	-	-	-	-	-
Services fees	46,882	-	-	(46,882)	-
Philanthropy	-	-	-	-	-
Capital grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	-	510	845	-	1,355
Other	-	24,441	18,434	-	42,875
Total revenues	46,882	688,203	582,557	(46,882)	1,270,760
Expenses and losses					
Compensation	-	163,277	134,554	-	297,831
Administrative	36,829	105,259	85,844	(46,882)	181,050
Professional services	1,028	57,405	12,185	-	70,618
Depreciation and amortization	-	240,815	239,010	-	479,825
Grants	-	-	-	-	-
Facility	-	260,859	199,418	-	460,277
Interest and fees	377	113,091	218,138	-	331,606
Bad debts	-	981	3,759	-	4,740
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-	-
(Gain) loss on investment in limited partnership	56	-	-	(56)	-
Total expenses and losses	38,290	941,687	892,908	(46,938)	1,825,947
Excess (deficiency) of revenues over expenses	8,592	(253,484)	(310,351)	56	(555,187)
Net assets at beginning of year	(57,714)	1,674,399	(2,146,765)	247,388	(282,692)
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	\$ (49,122)	\$ 1,420,915	\$ (2,457,116)	\$ 247,444	\$ (837,879)

Consolidating Statement of Financial Position
Florin Housing Corp.
December 31, 2010

	Florin Housing Corp.	Florin Wood Associates (Crossroads Gardens)	Eliminations	Consolidated Florin Housing Corp.
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ 6,778	\$ -	\$ 6,778
Cash, tenant security deposits	-	40,459	-	40,459
Cash, restricted	-	995	-	995
Investments	-	-	-	-
Investments, restricted	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from affiliate, net	42,723	-	(42,723)	-
Pledges receivable	-	-	-	-
Grants receivable	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-
Prepaid expenses and other assets	-	18,425	-	18,425
Total current assets	42,723	66,657	(42,723)	66,657
Property and equipment				
Land and land improvements	-	731,386	-	731,386
Buildings	-	6,766,848	-	6,766,848
Furniture and equipment	-	34,384	-	34,384
Predevelopment project costs	-	-	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	-	(2,926,294)	-	(2,926,294)
Net property and equipment	-	4,606,324	-	4,606,324
Other long-term assets				
Restricted property reserves	-	546,247	-	546,247
Cash, restricted	-	-	-	-
Long-term investments	-	-	-	-
Long-term investments, restricted	-	-	-	-
Due from affiliates	-	-	-	-
Pledges receivable, net	-	-	-	-
Grants receivable	-	-	-	-
Investments in limited partnerships	(2,602)	-	2,602	-
Notes and interest receivable, net	201,000	-	-	201,000
Notes and interest receivable, affiliates	-	-	-	-
Allowance for impaired assets	-	-	-	-
Other assets	-	75,026	-	75,026
Total other long-term assets	198,398	621,273	2,602	822,273
Total assets	\$ 241,121	\$ 5,294,254	\$ (40,121)	\$ 5,495,254
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 65,000	\$ 57,479	\$ -	\$ 122,479
Due to affiliates	64,786	257,875	(195,056)	127,605
Accrued interest	-	7,664	-	7,664
Accrued interest, affiliates	-	-	-	-
Current portion of notes payable	-	36,080	-	36,080
Current portion of notes payable, affiliates	-	-	-	-
Deferred revenue	-	5,230	-	5,230
Tenant security deposits	-	40,238	-	40,238
Miscellaneous current liabilities	-	-	-	-
Total current liabilities	129,786	404,566	(195,056)	339,296
Long-term liabilities				
Due to affiliates	-	-	-	-
Accrued interest	-	983,052	-	983,052
Accrued interest, affiliates	-	-	-	-
Notes payable, less current portion	-	3,521,729	-	3,521,729
Notes payable, less current portion, affiliates	-	-	-	-
Deferred revenue and other liabilities	-	-	-	-
Total long-term liabilities	-	4,504,781	-	4,504,781
Total liabilities	129,786	4,909,347	(195,056)	4,844,077
Net assets				
Unrestricted net assets, controlling	111,335	384,907	154,935	651,177
Unrestricted net assets, noncontrolling	-	-	-	-
Total unrestricted net assets	111,335	384,907	154,935	651,177
Temporarily restricted net assets	-	-	-	-
Permanently restricted net assets	-	-	-	-
Total net assets	111,335	384,907	154,935	651,177
Total liabilities and net assets	\$ 241,121	\$ 5,294,254	\$ (40,121)	\$ 5,495,254

Consolidating Statement of Activities
and Changes in Net Assets
Florin Housing Corp.
For the year ended December 31, 2010

	Florin Housing Corp.	Florin Wood Associates (Crossroads Gardens)	Eliminations	Consolidated Florin Housing Corp.
Revenues				
Rent - net of vacancies	\$ -	\$ 522,021	\$ -	\$ 522,021
Developer fees	-	-	-	-
Services fees	20,000	-	(20,000)	-
Philanthropy	-	-	-	-
Capital Grants	-	-	-	-
Consulting	-	-	-	-
Interest	-	1,367	-	1,367
Other	-	15,037	-	15,037
Total revenues	<u>20,000</u>	<u>538,425</u>	<u>(20,000)</u>	<u>538,425</u>
Expenses and losses				
Compensation	-	142,941	-	142,941
Administrative	14,004	78,032	(20,000)	72,036
Professional services	932	59,360	-	60,292
Depreciation and amortization	-	186,100	-	186,100
Grants	-	-	-	-
Facility	-	170,423	-	170,423
Interest and fees	378	162,686	-	163,064
Bad debts	-	1,412	-	1,412
Provision for impaired assets	-	-	-	-
Project expenses	-	-	-	-
Allocation	-	-	-	-
(Gain) loss on sale of assets	-	-	-	-
(Gain) loss on investment in limited partnership	2,625	-	(2,625)	-
Total expenses and losses	<u>17,939</u>	<u>800,954</u>	<u>(22,625)</u>	<u>796,268</u>
Excess (deficiency) of revenues over expenses	2,061	(262,529)	2,625	(257,843)
Net assets at beginning of year	109,274	647,436	152,310	909,020
Other transfers to (from) net assets	-	-	-	-
Net assets at end of year	<u>\$ 111,335</u>	<u>\$ 384,907</u>	<u>\$ 154,935</u>	<u>\$ 651,177</u>

Consolidating Statement of Financial Position
Affordable Housing Corp.
December 31, 2010

	Affordable Housing Corp.	Mercy Housing Idaho II (Comstock Apartments)	Mercy Housing Colorado VII (Holly Park West)	Mercy Housing Iowa I (Lawlor Garvey)	Mercy Housing Washington IV (Lincoln Way)
Assets					
Current assets					
Cash and cash equivalents	\$ -	\$ 10,088	\$ 728	\$ -	\$ 200,755
Cash, tenant security deposits	-	6,462	14,080	-	24,707
Cash, restricted	-	48	14,301	-	-
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	-	1,565	1,218	-	846
Due from affiliate, net	53,722	-	12	-	-
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	-	3,900	19,103	-	8,999
Total current assets	53,722	22,063	49,442	-	235,307
Property and equipment					
Land and land improvements	-	103,800	211,749	-	407,704
Buildings	-	1,088,748	2,589,864	-	4,001,206
Furniture and equipment	-	46,359	281,435	-	237,028
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	-	(771,886)	(1,242,444)	-	(2,208,581)
Net property and equipment	-	467,021	1,840,604	-	2,437,357
Other long-term assets					
Restricted property reserves	-	91,821	147,033	-	440,237
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	13,602	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	-	4,500	36,070	-	12,622
Total other long-term assets	13,602	96,321	183,103	-	452,859
Total assets	\$ 67,324	\$ 585,405	\$ 2,073,149	\$ -	\$ 3,125,523
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ -	\$ 24,443	\$ 63,214	\$ -	\$ 26,693
Due to affiliates	367,575	72,250	95,763	-	14,985
Accrued interest	-	1,439	7,072	-	30,102
Accrued interest, affiliates	-	171,334	-	-	-
Current portion of notes payable	-	185,991	39,793	-	25,011
Current portion of notes payable, affiliates	-	60,353	-	-	-
Deferred revenue	-	1,106	9,135	-	137
Tenant security deposits	-	6,400	13,392	-	24,520
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	367,575	523,316	228,369	-	121,448
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	-	-	-	72,101
Accrued interest, affiliates	-	62,469	391,664	-	284,610
Notes payable, less current portion	-	-	1,265,742	-	1,523,103
Notes payable, less current portion, affiliates	-	396,386	603,736	-	124,750
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	-	458,855	2,261,142	-	2,004,564
Total liabilities	367,575	982,171	2,489,511	-	2,126,012
Net assets					
Unrestricted net assets, controlling	(300,251)	(396,766)	(416,362)	-	999,511
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(300,251)	(396,766)	(416,362)	-	999,511
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(300,251)	(396,766)	(416,362)	-	999,511
Total liabilities and net assets	\$ 67,324	\$ 585,405	\$ 2,073,149	\$ -	\$ 3,125,523

Consolidating Statement of Financial Position
Affordable Housing Corp.
December 31, 2010

	Mercy Housing Missouri I (McAuley Heights)	Mercy Housing Colorado VI (Merced de las Animas)	Mercy Housing Idaho III (New Hope)	Mercy Housing Idaho I (Northside Nampa)	Mercy Housing Colorado V (Plaza on Platte)	Mercy Housing Missouri II (Regina Terrace)
Assets						
Current assets						
Cash and cash equivalents	\$ -	\$ 71,815	\$ 6,799	\$ 1,251	\$ 46,594	\$ -
Cash, tenant security deposits	-	37,835	6,450	8,812	2,270	-
Cash, restricted	-	7,947	3,889	944	-	-
Investments	-	-	-	-	-	-
Investments, restricted	-	-	-	-	-	-
Accounts receivable, net	-	80	2,710	359	15	-
Due from affiliate, net	-	1,387	516	-	-	-
Pledges receivable	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-	-
Prepaid expenses and other assets	-	8,807	3,723	4,896	11,653	-
Total current assets	-	127,871	24,087	16,262	60,532	-
Property and equipment						
Land and land improvements	-	208,657	90,524	103,429	61,275	-
Buildings	-	4,995,628	1,112,897	1,333,258	1,172,376	-
Furniture and equipment	-	180,011	80,550	136,837	144,241	-
Predevelopment project costs	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-
Accumulated depreciation	-	(2,797,084)	(756,993)	(1,034,683)	(742,808)	-
Net property and equipment	-	2,587,212	526,978	538,841	635,084	-
Other long-term assets						
Restricted property reserves	-	186,390	88,352	53,074	50,471	-
Cash, restricted	-	-	-	-	-	-
Long-term investments	-	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-	-
Due from affiliates	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-
Investments in limited partnerships	-	-	-	-	-	-
Notes and interest receivable, net	-	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-	-
Other assets	-	6,715	4,515	34,036	84,169	-
Total other long-term assets	-	193,105	92,867	87,110	134,640	-
Total assets	\$ -	\$ 2,908,188	\$ 643,932	\$ 642,213	\$ 830,256	\$ -
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ -	\$ 33,791	\$ 11,503	\$ 38,393	\$ 13,219	\$ -
Due to affiliates	-	8,325	13,570	49,716	54,896	-
Accrued interest	-	4,177	904	-	1,078	-
Accrued interest, affiliates	-	2,939	-	-	-	-
Current portion of notes payable	-	9,237	3,803	-	4,390	-
Current portion of notes payable, affiliates	-	6,682	-	-	-	-
Deferred revenue	-	410	2,864	2,968	5,350	-
Tenant security deposits	-	22,872	5,100	8,780	1,898	-
Miscellaneous current liabilities	-	-	-	-	-	-
Total current liabilities	-	88,433	37,744	99,857	80,831	-
Long-term liabilities						
Due to affiliates	-	-	-	-	-	-
Accrued interest	-	-	4,520	-	-	-
Accrued interest, affiliates	-	487,799	47,032	1,243,551	309,026	-
Notes payable, less current portion	-	501,414	493,930	-	139,136	-
Notes payable, less current portion, affiliates	-	674,089	127,341	314,787	662,876	-
Deferred revenue and other liabilities	-	-	-	-	-	-
Total long-term liabilities	-	1,663,302	672,823	1,558,338	1,111,038	-
Total liabilities	-	1,751,735	710,567	1,658,195	1,191,869	-
Net assets						
Unrestricted net assets, controlling	-	1,156,453	(66,635)	(1,015,982)	(361,613)	-
Unrestricted net assets, noncontrolling	-	-	-	-	-	-
Total unrestricted net assets	-	1,156,453	(66,635)	(1,015,982)	(361,613)	-
Temporarily restricted net assets	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-	-
Total net assets	-	1,156,453	(66,635)	(1,015,982)	(361,613)	-
Total liabilities and net assets	\$ -	\$ 2,908,188	\$ 643,932	\$ 642,213	\$ 830,256	\$ -

Consolidating Statement of Financial Position
Affordable Housing Corp.
December 31, 2010

	Mercy Housing Colorado III (Springfield Court)	Mercy Housing Washington III (Tahoma View)	Mercy Housing Colorado IV (Wapiti Meadows)	Eliminations	Consolidated Affordable Housing Corp.
Assets					
Current assets					
Cash and cash equivalents	\$ 66,759	\$ 30,534	\$ 60,826	\$ (6,392)	\$ 489,757
Cash, tenant security deposits	22,596	18,404	14,829	-	156,445
Cash, restricted	33,099	-	-	-	60,228
Investments	-	-	-	-	-
Investments, restricted	-	-	-	-	-
Accounts receivable, net	3,175	1,810	2,732	-	14,510
Due from affiliate, net	349	-	-	(54,238)	1,748
Pledges receivable	-	-	-	-	-
Grants receivable	-	-	-	-	-
Current portion of notes and interest receivable	-	-	-	-	-
Current portion of notes and interest receivable, affiliates	-	-	-	-	-
Prepaid expenses and other assets	12,067	7,212	9,487	-	89,847
Total current assets	138,045	57,960	87,874	(60,630)	812,535
Property and equipment					
Land and land improvements	817,019	280,000	645,672	-	2,929,829
Buildings	4,160,542	3,933,445	4,303,378	-	28,691,342
Furniture and equipment	250,623	71,503	223,183	-	1,651,770
Predevelopment project costs	-	-	-	-	-
Construction in progress	-	-	-	-	-
Accumulated depreciation	(2,816,928)	(1,854,245)	(3,075,869)	-	(17,301,521)
Net property and equipment	2,411,256	2,430,703	2,096,364	-	15,971,420
Other long-term assets					
Restricted property reserves	53,285	184,564	-	-	1,295,227
Cash, restricted	-	-	-	-	-
Long-term investments	-	-	-	-	-
Long-term investments, restricted	-	-	-	-	-
Due from affiliates	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-
Grants receivable	-	-	-	-	-
Investments in limited partnerships	-	-	-	(13,602)	-
Notes and interest receivable, net	-	-	-	-	-
Notes and interest receivable, affiliates	-	-	-	-	-
Allowance for impaired assets	-	-	-	-	-
Other assets	184,240	13,800	71,280	-	451,947
Total other long-term assets	237,525	198,364	71,280	(13,602)	1,747,174
Total assets	\$ 2,786,826	\$ 2,687,027	\$ 2,255,518	\$ (74,232)	\$ 18,531,129
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 56,055	\$ 21,675	\$ 47,338	\$ (6,392)	\$ 329,932
Due to affiliates	338,605	13,348	49,853	(66,253)	1,012,633
Accrued interest	1,744	1,838	3,762	-	52,116
Accrued interest, affiliates	-	228	-	-	174,501
Current portion of notes payable	-	19,565	512,043	-	799,833
Current portion of notes payable, affiliates	-	9,117	-	-	76,152
Deferred revenue	938	2,159	244	-	25,311
Tenant security deposits	17,170	18,219	14,977	-	133,328
Miscellaneous current liabilities	-	-	-	-	-
Total current liabilities	414,512	86,149	628,217	(72,645)	2,603,806
Long-term liabilities					
Due to affiliates	-	-	-	-	-
Accrued interest	-	98,591	-	-	175,212
Accrued interest, affiliates	374,864	11,201	1,024,468	-	4,236,684
Notes payable, less current portion	2,000,000	1,555,702	-	-	7,479,027
Notes payable, less current portion, affiliates	795,653	157,360	850,000	-	4,706,978
Deferred revenue and other liabilities	-	-	-	-	-
Total long-term liabilities	3,170,517	1,822,854	1,874,468	-	16,597,901
Total liabilities	3,585,029	1,909,003	2,502,685	(72,645)	19,201,707
Net assets					
Unrestricted net assets, controlling	(798,203)	778,024	(247,167)	(1,587)	(670,578)
Unrestricted net assets, noncontrolling	-	-	-	-	-
Total unrestricted net assets	(798,203)	778,024	(247,167)	(1,587)	(670,578)
Temporarily restricted net assets	-	-	-	-	-
Permanently restricted net assets	-	-	-	-	-
Total net assets	(798,203)	778,024	(247,167)	(1,587)	(670,578)
Total liabilities and net assets	\$ 2,786,826	\$ 2,687,027	\$ 2,255,518	\$ (74,232)	\$ 18,531,129

Consolidating Statement of Activities
and Changes in Net Assets
Affordable Housing Corp.
For the year ended December 31, 2010

	Affordable Housing Corp.	Mercy Housing Idaho II (Comstock Apartments)	Mercy Housing Colorado VII (Holly Park West)	Mercy Housing Iowa I (Lawlor Garvey)	Mercy Housing Washington IV (Lincoln Way)
Revenues					
Rent - net of vacancies	\$ -	\$ 112,394	\$ 794,652	\$ 31,243	\$ 432,115
Developer fees	-	-	-	-	-
Services fees	7,996	-	-	-	-
Philanthropy	-	-	-	-	-
Capital Grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	-	360	255	1	895
Other revenue	16,019	5,312	41,627	1,063,342	5,825
Total revenues	<u>24,015</u>	<u>118,066</u>	<u>836,534</u>	<u>1,094,586</u>	<u>438,835</u>
Expenses and losses					
Compensation	-	21,888	156,752	6,957	84,799
Administrative	105,411	22,888	129,612	8,819	60,552
Professional services	1,094	20,042	55,247	136	41,814
Depreciation and amortization	-	35,867	119,649	(430)	148,983
Grants	-	-	-	7,294	-
Facility	-	32,463	316,244	17,700	186,389
Interest and fees	4,498	41,271	126,816	5,821	93,247
Bad debts	-	2,434	12,396	-	-
Provision for impaired assets	-	-	-	-	-
Project expenses	-	-	-	-	-
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	(116,936)	-	-	(462)	-
(Gain) loss on investment in limited partnership	1,157	-	-	-	-
Total expenses and losses	<u>(4,776)</u>	<u>176,853</u>	<u>916,716</u>	<u>45,835</u>	<u>615,784</u>
Excess (deficiency) of revenues over expenses	28,791	(58,787)	(80,182)	1,048,751	(176,949)
Net assets at beginning of year	(329,042)	(337,979)	(336,180)	(1,048,751)	1,176,460
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ (300,251)</u>	<u>\$ (396,766)</u>	<u>\$ (416,362)</u>	<u>\$ -</u>	<u>\$ 999,511</u>

Consolidating Statement of Activities
and Changes in Net Assets
Affordable Housing Corp.
For the year ended December 31, 2010

	Mercy Housing Missouri I (McAuley Heights)	Mercy Housing Colorado VI (Merced de las Animas)	Mercy Housing Idaho III (New Hope)	Mercy Housing Idaho I (Northside Nampa)	Mercy Housing Colorado V (Plaza on Platte)	Mercy Housing Missouri II (Regina Terrace)
Revenues						
Rent - net of vacancies	\$ 1,445	\$ 387,531	\$ 108,065	\$ 135,052	\$ 208,232	\$ 2,669
Developer fees	-	-	-	-	-	-
Services fees	-	-	-	-	-	-
Philanthropy	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-
Consulting	-	-	-	-	-	-
Interest	1	288	72	19	65	17
Other revenue	150	6,821	2,370	3,636	7,456	263,265
Total revenues	<u>1,596</u>	<u>394,640</u>	<u>110,507</u>	<u>138,707</u>	<u>215,753</u>	<u>265,951</u>
Expenses and losses						
Compensation	201	97,371	18,673	56,732	9,978	211
Administrative	1,287	44,993	17,047	33,157	28,183	(16,011)
Professional services	(1,930)	44,508	16,811	14,244	5,438	(1,544)
Depreciation and amortization	-	210,225	47,161	50,158	44,405	-
Grants	158,444	-	-	-	-	52,827
Facility	3,170	99,840	31,764	72,888	76,938	5,480
Interest and fees	(24,139)	107,461	18,713	72,277	47,638	(12,447)
Bad debts	-	616	186	2,196	3,556	-
Provision for impaired assets	-	-	-	-	-	-
Project expenses	-	-	-	-	-	-
Allocation	-	-	-	-	-	-
(Gain) loss on sale of assets	(85,086)	-	-	-	-	325,539
(Gain) loss on investment in limited partnership	-	-	-	-	-	-
Total expenses and losses	<u>51,947</u>	<u>605,014</u>	<u>150,355</u>	<u>301,652</u>	<u>216,136</u>	<u>354,055</u>
Excess (deficiency) of revenues over expenses	(50,351)	(210,374)	(39,848)	(162,945)	(383)	(88,104)
Net assets at beginning of year	50,351	1,366,827	(26,787)	(853,037)	(361,230)	88,104
Other transfers to (from) net assets	-	-	-	-	-	-
Net assets at end of year	<u>\$ -</u>	<u>\$ 1,156,453</u>	<u>\$ (66,635)</u>	<u>\$ (1,015,982)</u>	<u>\$ (361,613)</u>	<u>\$ -</u>

Consolidating Statement of Activities
and Changes in Net Assets
Affordable Housing Corp.
For the year ended December 31, 2010

	Mercy Housing Colorado III (Springfield Court)	Mercy Housing Washington III (Tahoma View)	Mercy Housing Colorado IV (Wapiti Meadows)	Eliminations	Consolidated Affordable Housing Corp.
Revenues					
Rent - net of vacancies	\$ 475,080	\$ 278,025	\$ 299,798	\$ -	\$ 3,266,301
Developer fees	-	-	-	-	-
Services fees	-	-	-	(7,996)	-
Philanthropy	-	-	-	-	-
Capital Grants	-	-	-	-	-
Consulting	-	-	-	-	-
Interest	77	403	83	-	2,536
Other revenue	10,154	30,889	6,831	(823)	1,462,874
Total revenues	<u>485,311</u>	<u>309,317</u>	<u>306,712</u>	<u>(8,819)</u>	<u>4,731,711</u>
Expenses and losses					
Compensation	114,262	51,311	88,977	-	708,112
Administrative	61,092	54,884	51,095	(7,996)	595,013
Professional services	6,581	29,515	10,608	-	242,564
Depreciation and amortization	187,181	143,569	178,087	-	1,164,855
Grants	-	-	-	-	218,565
Facility	136,597	165,877	157,377	-	1,302,727
Interest and fees	56,489	47,378	140,059	-	725,082
Bad debts	1,210	8,520	691	-	31,805
Provision for impaired assets	-	-	-	-	-
Project expenses	-	20	-	-	20
Allocation	-	-	-	-	-
(Gain) loss on sale of assets	-	-	-	116,936	239,991
(Gain) loss on investment in limited partnership	-	-	-	(1,157)	-
Total expenses and losses	<u>563,412</u>	<u>501,074</u>	<u>626,894</u>	<u>107,783</u>	<u>5,228,734</u>
Excess (deficiency) of revenues over expenses	(78,101)	(191,757)	(320,182)	(116,602)	(497,023)
Net assets at beginning of year	(720,102)	969,781	73,015	115,015	(173,555)
Other transfers to (from) net assets	-	-	-	-	-
Net assets at end of year	<u>\$ (798,203)</u>	<u>\$ 778,024</u>	<u>\$ (247,167)</u>	<u>\$ (1,587)</u>	<u>\$ (670,578)</u>

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2010

Grantor and Program Title	Federal CFDA Number	Pass-Through Identifying Number	Direct Federal Expenditures	Pass Through Expenditures
<u>United States Department of Agriculture (USDA)</u>				
Direct Programs:				
Rural Development Cluster (Direct Programs):				
Rural Rental Housing Loans	10.415		\$ 27,941,959	
Rural Rental Assistance Payments	10.427		4,158,512	
Total Rural Development Cluster (Direct Programs):			32,100,471	
Rural Self-Help Housing Technical Assistance	10.420		130,764	
USDA Rural Preservation Housing Grant	10.433		10,121	
Intermediary Relending Program	10.767		1,239,218	
Passed Through:				
Rural Development Cluster (Passed Through):				
Idaho Housing & Finance Association (IHFA) / Rental Assistance Payments (RAP)	10.427			\$ 154,130
Arizona Department of Education Summer Food Service Program	10.559	ADE # ED05-001		8,190
United States Department of Agriculture (USDA) / Arizona Department of Health Services (ADHS)/Food Stamp Nutrition Education Program	10.561	HM-661056-1 E9H28073		72,830
			33,480,574	235,150
<u>United States Department of Housing & Urban Development (HUD)</u>				
Direct Programs:				
Interest Reduction Payments Section 236	14.103		1,559,966	
Mortgage Insurance for the Purchase Section 223 (a) (7)	14.155		17,609,621	
Grant Capital Advance Section 202	14.157		114,581,726	
Project Rental Assistance Contract (PRAC) Section 202	14.157		4,048,324	
Supportive Housing for the Elderly Direct Loan Section 202	14.157		10,713,316	
Project Rental Assistance Contract (PRAC) Section 811	14.181		476,387	
Supportive Housing for Persons with Disabilities-Capital Advance Section 811	14.181		8,242,823	
Multifamily Services Coordinator Grant	14.191		75,915	
HUD Section 8 Cluster (Direct Programs):				
Housing Assistance Payments (HAP) Section 8	14.195		19,778,142	
Multifamily Assisted Housing Reform and Affordability Act	14.197		8,196,951	
Office of Community Planning and Development-Supportive Housing Program	14.235		13,871,750	
Supportive Housing Program-Capital Advance	14.235		8,339,575	
HOME Investment Partnership Program	14.239		412,534	
Assisted Housing Stability and Energy and Green Retrofit Investments Program (Recovery Act Funded)	14.318		10,315,323	
Passed Through:				
State of Washington Department of Community Trade & Economic Development (CTED)/Supportive Housing for the Elderly Direct Loan Section 202	14.157	127-EE038		404,637
Supportive Housing for Persons with Disabilities-Capital Advance Section 811	14.181			10,000
California Housing Finance Agency (CHFA) / Risk Sharing Loans	14.188	92-012N, 97-033N, 97-022N		6,878,685
HUD Section 8 Programs (Passed Through):				
Illinois Housing Development Authority / Section 8 New Construction and Substantial Rehabilitation	14.182			753,377
Boise Housing Authority / HOME Investment Partnership Program / HAP Section 8	14.195			40,497
Chicago Housing Authority / HAP Section 8	14.195			491,652
City and County of San Francisco / Mayor's Office of Housing / HAP Program Section 8	14.195			575,400
City of Chicago / Department of Housing / CDBG State Program Entitlement / HAP Section 8	14.195	8613		307,369
City of Chicago / Department of Housing / CDBG State Program / HAP Section 8	14.195			245,974
City of Chicago / Department of Housing / HOME Investment Partnership Program / HAP Section 8	14.195			813,743
City of Chicago Illinois / Department of Finance / HOME Investment Partnership Program	14.195			798,533
City of Chicago, Illinois / Department of Housing / CDBG Multi-family Loan State Program / HAP Section 8	14.195			282,718
City of Cincinnati / HOME Investment Partnership / HAP Section 8	14.195			78,102
City of Council Bluffs / HOME Investment Partnership Program / HAP Section 8	14.195			90,612
City of Daly / HOME Investment Partnership Program / HAP Section 8	14.195			38,958
City of Lincoln, Nebraska / HOME Investment Partnership Program / HAP Section 8	14.195			47

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2010

	Federal CFDA Number	Pass-Through Identifying Number	Direct Federal Expenditures	Pass Through Expenditures
Passed Through: (Continued)				
HUD Section 8 Programs (Passed Through): (Continued)				
City of Los Angeles / CDBG State Programs and HOME Investment Partnership Program / HAP Section 8	14.195			777
City of Yuba City / HOME Investment Partnership Program / HAP Section 8	14.195			183,763
Colorado Division of Housing (CDOH) / HOME Investment Partnership Program / HAP Section 8	14.195			677,224
County of Contra Costa / Housing Opportunities for Persons with AIDS HOPWA Grant / HAP Section 8	14.195			224,870
Davis County Housing Authority / CDBG States Program	14.195			649,920
Housing Authority of the County of Santa Cruz / HAP / Section 8	14.195			118,107
Idaho Housing Agency / HOME Investment Partnership Program / HAP Section 8	14.195			11,883
Illinois Housing Development Authority / HOME Investment Partnership Program / Multifamily Program / HAP Section 8	14.195			292,912
Omaha Housing Authority of the City of Omaha / Housing Assistance payment (HAP) Section 8	14.195			414,317
Redevelopment Agency of the City and County of San Francisco / Housing Assistance Payment (HAP) Section 8	14.195			917,867
Sacramento Housing and Redevelopment Agency / HOME Investment Partnership Program / HAP Section 8	14.195			95,711
Sacramento Housing and Redevelopment Agency / Rural California Housing Corporation / HOME Investment Partnership Program	14.195			55,166
San Francisco Redevelopment Agency / HOPWA Capital Loan Agreement / HAP Section 8	14.195			762,429
State of Ohio / Division of Community Development / City of Cincinnati / HOME Ownership Program / HAP Section 8	14.195			67,825
Tacoma Community Development Authority / CDBG State Program	14.195			207,775
Tacoma Community Redevelopment Authority / CDBG State Program / HAP Section 8	14.195			211,566
The Washington State Department of Community, Trade and Economic Development (CTED) / HOME Investment Partnership Program / HAP Section 8	14.195			126,716
Total HUD Section 8 cluster passed through:				9,535,810
Omaha Housing Authority of the City of Omaha / Multi-family Assisted Housing Reform and Affordability Act	14.197	103-11014-PUR/CON-EC-FAM		4,250,827
City of Chicago / Chicago Department of Housing / Housing & Economic Recovery Act (HERA)	14.218			1,373,620
City of Chicago / Chicago Department of Housing / Housing & Economic Recovery Act (HERA)	14.218			10,436,346
City of Chicago / Chicago Department of Housing / CDBG Entitlement Grant	14.218			205,557
City of Chicago / Mayor's Office of Workforce Development / CDBG Entitlement Grant / Innovative Programs and Training and Placement	14.218	19246-1; 19246-2		144,000
City of Chicago / Department of Housing / CDBG Entitlement Grant / Housing Resource Center (HRC) Program	14.218	19115		22,172
Amador-Tuolumne Community Action Agency / CDBG Technical Assistance Program	14.227			63,932
City and County of Denver / CDBG State Program	14.228			275,000
City and County of San Francisco / CDBG State Program	14.228			3,432,178
City and County of San Francisco to Mayor's Office of Housing / CDBG State Program	14.228	95-F765446-00		3,305,345
City of Chicago, Illinois / Department of Housing / CDBG Multi-family Loan State Program	14.228			5,973,396
City of Chicago, Illinois / Department of Housing / CDBG State Program / SNAP Program "Strategic Neighborhood Action Program"	14.228			3,486,391
City of Citrus Heights / CDBG State Program	14.228			29,596
City of Citrus Heights / CDBG State Program	14.228			5,199
City of Colorado Springs / CDBG State Program	14.228			300,000
City of Daly City / CDBG State Loan Program	14.228			211,150
City of Dubuque, Iowa / CDBG State Program	14.228	258-93		465,701
City of Durango, Colorado / CDBG State Program	14.228			250,000
City of Eagle, Ida County / Idaho Community Development Block Grant	14.228			441,247
City of Encinitas / CDBG State Program	14.228			614,000
City of Folsom / CDBG State Program	14.228			92,940
City of Lincoln / CDBG State Program	14.228			1,770
City of Los Angeles / CDBG State Program	14.228	95-2167; C-93360		1,050,000
City of Mountain Home / Idaho Community Development Block Grant	14.228			522,335
City of Orlando / CDBG State Program	14.228	08-STBG-4874		2,010
City of Santa Cruz / CDBG Revolving Loan Fund	14.228			291,387
City of Santa Cruz / CDBG State Program	14.228	CA027HG701		267,058
City of Santa Cruz / CDBG State Program	14.228			136,757
City of Tacoma / CDBG State Program	14.228			60,840
Community Housing Services Agency / CDBG State Program	14.228			503,873

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2010

	Federal CFDA Number	Pass-Through Identifying Number	Direct Federal Expenditures	Pass Through Expenditures
Passed Through: (Continued)				
Total HUD Section 8 cluster passed through: (Continued)				
County of Colusa / CDBG State Program	14.228			13,303
County of Alameda / CDBG State Program	14.228			411,341
City of Rancho Cordova / CDBG State Program	14.228			15,370
County of San Mateo / CDBG State Loan Program	14.228			250,025
County of Santa Barbara / State Department of Housing and Community Development / CDBG State Program	14.228			517,342
Davis County Housing Authority / CDBG States Program	14.228			385,020
Pierce County / CDBG State Program	14.228			86,201
Redevelopment Agency / City and County of San Francisco / CDBG State Program	14.228			357,660
Neighborhood Stabilization Program (NSP I) CDBG State Program	14.228			715,475
State of California / City of Daly / CDBG State Program	14.228			365,000
State of California / County of Yuba / CDBG State Program	14.228			1,001,564
State of Colorado / Department of Housing / Town of Fraser / CDBG State Program	14.228			600,000
Tacoma Community Development Authority / CDBG State Program	14.228			547,500
Tacoma Community Redevelopment Authority / CDBG Loan Agreement	14.228			600,000
Tacoma Community Redevelopment Authority / CDBG State Program	14.228			400,000
Neighborhood Stabilization Program (NSP) City of Nampa/CDBG State Program	14.228			72,779
City of Chicago / Department of Human Services (DHS) / Chicago Housing for Health Partnership / Office of Community Planning and Development / Supportive Housing Program	14.235			45,804
City of Greenville (Community Development Department) / Forgivable Loan	14.235			262,406
City of Chicago/ AIDS Foundation of Chicago / Substance Abuse and Mental Health Services Projects of Regional and National Significance	14.235			38,184
City of Chicago / Department of Human Services (DHS) / HUD Shelter Plus Care	14.238	18002; 17529; 17635		821,231
California Housing Finance Agency (CHFA) / County of Alameda Housing and Community Development / HOME Investment Partnership Program	14.239			2,660,229
California State Department of Housing and Community Development / HOME Investment Partnership Program	14.239	02-HOME-0633		1,191,712
City and County of San Francisco / HOME Investment Partnership Program	14.239			2,913,770
City and County of Denver / HOME Investment Partnership Program	14.239			1,152,240
City and County of San Francisco / HOME Program Loan Agreement	14.239			7,705,980
City and County of San Francisco / Mayor's Office of Housing / HOME Investment Partnership Program	14.239			576,306
City of Bakersfield / HOME Investment Partnership Program	14.239	98-284		230,000
City of Bellingham / HOME Investment Partnership Program / HAP Section 8	14.239			200,450
City of Chicago / Department of Housing / HOME Investment Partnership Program	14.239			19,784,174
City of Cincinnati / HOME Investment Partnership Program	14.239	65X0131; 65X015		427,560
City of Cincinnati / HOME Investment Partnership Program	14.239			1,112,789
City of Council Bluffs / HOME Investment Partnership Program	14.239			162,165
City of Daly / HOME Investment Partnership Program	14.239			508,403
City of Glendale / HOME Investment Partnership Program	14.239			149,240
City of Lincoln / HOME Investment Program	14.239			11,000
City of Lincoln, Nebraska / HOME Investment Partnership Program	14.239			337,967
City of Los Angeles / HOME Investment Partnership Program	14.239	95.1452; C92700		662,254
City of Marysville / HOME Investment Partnership Program	14.239			7,628
City of Mesa / County of Maricopa / HOME Investment Partnership Program	14.239			517,867
City of Orland / HOME Investment Partnership Program	14.239			27,970
City of Orlando / HOME Investment Partnership Program	14.239	08-HOME-4730		2,618
City of Santa Cruz / HOME Investment Partnership Program	14.239			3,296,388
City of South Lake Tahoe / HOME Investment Partnership Program	14.239	96-HOME-0222; 97-HOME-0280		2,603,536
City of Stockton / HOME Investment Partnership Program	14.239			1,900,000
City of Tolleson / HOME Investment Partnership Program	14.239			75,000
City of West Sacramento / HOME Investment Partnership Program	14.239			33,560
City of Yuba City / HOME Investment Partnership Program	14.239			1,043,446
City of Yuba County / Office of Education	14.239			4,000
Colorado Division of Housing (CDOH) / HOME Investment Partnership Program	14.239			457,795
Community Housing Services Agency / HOME Investment Partnership Program	14.239			388,438
County of Alameda / HOME Investment Partnership Program	14.239			798,781
County of Contra Costa / HOME Investment Partnership Program	14.239	07-52-HM		1,603,294
County of Contra Costa / HOME Investment Partnership Program	14.239			2,242,695
County of Eldorado / HOME Investment Partnership Program	14.239	02-HOME-0613		3,000,000
County of Kern / HOME Investment Partnership Program	14.239	069-99		400,000
County of Marin / HOME Investment Partnership Program	14.239			889,450
County of Orange / HOME Investment Partnership Program	14.239			928,255
County of Riverside / HOME Investment Partnership Program	14.239	File No: 4HM-02-003		1,038,000

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2010

	Federal CFDA Number	Pass-Through Identifying Number	Direct Federal Expenditures	Pass Through Expenditures
Passed Through: (Continued)				
Total HUD Section 8 cluster passed through: (Continued)				
County of San Mateo / HOME Investment Partnership Program	14.239			907,508
County of Santa Barbara / HOME Investment Partnership Program	14.239			1,219,373
County of Solano / HOME Investment Partnership Program	14.239			6,686
County of Yolo / HOME Investment Partnership Program	14.239			27,259
County of Yuba / HOME Investment Partnership Program	14.239			20,934
County of Yuba / HOME Investment Partnership Program	14.239			34,626
DeKalb County, Georgia / HOME Investment Partnership Program	14.239			95,000
Department of Housing and Community Development of the State of California / HOME Grant CHDO	14.239	96-HOME-0223		1,276,320
Georgia Housing and Finance Authority / HOME Investment Partnership Program	14.239			3,423,000
Housing Authority of the City of Los Angeles, California / HOME Investment Partnership Program	14.239			6,729,758
Idaho Housing Agency / HOME Investment Partnership Program	14.239	HOME-93-5		381,821
Idaho Housing and Finance Association HOME Program / HOME Investment Partnership Program	14.239			2,749,267
Idaho Housing and Finance Association (IHFA) / CHDO Grant Agreement	14.239	HOME CHDO 07-06/2;		23,982
Illinois Housing Development Authority / HOME Investment Partnership Program	14.239	HOME CHDO 08-09		6,118,479
Iowa Department of Economic Development / HOME Investment Partnership Program	14.239	M-92-SG-19-0100-400-27-04		296,719
Iowa Department of Economic Development / HOME Investment Partnership Program	14.239	00-HM-430 / 00-HM-430-731		447,294
King County Dept of Community and Human Services / HOME Investment Program	14.239			1,677,233
Pierce County Community Development / HOME Investment Partnership Program	14.239			91,477
Placer County Redevelopment Agency / HOME Investment Partnership Program	14.239			1,635
Sacramento Housing and Redevelopment Agency / HOME Investment Partnership Program	14.239			9,076,451
Sacramento Housing and Redevelopment Agency / Rural California Housing Corporation / HOME Investment Partnership Program	14.239			852,910
Snohomish County / HOME Investment Partnership Program	14.239			836,640
State Department of Housing and Community Development / Santa Cruz Community Housing Corporation / HOME Grant CHDO	14.239			1,289,467
State of Arizona / Department of Commerce / HOME Investment Partnership Program	14.239			150,000
State of Colorado / Department of Local Affairs / HOME Investment Partnership Program	14.239	H4HOM03042 Contract Routing 00168		250,000
State of Colorado / Department of Local Affairs / HOME Investment Partnership Program	14.239	H6HOM95006 Contract Routing 01184		340,000
State of Colorado / Department of Local Affairs / HOME Investment Partnership Program	14.239	H7HOM06062 Contract Routing 00455		520,000
State of Colorado / Department of Local Affairs / HOME Investment Partnership Program	14.239	H9HOM08050		139,169
State of Ohio / Division of Community Development / City of Cincinnati / HOME Ownership Program	14.239			252,000
State of Texas / County of Bexar / HOME Investment Partnership Program	14.239			370,371
State of Washington / Department of Community, Trade and Economic Development / HOME Investment Partnership Program	14.239			817,591
The Washington State Department of Community, Trade and Economic Development (CTED) / HOME Investment Partnership Program	14.239			1,407,994
Thurston County / HOME Investment Partnership Program	14.239			318,116
County of Cook / HOME Investment Partnership Program	14.239			3,249,970
Tacoma Community Redevelopment Agency / HOME Investment Partnership Program	14.239			565,000
City of Chicago / Housing Opportunities for Persons with AIDS / HOPWA	14.241			500,000
City of Phoenix / Housing Opportunities for Persons with AIDS HOPWA Grant	14.241	100486-006		154,585
County of Contra Costa / CDBG Section 108 Loan Guarantee	14.241			680,000
County of Sacramento / Sacramento County Department of Human Assistance / Housing Opportunities for Persons with AIDS / HOPWA Loan	14.241			1,065,000
County of San Diego Department of Housing and Community Development / Housing Opportunities for Persons with AIDS HOPWA Grant	14.241			1,375,764
Redevelopment Agency of the City and County of San Francisco / Housing Opportunities for Persons with AIDS HOPWA Grant	14.241			4,651,729
San Francisco Redevelopment Agency / HOPWA Capital Loan Agreement	14.241			631,214
State of California / Department of Housing & Community Development / Housing Opportunities for Persons with AIDS HOPWA Grant	14.241	91-HRL-PH-002 4-807-0503; 4-712-0312; 4-		837,774
Housing Assistance Council Self-Help Housing Opportunity Program (SHOP)	14.247	105-0612		753,000

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2010

	Federal CFDA Number	Pass-Through Identifying Number	Direct Federal Expenditures	Pass Through Expenditures
Passed Through: (Continued)				
Total HUD Section 8 cluster passed through: (Continued)				
Northwest Regional Facilitators Self-Help Housing Opportunity Program (SHOP)	14.247	SH-03-007; SH-02-007; SH-01-007; SH-00-007; SH-05-007; SH-06-007; 99-007		1,270,000
Community Development Commission of the City of Oxnard / CDBG Section 108 Loan Guarantee	14.248	96-164218		720,846
County of Alameda / CDBG Section 108 Loan Guarantee	14.248	99346211		153,628
County of Contra Costa / CDBG Section 108 Loan Guarantee	14.248			1,217,010
County of San Mateo / Section 108 Loan Guarantee	14.248			315,655
Low Income Investment Fund / Capacity Building For Affordable Housing and Community Development Grants	14.252			35,000
City of Chicago / Chicago Department of Housing / American Recovery & Reinvestment Act (ARRA)	14.256			1,125,019
City of Chicago / Chicago Department of Housing / American Recovery & Reinvestment Act (ARRA)	14.256			748,741
Wisconsin Housing and Economic Development Authority / Tax Credit Assistance Program	14.258	468-0323-100-8 & 468-0210-1		1,825,586
Washington State Tax Credit Assistance Program TCAP	14.258			1,260,000
Assisted Housing Stability and Energy and Green Retrofit Investments Program (ARRA)	14.318			18,750,129
Housing Authority of the City of Atlanta, Georgia / Hope VI	14.866			5,734,552
			218,222,353	213,364,206
Passed Through:				
United States Department of Labor				
Migrant and Seasonal Farm Workers	17.264	DOL09-9011-08		22,988
Passed Through:				
United States Department of Health and Human Services				
Substance Abuse & Mental Health Services Projects of Regional & National Significance	93.243			247,056
Department of Health and Human Services for Children and Families	93.558			27,200
City of Chicago / United States Department of Health and Human Services (DHHS) / Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.569	18823		242,117
Rural Community Assistance Corporation / Community Service Block Grant	93.569			15,071
City of Chicago/ AIDS Foundation of Chicago / Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.569			199,929
Illinois Department of Human Services / Department of Substance Abuse and Mental Health Services	93.959			27,007
			-	758,380
			\$ 251,702,927	\$ 214,380,725
Total Expenditures of Federal Awards				\$ 466,083,652
Summary by CFDA Number:				Federal Expenditures
Rural Development Cluster:				
USDA Rural Rental Housing Loans	10.415		\$	27,941,959
USDA Rural Rental Assistance Payments	10.427			4,312,642
USDA Rural Self-Help Housing Technical Assistance	10.420			130,764
Rural Housing Preservation Grants	10.433			10,121
USDA Summer Food Service Program for Children	10.559			8,190
USDA Food Stamp Nutrition Education	10.561			72,830
USDA Intermediary Relending Program	10.767			1,239,218
HUD Interest Reduction Payments Section 236	14.103			1,559,966
HUD Mortgage Insurance for the Purchase Section 223(a)(7)	14.155			17,609,621
HUD Supportive Housing for the Elderly Direct Loan Section/Capital Advance Section 202/HUD Project Rental Assistance contract (PRAC) Section 202	14.157			129,748,002
HUD Supportive Housing for Persons with Disabilities Capital Advance Section 811/HUD Project Rental Assistance Contract (PRAC) Section 811	14.181			8,729,210
HUD Section 8 Cluster:				
HUD Section 8 New Construction and Substantial Rehabilitation	14.182			753,377
HUD Housing Assistance Payments (HAP) Section 8	14.195			28,560,575

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2010

Summary by CFDA Number: (Continued)		Federal Expenditures
HUD Housing Finance Agencies (HFA) Risk Sharing Loans	14.188	6,878,686
HUD Multi-Family Services Coordinator Grant	14.191	75,915
HUD Multi-Family Assisted Housing Reform & Affordability Act	14.197	12,447,778
HUD Community Development Block Grant Entitlement Grant	14.218	12,181,695
HUD Comm. Dev. Block Grant/Technical Assistance Program	14.227	63,932
HUD Community Development Block Grant/State's Program	14.228	28,056,753
HUD Supportive Housing Program - Capital Advance/Office of Community Planning & Development		
- Supportive Housing Program/Forgivable Loan	14.235	22,799,836
HUD Shelter Plus Care	14.238	821,231
HUD HOME Investment Partnership Program/HOME Grant CHDO	14.239	107,421,545
HUD Housing Opportunities for Persons with AIDS HOPWA Grant	14.241	9,896,066
HUD Self-Help Home Ownership Opportunity Program (SHOP)	14.247	2,023,000
HUD Community Development Block Section 108 Loan Guarantee	14.248	2,407,139
HUD Capacity Building For Affordable Housing And Community Development Grants	14.252	35,000
City of Chicago / Chicago Department of Housing / American Recovery & Reinvestment Act (ARRA)		
HUD Tax Credit Assistance Program (Recovery Act Funded)	14.256	1,873,760
Assisted Housing Stability and Energy and Green Retrofit Investments Program (ARRA)	14.258	3,085,586
Revitalization of Severely Distressed Public Housing (Hope VI)	14.318	29,065,452
Department of Labor and Migrant and Seasonal Farm Workers	14.866	5,734,552
	17.264	22,988
Substance Abuse & Mental Health Services Projects of Regional & National Significance	93.243	247,056
Department of Health and Human Services for Children and Families	93.558	27,200
DHHS - Community Service Block Grants (CDBG)	93.569	215,000
Department of Health and Human Services Substance Abuse and Mental Health Services Administration	93.959	27,007
Total Expenditures of Federal Awards		\$ 466,083,652

Note: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mercy Housing, Inc., and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Mercy Housing, Inc.

We have audited the consolidated financial statements of Mercy Housing, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated April 27, 2011. 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 Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mercy Housing, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we identified a certain deficiency in internal control that we consider to be a significant deficiency as described in the accompanying Prior Year Audit Findings as item 2008-2. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness in internal control over financial reporting, yet important enough to merit attention by those charged with governance.

The Company's response to the significant deficiency identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Company's response, and, accordingly, we express no opinion on the response.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mercy Housing, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Mercy Housing, Inc. in a separate letter dated April 27, 2011.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the entity and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Charlotte, North Carolina
April 27, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Mercy Housing, Inc. with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. Mercy Housing, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mercy Housing, Inc.'s management. Our responsibility is to express an opinion on Mercy Housing, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mercy Housing, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mercy Housing, Inc.'s compliance with those requirements.

In our opinion, Mercy Housing, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of Mercy Housing, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mercy Housing, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mercy Housing, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the entity and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Charlotte, North Carolina
April 27, 2011

Mercy Housing, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Mercy Housing, Inc.
2. There was one significant deficiency identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mercy Housing, Inc. were disclosed during the audit.
4. No significant deficiencies were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Mercy Housing, Inc. expresses an unqualified opinion.
6. No findings relative to the major federal award programs for Mercy Housing, Inc. are disclosed.
7. The programs tested as major programs include:

USDA Intermediary Relending Program	10.767
HUD Interest Reduction Payments Section 236	14.103
HUD Mortgage Insurance for the Purchase or Refinancing of Existing Multifamily Housing Projects	14.155
HUD Supportive Housing for the Elderly	14.157
HUD Supportive Housing for Persons with Disabilities	14.181
HUD Community Development Block Grants/Entitlement Grant	14.218
HUD Supportive Housing Program	14.235
HUD American Recovery and Reinvestment Act	14.256
HUD Tax Credit Assistance Program (Recovery Act Funded)	14.258
HUD Assisted Housing Stability and Energy and Green Retrofit Investments Program (Recovery Act Funded)	14.318
8. The threshold for distinguishing Type A and B programs was \$3,000,000.
9. Mercy Housing, Inc. was determined to be a low-risk auditee under Section 0.530.
10. Mercy Housing, Inc. has no findings to the financial statements that are required to be reported in accordance with GAGAS.
11. Mercy Housing, Inc. has no findings or questioned costs for federal awards.

Mercy Housing, Inc.

PRIOR YEAR AUDIT FINDINGS

December 31, 2010

B. PRIOR YEAR AUDIT FINDINGS

Finding No. 2008-2

Status

Open

Reporting Period

2008, 2009, 2010

Condition

Management has responsibility of preparing the consolidated financial statements, which includes necessary consolidating and elimination journal entries. The Organization's system for preparing the consolidated financial statements did not incorporate all necessary eliminations to affiliated transactions and balances. The Organization is unable to finalize the footnotes for the financial statements until the final balances are received from Reznick Group. In addition, the Organization does not have an automated system to produce a schedule of non-controlling interest. The current process requires manual maneuvering of the data, which can result in errors.

Criteria

Management is responsible for preparing accurate consolidated financial statements.

Effect

The consolidated financial statements cannot be prepared timely or materially correct.

Cause

The lack of automation of elimination entries and the non-controlling interest schedule caused errors in management's ability to produce materially correct consolidated financial statements.

Recommendation

The Organization should implement new procedures, including the use of new or improved technology, to accurately produce eliminations and enable consolidated reporting.

Mercy Housing, Inc.

PRIOR YEAR AUDIT FINDINGS - CONTINUED

December 31, 2010

Views of Responsible Officials:

To address this deficiency, Management has researched and selected a solution that will automate the consolidation/elimination process. The solution uses existing functionality within Yardi, Mercy's accounting system, to identify and store all intercompany transactions at inception, allowing for the accurate production of consolidated reports at any time and at all ownership levels.

Management anticipates this solution to be tested and ready for use during the 3rd quarter of 2011 and will eliminate this issue for the 2011 audit.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT

NONE