



**Reznick  
Group**

ACCOUNTING • TAX • BUSINESS ADVISORY

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

**MERCY HOUSING, INC.**

**DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010, and the related consolidated statements of activities, changes in net assets and cash flows for the years ended December 31, 2011 and 2010. 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, 2011 and 2010, and the changes in their net assets and their cash flows for the years ended December 31, 2011 and 2010 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 26, 2012, 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 conducted 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 47 through 198 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

*Reznick Group, P.C.*

Charlotte, North Carolina  
April 26, 2012

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

|  | <u>2011</u>                    | <u>2010</u>                    |
|--|--------------------------------|--------------------------------|
| <b>Assets</b>                                    |                                |                                |
| Current assets                                   |                                |                                |
| Cash and cash equivalents                        | \$ 25,961,338                  | \$ 18,100,212                  |
| Cash, tenant security deposits                   | 5,792,957                      | 5,732,471                      |
| Cash, restricted                                 | 39,497,610                     | 24,859,968                     |
| Investments                                      | 2,280,487                      | 490,000                        |
| Investments, restricted                          | 478,012                        | 2,484,442                      |
| Accounts receivable, net                         | 7,340,764                      | 10,417,260                     |
| Pledges receivable, net                          | 867,399                        | 2,185,940                      |
| Grants receivable                                | 11,175,936                     | 12,175,942                     |
| Current portion of notes and interest receivable | 14,078,800                     | 15,504,366                     |
| Prepaid expenses and other assets                | 6,527,611                      | 6,127,820                      |
| Inventory  | 9,221,611                      | 11,115,889                     |
| Assets held for sale                             | <u>692,149</u>                 | <u>829,708</u>                 |
| Total current assets                             | <u>123,914,674</u>             | <u>110,024,018</u>             |
| Property and equipment, net                      | <u>1,516,346,638</u>           | <u>1,387,712,448</u>           |
| Other long-term assets                           |                                |                                |
| Restricted property reserves                     | 102,435,525                    | 100,508,516                    |
| Long-term investments                            | 3,480,000                      | 4,441,704                      |
| Long-term investments, restricted                | 1,560,000                      | 5,760,000                      |
| Pledges receivable, net                          | 926,661                        | 1,334,748                      |
| Investments in limited partnerships, net         | 17,776                         | 264,444                        |
| Notes and interest receivable, net               | 30,573,211                     | 17,773,682                     |
| Other assets, net                                | <u>24,028,822</u>              | <u>22,025,898</u>              |
| Total other long-term assets                     | <u>163,021,995</u>             | <u>152,108,992</u>             |
| <b>Total assets</b>                              | <u><u>\$ 1,803,283,307</u></u> | <u><u>\$ 1,649,845,458</u></u> |

(continued)

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2011 and 2010

|   | 2011                    | 2010                    |
|---|-------------------------|-------------------------|
| <b>Liabilities</b>                              |                         |                         |
| Current liabilities                             |                         |                         |
| Accounts payable and accrued expenses           | \$ 48,671,705           | \$ 48,829,130           |
| Accrued interest                                | 4,707,438               | 4,379,923               |
| Current portion of notes payable                | 67,131,043              | 67,848,752              |
| Deferred revenue and other liabilities          | 20,264,386              | 2,467,024               |
| Tenant security deposits                        | 5,777,774               | 5,248,131               |
|   | <u>146,552,346</u>      | <u>128,772,960</u>      |
| Total current liabilities                       |                         |                         |
| Long-term liabilities                           |                         |                         |
| Accrued interest                                | 65,290,739              | 58,519,883              |
| Notes payable, less current portion, net        | 892,313,165             | 849,040,713             |
| Notes payable, less current portion, affiliates | 415,801                 | 415,801                 |
| Deferred revenue and other liabilities          | 40,434,092              | 23,175,334              |
|   | <u>998,453,797</u>      | <u>931,151,731</u>      |
| Total long-term liabilities                     |                         |                         |
| <b>Total liabilities</b>                        | <u>1,145,006,143</u>    | <u>1,059,924,691</u>    |
| <b>Commitments</b>                              | -                       | -                       |
| <b>Net assets</b>                               |                         |                         |
| Unrestricted net assets, controlling            | 35,576,477              | 25,928,512              |
| Unrestricted net assets, noncontrolling         | 390,003,366             | 372,697,366             |
|   | <u>425,579,843</u>      | <u>398,625,878</u>      |
| Total unrestricted net assets                   |                         |                         |
| Temporarily restricted net assets               | 228,731,615             | 187,329,183             |
| Permanently restricted net assets               | 3,965,706               | 3,965,706               |
|   | <u>658,277,164</u>      | <u>589,920,767</u>      |
| <b>Total net assets</b>                         |                         |                         |
| <b>Total liabilities and net assets</b>         | <u>\$ 1,803,283,307</u> | <u>\$ 1,649,845,458</u> |

See notes to financial statements

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2011

|  | Programs                               |                       |                        |                     |                               |                         |                      |                     |                           |                           |
|--|--|-----------------------|------------------------|---------------------|-------------------------------|-------------------------|----------------------|---------------------|---------------------------|---------------------------|
|  | Property<br>Operations &<br>Management | Resident<br>Services  | Housing<br>Development | MLF                 | Neighborhood<br>Stabilization | Corporate<br>Operations | Total                | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted |
| <b>Revenues</b>  |  |                       |                        |                     |                               |                         |                      |                     |                           |                           |
| Rent - net of vacancies  | \$ 123,078,271                         | \$ -                  | \$ -                   | \$ -                | \$ -                          | \$ -                    | \$ 123,078,271       | \$ 123,078,271      | \$ -                      | \$ -                      |
| Developer fees   | -                                      | -                     | 9,937,333              | -                   | -                             | -                       | 9,937,333            | 9,937,333           | -                         | -                         |
| Services fees  | 1,224,269                              | 261,631               | (70,510)               | -                   | -                             | 403,148                 | 1,818,538            | 1,818,538           | -                         | -                         |
| Philanthropy   | 333,857                                | 6,838,656             | 3,508,942              | 1,563,459           | 158,720                       | 2,868,773               | 15,272,407           | 5,552,493           | 9,719,914                 | -                         |
| Capital grants   | 8,142,287                              | -                     | 18,962,615             | -                   | -                             | -                       | 27,104,902           | 2,128,092           | 24,976,810                | -                         |
| Consulting   | 14,347                                 | 214,729               | 598,998                | -                   | 3,521,938                     | (7,749)                 | 4,342,263            | 4,342,263           | -                         | -                         |
| Interest   | 680,024                                | 761                   | 133,446                | 1,792,785           | 5,862                         | 95,592                  | 2,708,470            | 2,708,470           | -                         | -                         |
| Other  | 4,467,244                              | 40,710                | 677,221                | 437,579             | 531,426                       | 11,918,209              | 18,072,389           | 18,072,389          | -                         | -                         |
| Release of restricted assets   | -                                      | -                     | -                      | -                   | -                             | -                       | -                    | 14,120,636          | (14,120,636)              | -                         |
| <b>Total revenues</b>  | <u>137,940,299</u>                     | <u>7,356,487</u>      | <u>33,748,045</u>      | <u>3,793,823</u>    | <u>4,217,946</u>              | <u>15,277,973</u>       | <u>202,334,573</u>   | <u>181,758,485</u>  | <u>20,576,088</u>         | <u>-</u>                  |
| <b>Expenses and losses</b>   |  |                       |                        |                     |                               |                         |                      |                     |                           |                           |
| Compensation   | 39,506,655                             | 7,337,594             | 6,728,085              | 812,240             | 2,734,074                     | 7,724,370               | 64,843,018           | 64,843,018          | -                         | -                         |
| Administrative   | 7,201,102                              | 1,170,139             | 1,269,870              | 185,767             | 409,922                       | 2,248,360               | 12,485,160           | 12,485,160          | -                         | -                         |
| Professional services  | 4,241,084                              | 587,668               | 611,878                | 213,798             | 245,152                       | 801,796                 | 6,701,376            | 6,701,376           | -                         | -                         |
| Depreciation and amortization  | 65,752,620                             | 3,966                 | 53,707                 | -                   | 61,229                        | 253,783                 | 66,125,305           | 66,125,305          | -                         | -                         |
| Grants   | (333)                                  | 162,658               | 975,966                | -                   | 4,729                         | 303,525                 | 1,446,545            | 1,446,545           | -                         | -                         |
| Facility   | 40,716,534                             | 6,977                 | 580,609                | 1,073               | 158,070                       | 719,718                 | 42,182,981           | 42,182,981          | -                         | -                         |
| Interest and fees  | 30,133,346                             | 265                   | 547,708                | 738,360             | 473                           | 269,146                 | 31,689,298           | 31,689,298          | -                         | -                         |
| Bad debts  | 1,477,680                              | 34,231                | 15,263                 | -                   | -                             | -                       | 1,527,174            | 1,527,174           | -                         | -                         |
| Provision for impaired assets  | -                                      | -                     | 39,539                 | 1,746,696           | -                             | 61,346                  | 1,847,581            | 1,847,581           | -                         | -                         |
| Project expenses   | -                                      | -                     | 1,289,147              | -                   | 1,462                         | -                       | 1,290,609            | 1,290,609           | -                         | -                         |
| Allocation   | 4,904,961                              | 1,755,250             | 2,667,464              | 288,336             | 871,948                       | (10,487,959)            | -                    | -                   | -                         | -                         |
| (Gain)/loss on sale of assets  | (1,927,704)                            | -                     | 358,901                | -                   | -                             | -                       | (1,568,803)          | (1,568,803)         | -                         | -                         |
| (Gain)/loss on investment in limited partnership   | (328,921)                              | -                     | 554,916                | (105)               | -                             | -                       | 225,890              | 225,890             | -                         | -                         |
| <b>Total expenses and losses</b>   | <u>191,677,024</u>                     | <u>11,058,748</u>     | <u>15,693,053</u>      | <u>3,986,165</u>    | <u>4,487,059</u>              | <u>1,894,085</u>        | <u>228,796,134</u>   | <u>228,796,134</u>  | <u>-</u>                  | <u>-</u>                  |
| <b>Excess (deficiency) of revenues over expenses</b>                                     |  |                       |                        |                     |                               |                         |                      |                     |                           |                           |
| Consolidated   | (53,736,725)                           | (3,702,261)           | 18,054,992             | (192,342)           | (269,113)                     | 13,383,888              | (26,461,561)         | (47,037,649)        | 20,576,088                | -                         |
| Attributable to non-controlling interest   | (51,808,751)                           | -                     | -                      | -                   | -                             | -                       | (51,808,751)         | (51,808,751)        | -                         | -                         |
| <b>Excess (deficiency) of revenues over expenses attributable to Mercy Housing, Inc.</b> | <u>\$ (1,927,974)</u>                  | <u>\$ (3,702,261)</u> | <u>\$ 18,054,992</u>   | <u>\$ (192,342)</u> | <u>\$ (269,113)</u>           | <u>\$ 13,383,888</u>    | <u>\$ 25,347,190</u> | <u>\$ 4,771,102</u> | <u>\$ 20,576,088</u>      | <u>\$ -</u>               |

(continued)

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

Year ended December 31, 2010

|  | Programs                               |                       |                        |                   |                               |                         | Total               | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted |
|--|--|-----------------------|------------------------|-------------------|-------------------------------|-------------------------|---------------------|---------------------|---------------------------|---------------------------|
|  | Property<br>Operations &<br>Management | Resident<br>Services  | Housing<br>Development | MLF               | Neighborhood<br>Stabilization | Corporate<br>Operations |                     |                     |                           |                           |
| <b>Revenues</b>  |  |                       |                        |                   |                               |                         |                     |                     |                           |                           |
| 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)              | -                         |
| <b>Total revenues</b>  | <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>                  |
| <b>Expenses and losses</b>   |  |                       |                        |                   |                               |                         |                     |                     |                           |                           |
| 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             | -                         | -                         |
| <b>Total expenses and losses</b>   | <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>                  |
| <b>Excess (deficiency) of revenues over expenses</b>   |  |                       |                        |                   |                               |                         |                     |                     |                           |                           |
| 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   | (45,134,212)                           | -                     | -                      | -                 | -                             | -                       | (45,134,212)        | (45,134,212)        | -                         | -                         |
| <b>Excess (deficiency) of revenues over expenses attributable to<br/>Mercy Housing, Inc.</b> | <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>               |

See notes to financial statements



Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2011 and 2010

|   | Unrestricted Net Assets |                       |                       | Temporarily Restricted Net | Permanently Restricted Net | Total Net Assets      |
|---|-------------------------|-----------------------|-----------------------|----------------------------|----------------------------|-----------------------|
|   | Controlling             | Noncontrolling        | Total                 | Assets                     | Assets                     |                       |
| Balance, January 1, 2010                      | \$ 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 | <u>(646,760)</u>        | <u>(45,134,212)</u>   | <u>(45,780,972)</u>   | <u>3,012,018</u>           | <u>-</u>                   | <u>(42,768,954)</u>   |
| Balance, December 31, 2010                    | 25,928,512              | 372,697,366           | 398,625,878           | 187,329,183                | 3,965,706                  | 589,920,767           |
| Contributions                                 | -                       | 73,276,758            | 73,276,758            | -                          | -                          | 73,276,758            |
| Distributions                                 | -                       | (280,735)             | (280,735)             | -                          | -                          | (280,735)             |
| Syndication                                   | (7,250)                 | (766,506)             | (773,756)             | -                          | -                          | (773,756)             |
| Other Transfers                               | 4,884,113               | (3,114,766)           | 1,769,347             | 20,826,344                 | -                          | 22,595,691            |
| Excess (deficiency) of revenues over expenses | <u>4,771,102</u>        | <u>(51,808,751)</u>   | <u>(47,037,649)</u>   | <u>20,576,088</u>          | <u>-</u>                   | <u>(26,461,561)</u>   |
| Balance, December 31, 2011                    | <u>\$ 35,576,477</u>    | <u>\$ 390,003,366</u> | <u>\$ 425,579,843</u> | <u>\$ 228,731,615</u>      | <u>\$ 3,965,706</u>        | <u>\$ 658,277,164</u> |

See notes to financial statements

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010

|   | 2011                 | 2010                 |
|---|----------------------|----------------------|
| <b>Operating activities</b>   |                      |                      |
| Changes in net assets   | \$ (26,461,561)      | \$ (42,768,954)      |
| Adjustments to reconcile changes in net assets<br>to net cash provided by operating activities: |                      |                      |
| Forgiveness of debt   | (8,516,010)          | (1,579,515)          |
| (Gain) loss on sale of assets   | (1,568,803)          | 967,466              |
| Depreciation and amortization   | 66,125,305           | 59,244,368           |
| Provisions for loan losses and impaired assets  | 1,847,581            | 2,663,221            |
| Loss from investments in partnerships   | 225,890              | 212,165              |
| (Gain) loss on interest rate swap contracts   | 3,241,861            | 556,325              |
| Net changes in current assets and liabilities that provided (used) cash                         |                      |                      |
| Cash, tenant security deposits  | (60,486)             | (257,555)            |
| Accounts receivable and due from affiliates   | 3,124,960            | (5,340,681)          |
| Grants receivable   | 1,000,006            | 687,521              |
| Pledges receivable  | 1,726,628            | (169,632)            |
| Prepaid expenses and other assets   | (367,238)            | 190,537              |
| Inventory   | 1,894,278            | (8,592,963)          |
| Assets held for sale  | 137,559              | 4,567,190            |
| Accounts payable and due to affiliates  | 4,686,529            | 6,433,597            |
| Accrued interest payable  | 7,078,371            | 7,431,082            |
| Deferred revenue  | 35,044,412           | 9,722,226            |
| Tenant security deposits  | 349,110              | 280,644              |
| Net cash provided by operating activities   | <u>89,508,392</u>    | <u>34,247,042</u>    |
| <b>Investing activities</b>   |                      |                      |
| Net change in restricted cash and reserves  | (16,564,651)         | (14,389,507)         |
| Net change in investments   | 5,377,647            | (2,049,511)          |
| Purchases of property and equipment   | (168,973,067)        | (187,564,592)        |
| Net change in investments in partnerships   | (338,123)            | 152,500              |
| Net change in notes receivable  | (13,221,544)         | (9,318,486)          |
| Proceeds from sale of property and equipment  | <u>170,000</u>       | <u>19,306,544</u>    |
| Net cash used in investing activities   | <u>(193,549,738)</u> | <u>(193,863,052)</u> |

(continued)

Mercy Housing, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2011 and 2010

|  | 2011                 | 2010                 |
|--|----------------------|----------------------|
| <b>Financing activities</b>  |                      |                      |
| Proceeds from notes payable  | 256,610,547          | 188,496,026          |
| Principal payments on notes payable  | (211,455,514)        | (92,196,841)         |
| Financing fees   | (5,474,828)          | (4,822,140)          |
| Capital contributions from investor partners                               | 73,276,758           | 65,431,393           |
| Distributions paid to investor limited partners                            | (280,735)            | (392,641)            |
| Syndication costs  | (773,756)            | (859,940)            |
| Net cash provided by financing activities                                  | 111,902,472          | 155,655,857          |
| Net increase (decrease) in cash and cash equivalents                       | 7,861,126            | (3,960,153)          |
| Cash and cash equivalents at beginning of year                             | 18,100,212           | 22,060,365           |
| Cash and cash equivalents at end of year                                   | <u>\$ 25,961,338</u> | <u>\$ 18,100,212</u> |
| Cash paid for interest, net of amounts capitalized                         | <u>\$ 24,204,506</u> | <u>\$ 18,933,548</u> |
| <b>Noncash investing and financing activities:</b>                         |                      |                      |
| Net noncash net assets of transferred entities to (from) MHI               | \$ 25,710,457        | \$ (4,427,018)       |
| Transfers of net assets of non-controlling interests                       | (3,114,766)          | (631,873)            |
| Property and equipment and other assets transferred (to) from MHI          | (22,595,691)         | 5,058,891            |
| Increase in property and equipment in accounts payable                     | (5,115,870)          | (14,377,753)         |
| Increase in accounts payable from property and equipment purchases         | 5,115,870            | 14,377,753           |
| Decrease in property and equipment from notes payable                      | (171,909)            | 507,000              |
| Decrease in notes payable from property and equipment                      | 171,909              | (507,000)            |
| Increase in property and equipment from capitalized amortization           | 1,149,750            | (821,505)            |
| Capitalized amortization in property and equipment                         | (1,149,750)          | 821,505              |
| Increase in accounts payable from financing fees                           | 318,543              | -                    |
| Increase in financing fees in accounts payable                             | (318,543)            | -                    |
| Increase (decrease) in unrestricted net assets                             | 14,120,636           | 13,856,994           |
| Increase in (release of) temporarily and permanently restricted net assets | (14,120,636)         | (13,856,994)         |
| 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, 2011 and 2010

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.

Mercy Portfolio Services (MPS) was formed in 2009 as a response to the nation's foreclosure crisis. MPS is addressing the crises through two major programs: 1) Management of Neighborhood Stabilization Program (NSP) funds provided by the federal government to states and municipalities. NSP funds are used to acquire, rehabilitate and reoccupy foreclosed homes; and 2) Participation in the Mortgage Resolution Fund (MRF), a partnership with Enterprise Community Partners, Housing Partnership Network, and National Community Stabilization Trust whose mission is also neighborhood stabilization. MRF seeks to purchase delinquent mortgages from lenders and restructure the mortgages, enabling families to save their homes from foreclosure or transition to suitable housing.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHI and corporations or investments in limited partnerships or limited liability companies in which MHI has a controlling interest (the Company). Additionally, the consolidated financial statements for the years ended December 31, 2011 and 2010 include the accounts of 115 and 114 limited partnerships or limited liability companies, respectively, in which the Company has an ownership interest. These entities are included in the consolidation according to generally accepted accounting principles which require that partnership accounts be

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

consolidated for all limited partnerships or limited liability companies which are deemed to be controlled by the Company. All significant intercompany transactions have been eliminated in consolidation.

There are an additional ten affiliated entities and limited partnerships or limited liability companies 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  
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.  
Mercy Loan Fund (MLF)  
Mercy Housing Management Group (MHM)  
Mercy Portfolio Services  
    MPS Community I LLC  
Mercy Commercial Finance Properties (Atlantic City Affordable Housing LLC)  
Mercy Housing Mountain Plains  
    Holly Park Community Center LLC  
    Homes For Greeley  
    Stapleton II Mercy, LLC  
    Bluff Mercy, LLC  
    Mercy Housing Colorado GP, LLC  
    Mercy Housing Colorado III (Springfield Court)  
    Mercy Housing Colorado IV (Wapiti Meadows)  
Mercy Housing Midwest  
    Mercy Crestview Village  
    Heartland Housing Initiative (HARP)  
    Mercy House  
    Mercy Northglen  
    Mercy Oakwood Gardens  
    Mercy Bond Properties Nebraska I (Mercy Timbercreek LLC)

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Mercy Western Manor  
Mercy Village Joplin (Mercy Village at St. Johns)  
Mercy Housing Midwest Nebraska, LLC  
    Northglen, LP  
    Mercy Crestview Village Housing, LP  
    Western Manor, LP  
Mercy Housing Southwest  
    Avondale Senior Village  
    Camelot Casitas  
    Casa de Merced  
    Casa de Shanti  
    Decatur Place  
    El Mirage Senior  
    Holly Park East  
    Mesa Senior Meadows  
    Guadalupe Senior Village  
    Peoria Place  
    Plazas de Merced  
    Vista Alegre  
    Willow Street Apartments  
    Mercy Properties Arizona (Mercy Court)  
Mercy Housing California  
    Affordable Housing Initiative (AHI)  
    All Hallows Community  
    Marin Homes for Independent Living  
    Cantebria Senior Homes  
    Mercy Senior Housing Oxnard  
    EH/CC Housing Corp. (Eden House)  
    Francis of Assisi Community  
    Gault Street Senior  
    John W. King Senior Community  
    Maria B. Freitas Senior Housing Corp.  
    Marin Housing Corp.  
    Mercy Family Plaza LP  
    Mercy Gardens  
    Notre Dame Senior Housing Corp.  
    Oceana Senior Housing Corp.  
    Presentation Senior Community  
    Russell Manor  
    Tierra Del Sol, Inc.  
    Garden Park Apartment Community

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Mercy Oaks Village

MHC NSP LLC

Mercy Housing California 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 Housing CalWest

Mercy Housing California XXXIX (Gleason Park)

Mercy Housing California XL (Arlington Hotel)

Mercy Housing California XXXVIII (East Leland Court Family Housing)

365 Fulton LP (Parcel G)

Mercy Housing California XLII (Boulevard Court)

Mercy Housing California XLIV (1000 Fourth Street)

Third and LeConte Housing LP (6600 Third Street)

Mercy Housing California XLIII (Caroline Severance Manor)

Mercy Housing California 47 (7<sup>th</sup> & H Street)

7<sup>th</sup> & H GP, LLC

Mercy Housing California 51, LP(200 6<sup>th</sup> St/Hugo Hotel)

Madonna Housing, LLC

Mercy Housing California 53, LP(Madonna Residences)

Mercy Properties California

Foster Youth\*

The Haven\*

Leland House\*

Osocales (McIntosh Mobile Homes)\*

Richmond Hills\*

Sycamore Center (Red Bluff)\*

Sierra Vista\*

Walnut Grove\*

Santa Monica Street\*

Mercy Oak Forest LLC

Acacia Meadows\*

Mercy Housing Northwest-Idaho, Inc.

Eagle Senior Village

Mercy Southeast Idaho, Inc. (Hamilton Court)

Mercy Moscow, Inc. (Hawthorne)

Independence Hill

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\* 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, 2011 and 2010

Mercy Twin Falls, Inc. (Willswood)  
Mercy Housing Idaho NSP LLC (NSPID)  
Boise Senior 202 Owner, LP (12<sup>th</sup> Street Senior)  
Boise Senior 202 GP, LLC  
MHNW-ID GP, LLC  
MHNW-ID, LLC  
Mercy Housing Idaho II (Comstock Apartments)  
Mercy Housing Idaho I (Northside Nampa)  
Mercy Housing Lakefront  
Lavergne Courts LLC  
Washington Courts LLC  
Whitmore Apartments LLC  
111<sup>th</sup> & Wentworth Apartment Corporation  
Wentworth Commons  
Belray Apartment Corporation  
Belray Apartments  
Harold Washington Apartments Corporation  
Harold Washington Apartments  
Magnolia LP (Carlton Apartments)  
Red Door LP (Major Jenkins Apartments)  
4707 Malden LP (Miriam Apartments)  
Roseland Apartment Corporation  
Roseland LP (Holland Apartments)  
South Loop Apartment Corporation  
South Loop Apartments  
Winthrop Apartment Corporation  
5042 Winthrop Apartments LP (Delmar Apartments)  
Near North Apartment Corporation NFP  
Near North LP (Schiff Residences)  
Malden Arms Corporation II NFP  
Malden Limited Partnership II  
Englewood Apartments NFP  
901 West 63<sup>rd</sup> LP (Englewood Apartments)  
Countryside Seniors LLC  
Countryside Senior Apartments LP  
Johnston Center MM LLC  
Johnston Center Residences LLC  
HWA-850 Eastwood GP, NFP  
HWA-850 Eastwood LP (Harold Washington Apts)  
Belvidere Place Corp. I, NFP  
Grayslake Senior Housing



Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

104<sup>th</sup> Street MM, LLC  
104<sup>th</sup> Street LP (Pullman Wheelworks)  
Mercy Housing Southeast  
Mercy Place Belmont, Inc.  
Mercy Housing Pembroke, Inc. (McFadden Place)  
Mercy Housing Georgia Holdings, LLC (1826 Florence St)  
Marshside Village, Inc.  
Allegre Point Senior Residence  
MHSE Adamsville Green Senior Partners LLC  
Dublin Manor, Inc.  
McAuley Manor, Inc.  
Mercy Manor, Inc.  
Riverview - St. Mary's Inc. (St. Mary's Riverview I)  
St. Mary's Villa at Riverview II, Inc. (St. Mary's Riverview II)  
St. Mary's Villa, Inc.  
Sacred Heart Village I, Inc.  
Sacred Heart Village II, Inc.  
Sacred Heart Village III, Inc.  
St. Theresa Village, Inc.  
Siena Springs (Siena Springs I)  
Siena Springs II  
Charles Meadow Corporation  
Charles Crest Corporation (Charles Crest I)  
Charles Crest II, Corporation  
Savannah Gardens Senior Residences, Inc.  
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)  
Reynoldstown Senior Apartments  
Mercy Housing Georgia X (Savannah Gardens I)  
Mercy Lithonia Park View, Inc.  
Mercy Housing Georgia VIII LP (Terraces at Park View)  
MPI Highland Place LLC  
MPI Highland Place Apartments LP (Hills at Fairington Apartments)  
Antioch II, LLC  
Antioch Villas, LP

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Mercy Housing Georgia XI GP, LLC  
    Mercy Housing Georgia XI, LP (Etowah Terrace)  
MHSE Arbors, LLC  
    The Arbors at Ellington, Ltd.  
MHSE Savannah Gardens Phase III GP, LLC  
    Mercy Housing Georgia 12, LP(Savannah Gardens Phase III)  
Mercy Housing Northwest  
    Intercommunity Housing Ferndale  
    Sterling Senior Housing  
    Appian Way Manager LLC  
        Appian Way Mercy LLC  
New Tacoma Phase I GP LLC  
    New Tacoma Senior Housing Phase I  
New Tacoma Phase II Mercy LLC  
Evergreen Vista 1 GP, LLC  
    Evergreen Vista 1 Owner LP  
Rainer Vista Block 43 GP, LLC  
    Rainer Vista Block 43 Owner, LP(Columbia City Station Apts.)  
Mercy Properties Washington  
    Intercommunity Mercy Washington I (Evergreen Vista)  
    Intercommunity Mercy Washington II (Family Tree)  
    Mercy Housing Washington VIII (Hillside Gardens)  
    Mercy Housing Washington VI (Lincoln Way II)  
    Mercy Housing Washington V (Sterling Meadows)  
    Mercy Housing Washington VII (Eliza McCabe Townhomes)  
    Mercy Housing Washington IX (Evergreen Vista II)  
    Mercy Housing Washington X, LLC (Catalina Apartments)  
Mercy Housing Ohio, Inc.  
Mercy Properties Washington III LLC (Cobble Knoll I)  
Mercy Properties Washington II LLC (Cobble Knoll II)  
Padre Apartments Community  
Mercy Bond Properties Colorado I (Franconia LLC)  
Mercy Commercial California  
Consolidated General Partners  
    Mercy Properties, Inc. (MPI)  
        111 Jones Street Association (111 Jones Street Apartments)  
        Britton Street Association (Britton Court)  
        Mercy Housing Nebraska I (Capital Corners)  
        Mercy Housing California VII (Casa San Juan)  
        Somerset Senior Housing (Casitas de Merced)  
        Mercy Housing California II (Columbia Park)

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Mercy Housing Colorado VIII (Valle de Merced)  
Mercy Housing Colorado I, LTD (Grace Apartments)  
Mercy Housing California XI (Madison Place)  
Marlton Affordable Housing Association (Marlton Manor)  
Mason Apartments (Mason School Apartments)  
Mercy Housing California V (Mercy Village Folsom)  
Park Terrace Apartments  
Quinn Cottages, LP  
Mercy Housing California X (The Rose)  
San Felipe Homes  
2220 10<sup>th</sup> Avenue Association (Santana Apartments)  
Mercy Housing California VIII (School House Station)  
Mercy Housing Iowa II, LP (Sherwood Place Apartments)  
Mercy Housing California I (St. Francis Terrace)  
Mercy Housing Arizona I (Villas de Merced)  
Mercy Housing Georgia II LLLP (Orchard Grove)  
Mercy Housing Colorado IX, LLLP (Parkside Apartments)  
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  
    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, LLC (Pinon Terrace)  
Commons On Main GP LLC  
    Commons on Main LP  
Aromor Mercy LLC (Aromor Apartments)  
Mercy Galewood SLF, Inc.  
FHD Holdings LLC  
    Franciscan Homes III, LP  
    Franciscan Homes IV, Ltd.  
Mercy Properties II, Inc.  
    Mercy Housing Utah I (Francis Peak View)  
    Mercy Housing Idaho IV (Skyview Terrace)  
    Mercy Housing Idaho V (Sisters Villa)  
2101 Telegraph Avenue, Inc.  
    2101 Telegraph Avenue Associates (Hamilton Apartments)  
Mercy Affordable Housing, Inc. (MAHI)

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

McDermott Place

Bishops Block

South of Market Mercy Housing

1028 Howard Street Associates (1028 Howard Street Apartments)

1101 Howard Street Associates (1101 Howard Street Apartments)

Mercy Housing California VI (205 Jones Street Apartments)

1475 167<sup>th</sup> Avenue Association (Bermuda Gardens)

Centro Partners (El Centro Residential Suites)

La Playa Residential

West 28<sup>th</sup> Street (Montclair Court/Tolton Court)

16<sup>th</sup> & Church Street Association (Padre Palou Community)

Mercy Housing California III (Plaza Maria Apartments)

Mercy Housing California IX (Sycamore Street Commons)

Mercy Housing California IV (Vista Grande Apartments)

Visitation Valley Affordable Housing

Visitation Valley Family Housing Association (Heritage Homes)

Neary Lagoon, Inc.

Neary Lagoon Partners, LP (Neary Lagoon Cooperative)

Mercy Housing West

Mercy Housing California XIV (10<sup>th</sup> & Mission Residential)

Mercy Housing California XV (Nueva Vista)

Mercy Housing California XVII (Derek Silva Community)

Mercy Housing California XXIV (Carter Terrace)

Mercy Housing California XVIII (Leland Polk Senior Community)

Mercy Housing California XIII (Linbrook Court/Anaheim Sr.)

Mercy Housing California XX (Mission Creek Senior)

Mercy Housing California XVI (Villa Madera)

Mercy Housing California XXIII (St. Vincent's Garden)

Mercy Housing California XII (Villa Amador)

Village Park Housing Associates (Village Park Apartments)

Mercy Housing California XXI (White Rock Village)

Mercy Housing California XIX (1500 S. Grand)

Mercy Housing California XXV (Casa Alegre)

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 Senior)

Mercy Housing California XXVII (Serna Village)

Mercy Housing California XXVIII (Vineyard Townhomes)

Mercy Terrace, LLC

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Mercy Housing California XXIX (Grizzly Hollow Phase III)  
New Dana Strand Townhomes  
Mercy Housing California XXXII (Creekview Manor)  
Mercy Housing California XXXVI (Kent Gardens)  
Mercy Housing California XXXI (Martinelli House)  
Mercy Housing California XXXV (Arden Aire)  
Mercy Housing California XXXIII (Casa Verde)  
Mercy Housing California XXXVII (Ross Ranch)  
Colonia San Martin Associates, LP  
Mercy Housing California 50, LP (St. Anthony's)  
Coastside Senior Housing Limited Partners  
San Juan Housing Corp.  
Kennedy Estates Housing Association (Kennedy Estates)  
Tahoe Valley Townhomes Association (Tahoe Valley Townhomes)  
Florin Housing Corporation  
Florin Wood Association (Crossroads Gardens)  
Affordable Housing Corporation  
Mercy Housing Colorado VII (Holly Park West)  
Mercy Housing Washington IV (Lincoln Way)  
Mercy Housing Colorado VI (Merced de las Animas)  
Mercy Housing Idaho III (New Hope)  
Mercy Housing Colorado V (Plaza on Platte)  
Mercy Housing Washington III (Tahoma View)

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

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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.

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.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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 upon a periodic review of the accounts by management. Accounting 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.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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 \$0 and \$1,966,986 has been recognized for the years ended December 31, 2011 and 2010, 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 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, 2011 and 2010 was \$2,002,140 and \$1,545,203, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2016 is as follows:

|      |              |
|------|--------------|
| 2012 | \$ 1,640,941 |
| 2013 | 1,304,827    |
| 2014 | 1,217,817    |
| 2015 | 1,065,477    |
| 2016 | 1,021,887    |



Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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 or limited liability companies which own and operate projects for low-income and moderate-income families. The ownership interests, generally .01 percent to 1.0 percent general partner interests, are not consolidated as they are not controlled by the Company.

Non-Controlling Interest in Limited Partnerships

This amount represents the aggregate balance of Limited Partner or Investor Member equity interests in the non-wholly owned limited partnerships or limited liability companies that are included in the consolidated financial statements. The aggregate negative balances, if any, of Limited Partner or Investor Member 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, 2011 and 2010, 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 an increase of \$22,595,691 and a decrease of \$5,058,891, respectively. In 2011, Catholic Healthcare Partners (CHP), one of the Mercy's Strategic Health Care Partners, assigned their membership interest in fifteen HUD 202 properties (618 units) from CHP to Mercy Housing SouthEast, Inc. The properties range in age from seven to nineteen years. Six of the properties are located in

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Kentucky, six in Ohio and three in Tennessee. The following is a summary of the above net changes:

|                                  | 2011                 |                               | 2010                  |
|----------------------------------|----------------------|-------------------------------|-----------------------|
| Addition of entities             |                      | Addition of entities          |                       |
| Dublin Manor                     | \$ 1,877,912         |                               | \$ -                  |
| McAuley Manor                    | 1,310,383            |                               | -                     |
| Mercy Manor                      | 1,325,689            |                               | -                     |
| Riverview - St. Mary's           | 1,834,768            |                               | -                     |
| St. Mary's Villa at Riverview II | 1,973,151            |                               | -                     |
| St Mary's Villa                  | 1,845,817            |                               | -                     |
| Sacred Heart Village I           | 2,010,585            |                               | -                     |
| Sacred Heart Village II          | 2,677,048            |                               | -                     |
| Sacred Heart Village III         | 2,471,959            |                               | -                     |
| St. Theresa Village              | 2,013,876            |                               | -                     |
| Siena Springs                    | (611,438)            |                               | -                     |
| Siena Springs II                 | 1,825,648            |                               | -                     |
| Charles Meadow Corporation       | 666,089              |                               | -                     |
| Charles Crest Corporation        | (1,017,359)          |                               | -                     |
| Charles Crest II Corporation     | 1,857,031            |                               | -                     |
| Transfer of eliminations         | 534,532              |                               | -                     |
| Miscellaneous entities           | -                    | Miscellaneous entities        | 32,579                |
|                                  | <u>22,595,691</u>    |                               | <u>32,579</u>         |
| Transfer of entities             |                      | Transfer of entities          |                       |
|                                  | -                    | Brooks Oaks Senior Residences | (5,091,470)           |
|                                  | <u>-</u>             |                               | <u>(5,091,470)</u>    |
| Total                            | <u>\$ 22,595,691</u> | Total                         | <u>\$ (5,058,891)</u> |

Strategic Health Care Partnerships

MHI has nine Strategic Health Care Partners (Strategic Partners). Six of the Strategic Partners, Dignity Health (formerly Catholic Healthcare West), Catholic Health East, St. Joseph Health System, Bon Secours Health System, Ascension Health, and Presence Health (formerly 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 2011 and 2014. Two Strategic Partners, Catholic Healthcare Partners (CHP) and Catholic Health Initiatives (CHI), have each provided MHI

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

with \$5 million dollar non-interest bearing loans. Through November 2011, the principal from those loans has been invested in interest bearing accounts and the income generated from these investments was used to support services associated with the Strategic Partners.

In December 2011, CHP forgave their \$5 million loan and the related debt forgiveness is included in Other Revenue in the accompanying consolidated statements of activities. Prior thereto, the funds received from CHP had been recorded as Designated Cash. Through December 31, 2010, MHI elected to utilize \$2 million of these funds to meet short-term operating cash requirements, with the balance available to be utilized to cover future additional operating cash needs. As of December 31, 2011, funds from the CHP loan are unrestricted.

Also in December 2011, the CHI funds were loaned to a Mercy-controlled property partnership and used for the conversion of construction financing to permanent debt.

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, 2011 and 2010. 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 which must be considered for disclosure. During 2009, the Company adopted the accounting guidance pertaining to accounting for uncertainty in income taxes. For the years ended

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

December 31, 2011 and 2010, the Company 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  
HWA-850 Eastwood GP Corporation NFP  
Belvidere Place Corporation I, NFP  
104<sup>th</sup> Street MM, LLC  
MHSE Adamsville Green Senior Partners, LLC  
MHSE Savannah Gardens Phase III GP, LLC  
MPI Highland Place 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 not significant to the consolidated financial statements.

The limited partnerships and limited liability companies 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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 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.

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.

Derivative Instruments and Hedging Activities

During the years ended December 31, 2011 and 2010, the Company had six 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, 2011 and 2010, 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.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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.

At December 31, 2011 and 2010, cash and investments were as follows:

|  | 2011                  | 2010                  |
|--|-----------------------|-----------------------|
| Unrestricted Cash - Properties                               | \$ 26,183,077         | \$ 21,657,276         |
| Unrestricted Cash/Investments - Mercy Loan Fund              | 828,684               | 1,079,395             |
| Unrestricted Cash/Investments - Corporate Operating Entities | <u>4,710,064</u>      | <u>295,245</u>        |
| Subtotal - Unrestricted Cash/Investments                     | 31,721,825            | 23,031,916            |
| Designated Cash  | <u>-</u>              | <u>3,000,000</u>      |
| Total Unrestricted and Designated Cash/Investments           | 31,721,825            | 26,031,916            |
| Restricted Cash - Tenant Security Deposits                   | 5,792,957             | 5,732,471             |
| Restricted Cash/Investments -                                |                       |                       |
| Corporate Entities (including Mercy Loan Fund)               | 31,485,070            | 17,153,408            |
| Restricted Cash - Properties                                 | 10,050,552            | 12,951,002            |
| Restricted Cash - LT Restricted Property Reserves            | <u>102,435,525</u>    | <u>100,508,516</u>    |
|  | <u>\$ 181,485,929</u> | <u>\$ 162,377,313</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 2012 to November 2015.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

The approximate market value of the investments was \$53,556,902 and \$45,120,263 as of December 31, 2011 and 2010 as follows:

|                               | <u>2011</u>          | <u>2010</u>          |
|-------------------------------|----------------------|----------------------|
| Money Market Mutual Funds     | \$ 29,532,042        | \$ 22,290,853        |
| Certificates of deposit       | 15,410,616           | 17,877,416           |
| Government agency instruments | <u>8,614,244</u>     | <u>4,951,994</u>     |
|                               | <u>\$ 53,556,902</u> | <u>\$ 45,120,263</u> |
| Investment income             | <u>\$ 343,005</u>    | <u>\$ 381,334</u>    |

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, 2011, pledge receivable related to the charitable remainder trust were \$201,152 based on actuarial calculations using a discount rate of 3.0 percent. For December 31, 2010, pledge receivables were \$211,626 based on actuarial calculations using a discount rate of 2.0 percent. Actuarial calculations are revised annually, and changes in pledge receivables are recorded as operating income or loss.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

As of December 31, 2011, future pledge payments are as follows:

|   |    |                         |
|---|----|-------------------------|
| For the year ending December 31, 2012                   | \$ | 867,399                 |
| 2013  |    | 489,741                 |
| 2014  |    | 129,598                 |
| 2015  |    | 48,897                  |
| 2016  |    | 47,397                  |
| Thereafter  |    | <u>274,931</u>          |
| Total pledges receivable                                |    | 1,857,963               |
| Allowance and discount                                  |    | <u>(63,903)</u>         |
| Total pledges receivable, net of allowance and discount | \$ | <u><u>1,794,060</u></u> |

The amount of pledges written off was \$49,588 and \$44,552 for the years ended December 31, 2011 and 2010, respectively.

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, 2011 of \$11,175,936, approximately \$9,462,350 relates to development grants awarded to 7th & H GP, LLC, Boise Senior 202 GP, LLC, HWA-850 Eastwood GP, NFP and Savannah Gardens Senior Residences, Inc.

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.

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 3.0 percent. Maturity dates range from 2012 to 2051. At December 31, 2011 and 2010, substantially all of the notes and interest receivable are collateralized by real estate.



Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Total allowances for Mercy Loan Fund at December 31, 2011 and 2010 consisted of the following:

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| Allowances, beginning of year              | \$ 1,746,741        | \$ 1,301,157        |
| Increase/Decrease to allowance charged to: |                     |                     |
| Expense                                    | 1,746,696           | 493,514             |
| Loans written off                          | -                   | (47,930)            |
| Allowances, end of year                    | <u>\$ 3,493,437</u> | <u>\$ 1,746,741</u> |

NOTE 6 - PROPERTY AND EQUIPMENT AND ASSETS HELD FOR SALE

Property and equipment at December 31, 2011 and 2010 consisted of the following:

|                               | 2011                    | 2010                    |
|-------------------------------|-------------------------|-------------------------|
| Land and land improvements    | \$ 213,194,187          | \$ 194,233,625          |
| Buildings                     | 1,611,917,479           | 1,429,021,448           |
| Furniture and equipment       | 63,965,557              | 55,708,724              |
| Predevelopment project costs  | 5,778,850               | 6,605,188               |
| Construction in progress      | 81,588,579              | 93,507,485              |
| Total property and equipment  | 1,976,444,652           | 1,779,076,470           |
| Less accumulated depreciation | <u>(460,098,014)</u>    | <u>(391,364,022)</u>    |
| Property and equipment, net   | <u>\$ 1,516,346,638</u> | <u>\$ 1,387,712,448</u> |

For the years ended December 31, 2011 and 2010, depreciation expense was \$64,123,165 and \$57,699,165, 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, 2011, the Company has entered into a Memo of Understanding with Merced Housing Texas to sell Somerset Senior Housing (Casitas de Merced) in the second quarter of 2012. At December 31, 2010, the Company considers the assets of the

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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 2011 or 2010. Oakwood Gardens was sold during 2011 and Bishops Block is no longer considered held for sale.

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

|                         | 2011       | 2010       |
|-------------------------|------------|------------|
| Total assets            | \$ 826,847 | \$ 982,441 |
| Total liabilities       | 946,223    | 2,298,469  |
| Discontinued operations | (73,793)   | (49,062)   |

NOTE 7 - NOTES PAYABLE

Notes payable as of December 31, 2011 and 2010 include both secured and unsecured borrowings and consist of the following:

|  | 2011         | 2010      |
|--|--------------|-----------|
| 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, 2011 and 2010 is 3.01% and 3.01%, respectively. Commitment expires July 31, 2014. <sup>(1)</sup>  | \$ 2,420,000 | \$ -      |
| JP Morgan Chase - Revolving predevelopment loan bearing interest at thirty day LIBOR plus 2.50% as of December 31, 2011 and thirty day LIBOR plus 1.20% as of December 31, 2010. Credit line is available to fund predevelopment expenses up to a total of \$8,000,000. The rate as of December 31, 2011 and 2010 is 2.81% and 1.45%, respectively. Commitment expires June 1, 2012. | 4,826,000    | 6,075,000 |

(1) As of December 31, 2011 and 2010, the Company had standby Letters of Credit of \$510,000 and \$450,000, respectively, issued under the operating sub-limit.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

|   | 2011           | 2010           |
|---|----------------|----------------|
| Investor Loans to Mercy Loan Fund. Notes bearing interest from 0% to 5% and maturing through 2021. With the exception of \$191,784 available to draw as of December 31, 2011, all funds available under these notes are fully drawn as of December 31, 2011 and 2010.   | 32,331,009     | 26,304,088     |
| Other Notes Payable, bearing interest from 0% to 3.5% and maturing through 2012. Available balances of \$21,513,750 and \$26,409,587 as of December 31, 2011 and 2010, respectively. <sup>(2)</sup>   | 21,062,014     | 24,909,587     |
| Subtotal - Unsecured Corporate Operating and Predevelopment Loans   | 60,639,023     | 57,288,675     |
| 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 2013. Available balance \$407,855,571 and \$309,001,770 as of December 31, 2011 and 2010, respectively. | 239,106,423    | 211,589,915    |
| 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, 2011 and 2010, respectively.                           | 660,114,563    | 648,426,676    |
| Total   | 959,860,009    | 917,305,266    |
| Less: current portion   | (67,131,043)   | (67,848,752)   |
| Non-current portion   | \$ 892,728,966 | \$ 849,456,514 |

(2) As of December 31, 2011 and 2010, 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, 2011 and 2010

Future minimum principal maturities of notes payable are as follows:

|                                       |    |                           |
|---------------------------------------|----|---------------------------|
| For the year ending December 31, 2012 | \$ | 67,131,043                |
| 2013                                  |    | 50,048,431                |
| 2014                                  |    | 18,910,221                |
| 2015                                  |    | 19,837,815                |
| 2016                                  |    | 26,270,887                |
| Thereafter                            |    | <u>777,661,612</u>        |
| Total maturities                      |    | 959,860,009               |
| Less current maturities               |    | <u>(67,131,043)</u>       |
| Notes payable, less current portion   | \$ | <u><u>892,728,966</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<br>Leases | Office and<br>Equipment Leases | Property<br>Land Leases | Total Operating<br>Leases |
|---|-------------------|--------------------------------|-------------------------|---------------------------|
| For the year ending December 31,        |                   |                                |                         |                           |
| 2012                                    | \$ 3,878          | \$ 1,241,734                   | \$ 964,139              | \$ 2,205,873              |
| 2013                                    | -                 | 1,134,657                      | 959,139                 | 2,093,796                 |
| 2014                                    | -                 | 967,673                        | 959,139                 | 1,926,812                 |
| 2015                                    | -                 | 956,462                        | 959,139                 | 1,915,601                 |
| 2016                                    | -                 | 885,459                        | 959,139                 | 1,844,598                 |
| Thereafter                              | -                 | 3,226,540                      | 46,156,148              | 49,382,688                |
| Total future minimum lease payments     | 3,878             | 8,412,525                      | 50,956,843              | 59,369,368                |
| Less: Amount representing interest      | -                 | -                              | -                       | -                         |
| Present value of minimum lease payments | <u>\$ 3,878</u>   | <u>\$ 8,412,525</u>            | <u>\$ 50,956,843</u>    | <u>\$ 59,369,368</u>      |

Lease expense for operating leases was approximately \$2,652,605 and \$2,521,975 for the years ended December 31, 2011 and 2010, 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 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

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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 predevelopment and 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. Due to a change in accounting pronouncements 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 from 2012 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 and limited liability companies or their affiliated general partners or members whereby MHI offers tax

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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. Similarly, MHI has entered into agreements with state and local governments who have provided loans to certain limited partnerships for the development of affordable housing whereby MHI has guaranteed any recapture of the loans resulting from non-compliance with affordable housing requirements. Management is not aware of any known liability for tax credit or loan recapture. The maximum potential liability under these guarantees as of December 31, 2011 is \$718 million relating to 100 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, 2011, MHI had provided guarantees on 20 acquisition and construction loans of \$180,748,020 of which \$95,935,368 was outstanding.

The Company has also issued other guarantees in order to secure financing on various projects. As of December 31, 2011, \$8,992,188 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, 2011, \$918,708 was outstanding.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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 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 2011 and 2010 of (\$3,241,862) and (\$556,325), 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 2011 and 2010 of \$343,005 and \$381,334, 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, 2011 and 2010.

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

The following table presents the financial assets and liabilities that the Company measured at fair value on a recurring basis as of December 31, 2011:

|  | Level 1       | Level 2        | Level 3 | Total          |
|--|---------------|----------------|---------|----------------|
| Net interest rate swap-asset/(liability) | \$ -          | \$ (4,866,349) | \$ -    | \$ (4,866,349) |
| Money market mutual funds                | \$ 29,532,042 | \$ -           | \$ -    | \$ 29,532,042  |
| Certificates of deposit                  | \$ 15,410,616 | \$ -           | \$ -    | \$ 15,410,616  |
| Government agency instruments            | \$ -          | \$ 8,614,244   | \$ -    | \$ 8,614,244   |

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   |

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



Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

attained certain tenured service with the organization. Contribution costs of property site staff are passed through to the managed projects. The Company contributed \$874,312 and \$751,246 for the years ended December 31, 2011 and 2010, 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. In addition, MHM provides management services to unaffiliated affordable housing projects at competitive rates.

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).

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

Litigation

MHI and its subsidiaries are named in 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.

NOTE 14 - RISKS AND UNCERTAINTIES

The following important factors could adversely impact our business. These factors could cause our actual results to differ materially from any forward-looking and other statements that we make in periodic reports, news releases, annual reports and other written reports or communication, that we post on our website and that our personnel and representatives make orally from time to time.

The United States economy is experiencing a prolonged and severe downturn and budgetary challenge that may continue for an indefinite period, which could adversely affect our business. Changes in Federal, State and Local programs or regulations could have a material impact on future results. 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 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. Continuation of the current economic and credit market environment could increase our cost of capital or limit our ability to access capital. Failure to comply with covenants and conditions imposed by the agreements governing our indebtedness could restrict future borrowing or cause our debt to become immediately due and payable. Failure to renew existing loans could impact working capital, capital expenditures, acquisitions, debt service or other business needs.

The Company and its subsidiaries invested assets consist of bank certificates of deposits (CDs) and money market funds which invest in CDs, commercial paper, US Treasury bills, US Agency bonds, notes, and repurchase agreements. Investment policy and guidelines are established by the finance committee of the board of trustees. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty

Mercy Housing, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011 and 2010

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, 2011. 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.

Increased development costs, supply and labor shortages, entitlement delays, uninsured losses from natural disasters and other factors may negatively affect our future results. Property operations and development is subject to warranty and liability claims that can be significant.

Following the recent ruling by the California Supreme Court upholding the constitutionality of the California Dissolution Act effective June 28, 2011, all California Redevelopment Agencies were dissolved and performance of their existing obligations was transferred to successor agencies. These successor agencies may elect to become a "Successor Housing Agency". Due to the uncertainty about what these successor agencies will elect to do, the Company is unable to determine the impact of this change on future results.

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 26, 2012 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require 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, 2011

|  | Mercy Housing<br>Inc. | Mercy Loan<br>Fund   | Mercy Housing<br>Management<br>Group | Mercy Portfolio<br>Services | MPS<br>Community I, LLC |
|--|-----------------------|----------------------|--------------------------------------|-----------------------------|-------------------------|
| <b>Assets</b>  |                       |                      |                                      |                             |                         |
| Current assets   |                       |                      |                                      |                             |                         |
| Cash and cash equivalents                                    | \$ 12,057,083         | \$ 3,145,348         | \$ -                                 | \$ 463,730                  | \$ 879,107              |
| Cash, tenant security deposits                               | -                     | -                    | -                                    | -                           | -                       |
| Cash, restricted   | 1,316,034             | 393,310              | -                                    | 17,474,311                  | -                       |
| Investments  | 2,105,000             | 90,000               | -                                    | -                           | -                       |
| Investments, restricted                                      | 712                   | 4,592,823            | -                                    | -                           | -                       |
| Accounts receivable, net                                     | 995,702               | 95,980               | 3,564,867                            | 76,815                      | 59,935                  |
| Due from affiliate, net                                      | 3,048,375             | -                    | 1,858,277                            | 6,453,344                   | -                       |
| Pledges receivable, net                                      | 484,401               | 910                  | -                                    | 1,170                       | -                       |
| Grants receivable  | -                     | -                    | -                                    | -                           | -                       |
| Current portion of notes and interest receivable             | 50,620                | 14,211,586           | -                                    | -                           | -                       |
| Current portion of notes and interest receivable, affiliates | 7,318,340             | -                    | -                                    | 466,544                     | -                       |
| Prepaid expenses and other assets                            | 236,773               | 13,604               | 85,493                               | 26,960                      | 29,000                  |
| Inventory  | -                     | -                    | -                                    | -                           | 6,276,400               |
| Assets held for sale   | -                     | -                    | -                                    | -                           | -                       |
| Total current assets   | 27,613,040            | 22,543,561           | 5,508,637                            | 24,962,874                  | 7,244,442               |
| Property and equipment                                       |                       |                      |                                      |                             |                         |
| Land and land improvements                                   | 855,000               | -                    | -                                    | -                           | -                       |
| Buildings  | 71,748                | -                    | -                                    | -                           | -                       |
| Furniture and equipment                                      | 3,705,391             | -                    | 216,921                              | 201,425                     | -                       |
| Predevelopment project costs                                 | -                     | -                    | -                                    | -                           | -                       |
| Construction in progress                                     | -                     | -                    | -                                    | -                           | -                       |
| Accumulated depreciation                                     | (3,602,663)           | -                    | (216,921)                            | (157,030)                   | -                       |
| Net property and equipment                                   | 1,029,476             | -                    | -                                    | 44,395                      | -                       |
| Other long-term assets                                       |                       |                      |                                      |                             |                         |
| Restricted property reserves                                 | -                     | -                    | -                                    | -                           | 42,916                  |
| Cash, restricted   | -                     | -                    | -                                    | -                           | -                       |
| Long-term investments  | 3,280,000             | 200,000              | -                                    | -                           | -                       |
| Long-term investments, restricted                            | -                     | -                    | -                                    | -                           | -                       |
| Due from affiliates  | 775,972               | -                    | -                                    | -                           | -                       |
| Pledges receivable, net                                      | 328,451               | -                    | -                                    | -                           | -                       |
| Grants receivable  | -                     | -                    | -                                    | -                           | -                       |
| Investments in limited partnerships, net                     | 1,250,718             | 2,029                | -                                    | -                           | -                       |
| Notes and interest receivable, net                           | 7,372,065             | 20,940,074           | -                                    | -                           | -                       |
| Notes and interest receivable, affiliates                    | 9,148,628             | -                    | -                                    | -                           | -                       |
| Allowance for impaired assets                                | -                     | -                    | -                                    | -                           | -                       |
| Other assets, net  | 32,571                | -                    | -                                    | -                           | -                       |
| Total other long-term assets                                 | 22,188,405            | 21,142,103           | -                                    | -                           | 42,916                  |
| <b>Total assets</b>  | <b>\$ 50,830,921</b>  | <b>\$ 43,685,664</b> | <b>\$ 5,508,637</b>                  | <b>\$ 25,007,269</b>        | <b>\$ 7,287,358</b>     |
| <b>Liabilities</b>   |                       |                      |                                      |                             |                         |
| Current liabilities  |                       |                      |                                      |                             |                         |
| Accounts payable and accrued expenses                        | \$ 4,685,869          | \$ 124,632           | \$ 2,880,548                         | \$ 294,348                  | \$ 402,668              |
| Due to affiliates  | 12,105                | -                    | 6,946,330                            | 58,007                      | 466,710                 |
| Accrued interest   | 38,659                | 215,011              | -                                    | -                           | -                       |
| Accrued interest, affiliates                                 | 34,694                | -                    | -                                    | -                           | -                       |
| Current portion of notes payable                             | 9,312,140             | 5,295,966            | -                                    | 574,008                     | -                       |
| Current portion of notes payable, affiliates                 | 5,195,194             | 73,298               | -                                    | -                           | -                       |
| Deferred revenue and other liabilities                       | 235,560               | 173,500              | 992,338                              | 17,446,616                  | -                       |
| Tenant security deposits                                     | -                     | -                    | -                                    | -                           | -                       |
| Miscellaneous current liabilities                            | -                     | -                    | -                                    | -                           | -                       |
| Total current liabilities                                    | 19,514,221            | 5,882,407            | 10,819,216                           | 18,372,979                  | 869,378                 |
| Long-term liabilities  |                       |                      |                                      |                             |                         |
| Due to affiliates  | -                     | -                    | -                                    | -                           | -                       |
| Accrued interest   | 58,212                | -                    | -                                    | -                           | -                       |
| Accrued interest, affiliates                                 | -                     | -                    | -                                    | -                           | -                       |
| Notes payable, less current portion, net                     | 13,465,969            | 27,035,043           | -                                    | 383,907                     | 383,907                 |
| Notes payable, less current portion, affiliates              | 6,236,547             | 1,768,716            | -                                    | -                           | 574,008                 |
| Deferred revenue and other liabilities                       | 589,570               | 2,000,000            | -                                    | 5,443,476                   | 5,443,476               |
| Total long-term liabilities                                  | 20,350,298            | 30,803,759           | -                                    | 5,827,383                   | 6,401,391               |
| <b>Total liabilities</b>                                     | <b>39,864,519</b>     | <b>36,686,166</b>    | <b>10,819,216</b>                    | <b>24,200,362</b>           | <b>7,270,769</b>        |
| <b>Net assets</b>  |                       |                      |                                      |                             |                         |
| Unrestricted net assets, controlling                         | 8,928,717             | 6,905,498            | (5,310,579)                          | 646,907                     | 16,589                  |
| Unrestricted net assets, noncontrolling                      | -                     | -                    | -                                    | -                           | -                       |
| Total unrestricted net assets                                | 8,928,717             | 6,905,498            | (5,310,579)                          | 646,907                     | 16,589                  |
| Temporarily restricted net assets                            | 1,282,685             | 94,000               | -                                    | 160,000                     | -                       |
| Permanently restricted net assets                            | 755,000               | -                    | -                                    | -                           | -                       |
| <b>Total net assets</b>                                      | <b>10,966,402</b>     | <b>6,999,498</b>     | <b>(5,310,579)</b>                   | <b>806,907</b>              | <b>16,589</b>           |
| <b>Total liabilities and net assets</b>                      | <b>\$ 50,830,921</b>  | <b>\$ 43,685,664</b> | <b>\$ 5,508,637</b>                  | <b>\$ 25,007,269</b>        | <b>\$ 7,287,358</b>     |

Consolidating Statement of Financial Position  
Mercy Housing, Inc.  
December 31, 2011

|  | Mercy Commercial<br>Finance Properties | Consolidated<br>Mercy Housing<br>Mountain Plains | Consolidated<br>Mercy Housing<br>California | Consolidated<br>Mercy Housing<br>Northwest - ID | Consolidated<br>Mercy Housing<br>Lakefront |
|--|--|--|---|---|--|
| <b>Assets</b>  |  |  |   |   |  |
| Current assets   |  |  |   |   |  |
| Cash and cash equivalents                                    | \$ -                                   | \$ 1,731,830                                     | \$ 9,489,981                                | \$ 176,051                                      | \$ 7,467,010                               |
| Cash, tenant security deposits                               | -                                      | 284,009  | 697,126                                     | 62,645  | 427,256                                    |
| Cash, restricted   | -                                      | 3,954,929  | 5,862,430                                   | 284,698   | 2,126,780                                  |
| Investments  | -                                      | -  | -   | -   | -  |
| Investments, restricted                                      | -                                      | -  | 477,300                                     | -   | -  |
| Accounts receivable, net                                     | -                                      | 312,007  | 759,301                                     | 35,786  | 1,060,370                                  |
| Due from affiliate, net                                      | -                                      | 670,207  | 3,785,535                                   | 833,185   | 22,928                                     |
| Pledges receivable, net                                      | -                                      | 56,424   | 19,250                                      | 146   | 186,714                                    |
| Grants receivable  | -                                      | 121,913  | 4,305,871                                   | 2,103,179                                       | 1,293,719                                  |
| Current portion of notes and interest receivable             | -                                      | 13,542   | 98,773                                      | -   | -  |
| Current portion of notes and interest receivable, affiliates | -                                      | 307,023  | 826,228                                     | 20,000  | 40,000                                     |
| Prepaid expenses and other assets                            | -                                      | 279,164  | 499,500                                     | 44,179  | 565,651                                    |
| Inventory  | -                                      | -  | 2,093,304                                   | 857,401   | -  |
| Assets held for sale   | -                                      | -  | -   | -   | -  |
| Total current assets   | -                                      | 7,731,048  | 28,914,599                                  | 4,417,270                                       | 13,190,428                                 |
| Property and equipment                                       |  |  |   |   |  |
| Land and land improvements                                   | -                                      | 7,183,971  | 41,810,738                                  | 1,563,864                                       | 18,017,882                                 |
| Buildings  | -                                      | 69,051,478                                       | 237,921,085                                 | 8,855,427                                       | 168,936,247                                |
| Furniture and equipment                                      | -                                      | 4,247,760  | 8,008,336                                   | 483,193   | 5,188,862                                  |
| Predevelopment project costs                                 | -                                      | -  | 4,301,355                                   | 22,638  | 1,792,260                                  |
| Construction in progress                                     | -                                      | 5,804,299  | 36,375,164                                  | 4,218,278                                       | 5,372,413                                  |
| Accumulated depreciation                                     | -                                      | (26,636,114)                                     | (60,575,308)                                | (4,692,736)                                     | (36,419,602)                               |
| Net property and equipment                                   | -                                      | 59,651,394                                       | 267,841,370                                 | 10,450,664                                      | 162,888,062                                |
| Other long-term assets                                       |  |  |   |   |  |
| Restricted property reserves                                 | -                                      | 3,274,885  | 15,303,698                                  | 619,365   | 29,474,576                                 |
| Cash, restricted   | -                                      | -  | -   | -   | -  |
| Long-term investments  | -                                      | -  | -   | -   | -  |
| Long-term investments, restricted                            | -                                      | -  | 1,560,000                                   | -   | -  |
| Due from affiliates  | -                                      | 205,474  | 221,003                                     | -   | -  |
| Pledges receivable, net                                      | -                                      | 40,824   | 201,151                                     | -   | 102,971                                    |
| Grants receivable  | -                                      | -  | -   | -   | -  |
| Investments in limited partnerships, net                     | -                                      | -  | 878,665                                     | -   | 1  |
| Notes and interest receivable, net                           | -                                      | -  | 5,151,521                                   | 162,049   | 56,072                                     |
| Notes and interest receivable, affiliates                    | -                                      | 5,264,107  | 6,340,886                                   | 653,008   | -  |
| Allowance for impaired assets                                | -                                      | (545,883)  | -   | -   | -  |
| Other assets, net  | -                                      | 1,567,160  | 3,201,170                                   | 213,349   | 4,524,486                                  |
| Total other long-term assets                                 | -                                      | 9,806,567  | 32,858,094                                  | 1,647,771                                       | 34,158,106                                 |
| <b>Total assets</b>  | <b>\$ -</b>                            | <b>\$ 77,189,009</b>                             | <b>\$ 329,614,063</b>                       | <b>\$ 16,515,705</b>                            | <b>\$ 210,236,596</b>                      |
| <b>Liabilities</b>   |  |  |   |   |  |
| Current liabilities  |  |  |   |   |  |
| Accounts payable and accrued expenses                        | \$ -                                   | \$ 3,785,573                                     | \$ 12,438,185                               | \$ 1,217,398                                    | \$ 9,291,080                               |
| Due to affiliates  | -                                      | 8,705,087  | 117,597                                     | 1,738,145                                       | 85,514                                     |
| Accrued interest   | -                                      | 62,087   | 2,178,354                                   | 4,734   | 580,846                                    |
| Accrued interest, affiliates                                 | -                                      | 6,188  | 185,000                                     | 1,902   | -  |
| Current portion of notes payable                             | -                                      | 2,763,433  | 37,114,716                                  | 815,118   | 1,217,178                                  |
| Current portion of notes payable, affiliates                 | -                                      | -  | 4,702,552                                   | 39,190  | 2,568,838                                  |
| Deferred revenue and other liabilities                       | -                                      | 86,774   | 603,424                                     | 9,122   | 237,414                                    |
| Tenant security deposits                                     | -                                      | 283,687  | 712,586                                     | 57,614  | 415,542                                    |
| Miscellaneous current liabilities                            | -                                      | -  | -   | -   | -  |
| Total current liabilities                                    | -                                      | 15,692,829                                       | 58,052,414                                  | 3,883,223                                       | 14,396,412                                 |
| Long-term liabilities  |  |  |   |   |  |
| Due to affiliates  | -                                      | -  | -   | -   | -  |
| Accrued interest   | -                                      | 477,544  | 5,509,632                                   | 58,114  | 2,310,790                                  |
| Accrued interest, affiliates                                 | -                                      | -  | -   | 1,317,858                                       | -  |
| Notes payable, less current portion, net                     | -                                      | 28,097,951                                       | 125,546,268                                 | 2,531,922                                       | 112,853,378                                |
| Notes payable, less current portion, affiliates              | -                                      | 1,190,042  | 4,027,348                                   | 954,274   | 415,801                                    |
| Deferred revenue and other liabilities                       | -                                      | 4,893  | 25,569,384                                  | 40,785  | 2,488,882                                  |
| Total long-term liabilities                                  | -                                      | 29,770,430                                       | 160,652,632                                 | 4,902,953                                       | 118,068,851                                |
| <b>Total liabilities</b>                                     | <b>-</b>                               | <b>45,463,259</b>                                | <b>218,705,046</b>                          | <b>8,786,176</b>                                | <b>132,465,263</b>                         |
| <b>Net assets</b>  |  |  |   |   |  |
| Unrestricted net assets, controlling                         | -                                      | 5,954,175  | 19,185,116                                  | 446,332   | 68,261,062                                 |
| Unrestricted net assets, noncontrolling                      | -                                      | -  | -   | -   | -  |
| Total unrestricted net assets                                | -                                      | 5,954,175  | 19,185,116                                  | 446,332   | 68,261,062                                 |
| Temporarily restricted net assets                            | -                                      | 24,971,575                                       | 89,688,195                                  | 7,283,197                                       | 9,135,271                                  |
| Permanently restricted net assets                            | -                                      | 800,000  | 2,035,706                                   | -   | 375,000                                    |
| <b>Total net assets</b>                                      | <b>-</b>                               | <b>31,725,750</b>                                | <b>110,909,017</b>                          | <b>7,729,529</b>                                | <b>77,771,333</b>                          |
| <b>Total liabilities and net assets</b>                      | <b>\$ -</b>                            | <b>\$ 77,189,009</b>                             | <b>\$ 329,614,063</b>                       | <b>\$ 16,515,705</b>                            | <b>\$ 210,236,596</b>                      |



Consolidating Statement of Financial Position  
Mercy Housing, Inc.  
December 31, 2011

|  | Consolidated<br>Mercy Housing<br>Southeast | Consolidated<br>Mercy Housing<br>Northwest | Mercy Housing<br>Ohio | Mercy Properties<br>Washington III, LLC<br>(Cobble Knoll I) | Mercy Properties<br>Washington II, LLC<br>(Cobble Knoll II) |
|--|--|--|-----------------------|---|---|
| <b>Assets</b>  |  |  |                       |   |   |
| Current assets   |  |  |                       |   |   |
| Cash and cash equivalents                                    | \$ 1,549,645                               | \$ 2,694,030                               | \$ -                  | \$ 642,039  | \$ 427,306  |
| Cash, tenant security deposits                               | 455,179                                    | 331,628                                    | -                     | 247,774   | 151,253   |
| Cash, restricted   | 5,761,269                                  | 1,418,897                                  | -                     | -   | 605,498   |
| Investments  | 85,487                                     | -  | -                     | -   | -   |
| Investments, restricted                                      | -  | -  | -                     | -   | -   |
| Accounts receivable, net                                     | 372,083                                    | 130,626                                    | -                     | 199,141   | 92,552  |
| Due from affiliate, net                                      | 120,495                                    | 210,629                                    | -                     | 65,738  | 16,885  |
| Pledges receivable, net                                      | 9,360                                      | 109,024                                    | -                     | -   | -   |
| Grants receivable  | 3,312,704                                  | 38,166                                     | -                     | -   | -   |
| Current portion of notes and interest receivable             | -  | -  | -                     | -   | -   |
| Current portion of notes and interest receivable, affiliates | 159,226                                    | 217,285                                    | -                     | -   | -   |
| Prepaid expenses and other assets                            | 253,445                                    | 173,762                                    | -                     | 84,515  | 95,983  |
| Inventory  | -  | -  | -                     | -   | -   |
| Assets held for sale   | -  | -  | -                     | -   | -   |
| Total current assets   | 12,078,893                                 | 5,324,047                                  | -                     | 1,239,207   | 1,389,477   |
| Property and equipment                                       |  |  |                       |   |   |
| Land and land improvements                                   | 17,185,716                                 | 16,366,835                                 | -                     | 4,742,576   | 2,114,586   |
| Buildings  | 137,906,017                                | 88,461,070                                 | -                     | 17,592,741  | 13,494,046  |
| Furniture and equipment                                      | 5,278,955                                  | 3,865,257                                  | -                     | 992,261   | 1,098,083   |
| Predevelopment project costs                                 | 60,847                                     | 62,220                                     | -                     | -   | -   |
| Construction in progress                                     | 20,673,972                                 | 3,874,925                                  | -                     | 766,023   | 579,317   |
| Accumulated depreciation                                     | (28,313,726)                               | (22,790,817)                               | -                     | (5,314,688)   | (3,435,761)   |
| Net property and equipment                                   | 152,791,781                                | 89,839,490                                 | -                     | 18,778,913  | 13,850,271  |
| Other long-term assets                                       |  |  |                       |   |   |
| Restricted property reserves                                 | 9,469,796                                  | 3,534,165                                  | -                     | 1,943,382   | 1,769,069   |
| Cash, restricted   | -  | -  | -                     | -   | -   |
| Long-term investments  | -  | -  | -                     | -   | -   |
| Long-term investments, restricted                            | -  | -  | -                     | -   | -   |
| Due from affiliates  | 310,668                                    | -  | -                     | -   | -   |
| Pledges receivable, net                                      | -  | 253,264                                    | -                     | -   | -   |
| Grants receivable  | -  | -  | -                     | -   | -   |
| Investments in limited partnerships, net                     | 100  | 1,218,493                                  | -                     | -   | -   |
| Notes and interest receivable, net                           | 18,042                                     | -  | -                     | -   | -   |
| Notes and interest receivable, affiliates                    | 88,096                                     | 236,480                                    | -                     | -   | -   |
| Allowance for impaired assets                                | -  | -  | -                     | -   | -   |
| Other assets, net  | 3,692,303                                  | 1,703,579                                  | -                     | 277,204   | 274,498   |
| Total other long-term assets                                 | 13,579,005                                 | 6,945,981                                  | -                     | 2,220,586   | 2,043,567   |
| <b>Total assets</b>  | <b>\$ 178,449,679</b>                      | <b>\$ 102,109,518</b>                      | <b>\$ -</b>           | <b>\$ 22,238,706</b>  | <b>\$ 17,283,315</b>  |
| <b>Liabilities</b>   |  |  |                       |   |   |
| Current liabilities  |  |  |                       |   |   |
| Accounts payable and accrued expenses                        | \$ 7,462,153                               | \$ 2,317,243                               | \$ 4,318              | \$ 361,467  | \$ 379,029  |
| Due to affiliates  | 7,578,774                                  | 16,409                                     | 1,503,934             | 63,419  | 113   |
| Accrued interest   | 119,844                                    | 99,041                                     | -                     | 27,057  | 15,279  |
| Accrued interest, affiliates                                 | -  | -  | -                     | -   | -   |
| Current portion of notes payable                             | 333,893                                    | 2,200,172                                  | -                     | 520,014   | 276,839   |
| Current portion of notes payable, affiliates                 | 227,053                                    | 348,633                                    | 194,588               | 217,285   | -   |
| Deferred revenue and other liabilities                       | 141,376                                    | 31,045                                     | -                     | 20,110  | 11,687  |
| Tenant security deposits                                     | 400,793                                    | 332,572                                    | -                     | 245,343   | 149,949   |
| Miscellaneous current liabilities                            | -  | -  | -                     | -   | -   |
| Total current liabilities                                    | 16,263,886                                 | 5,345,115                                  | 1,702,840             | 1,454,695   | 832,896   |
| Long-term liabilities  |  |  |                       |   |   |
| Due to affiliates  | -  | -  | -                     | -   | -   |
| Accrued interest   | 271,788                                    | 223,541                                    | -                     | -   | -   |
| Accrued interest, affiliates                                 | -  | -  | -                     | -   | -   |
| Notes payable, less current portion, net                     | 58,338,016                                 | 42,382,873                                 | -                     | 19,987,534  | 14,793,972  |
| Notes payable, less current portion, affiliates              | -  | 411,469                                    | -                     | -   | -   |
| Deferred revenue and other liabilities                       | 598,129                                    | 377,715                                    | -                     | -   | -   |
| Total long-term liabilities                                  | 59,207,933                                 | 43,395,598                                 | -                     | 19,987,534  | 14,793,972  |
| <b>Total liabilities</b>                                     | <b>75,471,819</b>                          | <b>48,740,713</b>                          | <b>1,702,840</b>      | <b>21,442,229</b>   | <b>15,626,868</b>   |
| <b>Net assets</b>  |  |  |                       |   |   |
| Unrestricted net assets, controlling                         | 58,573,447                                 | 40,997,299                                 | (1,702,840)           | (498,493)   | (916,423)   |
| Unrestricted net assets, noncontrolling                      | -  | -  | -                     | -   | -   |
| Total unrestricted net assets                                | 58,573,447                                 | 40,997,299                                 | (1,702,840)           | (498,493)   | (916,423)   |
| Temporarily restricted net assets                            | 44,404,413                                 | 12,371,506                                 | -                     | 1,294,970   | 2,572,870   |
| Permanently restricted net assets                            | -  | -  | -                     | -   | -   |
| <b>Total net assets</b>                                      | <b>102,977,860</b>                         | <b>53,368,805</b>                          | <b>(1,702,840)</b>    | <b>796,477</b>  | <b>1,656,447</b>  |
| <b>Total liabilities and net assets</b>                      | <b>\$ 178,449,679</b>                      | <b>\$ 102,109,518</b>                      | <b>\$ -</b>           | <b>\$ 22,238,706</b>  | <b>\$ 17,283,315</b>  |

Consolidating Statement of Financial Position  
Mercy Housing, Inc.  
December 31, 2011

|  | Padre<br>Apartments | Mercy<br>Bond Properties<br>Colorado I | Mercy Commercial<br>California | Consolidated<br>General Partner<br>Corporations | Eliminations            | Consolidated<br>Mercy Housing<br>Inc. |
|--|---------------------|--|--------------------------------|---|-------------------------|---------------------------------------|
| <b>Assets</b>  |                     |  |                                |   |                         |                                       |
| Current assets   |                     |  |                                |   |                         |                                       |
| Cash and cash equivalents                                    | \$ 139,018          | \$ 86,157                              | \$ 68,839                      | \$ 12,977,996                                   | \$ (28,033,832)         | \$ 25,961,338                         |
| Cash, tenant security deposits                               | 15,272              | 9,443                                  | -                              | 3,111,372                                       | -                       | 5,792,957                             |
| Cash, restricted   | -                   | -                                      | -                              | 299,454   | -                       | 39,497,610                            |
| Investments  | -                   | -                                      | -                              | -   | -                       | 2,280,487                             |
| Investments, restricted                                      | -                   | -                                      | -                              | -   | (4,592,823)             | 478,012                               |
| Accounts receivable, net                                     | 259                 | 760                                    | 11,329                         | 1,432,158                                       | (1,858,907)             | 7,340,764                             |
| Due from affiliate, net                                      | -                   | -                                      | -                              | 43,853  | (17,129,451)            | -                                     |
| Pledges receivable, net                                      | -                   | -                                      | -                              | -   | -                       | 867,399                               |
| Grants receivable  | -                   | -                                      | -                              | 384   | -                       | 11,175,936                            |
| Current portion of notes and interest receivable             | -                   | -                                      | -                              | -   | (295,721)               | 14,078,800                            |
| Current portion of notes and interest receivable, affiliates | -                   | -                                      | -                              | -   | (9,354,646)             | -                                     |
| Prepaid expenses and other assets                            | 18,325              | 9,617                                  | 105,694                        | 5,360,426                                       | (1,354,480)             | 6,527,611                             |
| Inventory  | -                   | -                                      | -                              | -   | (5,494)                 | 9,221,611                             |
| Assets held for sale   | -                   | -                                      | -                              | 692,149   | -                       | 692,149                               |
| Total current assets   | 172,874             | 105,977                                | 185,862                        | 23,917,792                                      | (62,625,354)            | 123,914,674                           |
| Property and equipment                                       |                     |  |                                |   |                         |                                       |
| Land and land improvements                                   | 118,488             | 622,232                                | -                              | 102,624,766                                     | (12,467)                | 213,194,187                           |
| Buildings  | 3,903,108           | 1,830,711                              | 76,292                         | 874,987,428                                     | (11,169,919)            | 1,611,917,479                         |
| Furniture and equipment                                      | 100,041             | 134,963                                | 103,187                        | 30,340,922                                      | -                       | 63,965,557                            |
| Predevelopment project costs                                 | -                   | -                                      | -                              | -   | (460,470)               | 5,778,850                             |
| Construction in progress                                     | -                   | -                                      | -                              | 4,321,543                                       | (397,355)               | 81,588,579                            |
| Accumulated depreciation                                     | (1,467,477)         | (721,362)                              | (73,583)                       | (267,694,126)                                   | 2,013,900               | (460,098,014)                         |
| Net property and equipment                                   | 2,654,160           | 1,866,544                              | 105,896                        | 744,580,533                                     | (10,026,311)            | 1,516,346,638                         |
| Other long-term assets                                       |                     |  |                                |   |                         |                                       |
| Restricted property reserves                                 | 424,068             | 150,974                                | 3,567                          | 36,425,064                                      | -                       | 102,435,525                           |
| Cash, restricted   | -                   | -                                      | -                              | -   | -                       | -                                     |
| Long-term investments  | -                   | -                                      | -                              | -   | -                       | 3,480,000                             |
| Long-term investments, restricted                            | -                   | -                                      | -                              | -   | -                       | 1,560,000                             |
| Due from affiliates  | -                   | -                                      | -                              | -   | (1,513,117)             | -                                     |
| Pledges receivable, net                                      | -                   | -                                      | -                              | -   | -                       | 926,661                               |
| Grants receivable  | -                   | -                                      | -                              | -   | -                       | -                                     |
| Investments in limited partnerships, net                     | -                   | -                                      | -                              | 461,435   | (3,793,665)             | 17,776                                |
| Notes and interest receivable, net                           | -                   | -                                      | -                              | 749,423   | (3,876,035)             | 30,573,211                            |
| Notes and interest receivable, affiliates                    | -                   | -                                      | -                              | -   | (21,731,205)            | -                                     |
| Allowance for impaired assets                                | -                   | -                                      | -                              | -   | 545,883                 | -                                     |
| Other assets, net  | 36,753              | 33,062                                 | -                              | 8,483,459                                       | (10,772)                | 24,028,822                            |
| Total other long-term assets                                 | 460,821             | 184,036                                | 3,567                          | 46,119,381                                      | (30,378,911)            | 163,021,995                           |
| <b>Total assets</b>  | <b>\$ 3,287,855</b> | <b>\$ 2,156,557</b>                    | <b>\$ 295,325</b>              | <b>\$ 814,617,706</b>                           | <b>\$ (103,030,576)</b> | <b>\$ 1,803,283,307</b>               |
| <b>Liabilities</b>   |                     |  |                                |   |                         |                                       |
| Current liabilities  |                     |  |                                |   |                         |                                       |
| Accounts payable and accrued expenses                        | \$ 82,046           | \$ 42,450                              | \$ 73,432                      | \$ 6,969,406                                    | \$ (4,140,140)          | \$ 48,671,705                         |
| Due to affiliates  | -                   | 184,350                                | 666,143                        | 9,723,903                                       | (37,866,540)            | -                                     |
| Accrued interest   | 13,307              | 13,691                                 | -                              | 1,342,220                                       | (2,692)                 | 4,707,438                             |
| Accrued interest, affiliates                                 | -                   | -                                      | -                              | 23,493  | (251,277)               | -                                     |
| Current portion of notes payable                             | 150,257             | 40,000                                 | -                              | 6,517,309                                       | -                       | 67,131,043                            |
| Current portion of notes payable, affiliates                 | -                   | -                                      | -                              | 607,306   | (14,173,937)            | -                                     |
| Deferred revenue and other liabilities                       | 1,838               | 952                                    | 34,172                         | 1,292,938                                       | (1,054,480)             | 20,264,386                            |
| Tenant security deposits                                     | 15,033              | 9,743                                  | 58,280                         | 3,096,632                                       | -                       | 5,777,774                             |
| Miscellaneous current liabilities                            | -                   | -                                      | -                              | -   | -                       | -                                     |
| Total current liabilities                                    | 262,481             | 291,186                                | 832,027                        | 29,573,207                                      | (57,489,066)            | 146,552,346                           |
| Long-term liabilities  |                     |  |                                |   |                         |                                       |
| Due to affiliates  | -                   | -                                      | -                              | 1,272,554                                       | (1,272,554)             | -                                     |
| Accrued interest   | 129,431             | -                                      | -                              | 56,251,687                                      | -                       | 65,290,739                            |
| Accrued interest, affiliates                                 | -                   | -                                      | 55,000                         | 5,028,971                                       | (6,401,829)             | -                                     |
| Notes payable, less current portion, net                     | 2,527,640           | 1,430,000                              | -                              | 442,938,692                                     | (383,907)               | 892,313,165                           |
| Notes payable, less current portion, affiliates              | -                   | -                                      | 100,000                        | 27,372,822                                      | (42,635,226)            | 415,801                               |
| Deferred revenue and other liabilities                       | -                   | -                                      | -                              | 7,421,056                                       | (9,543,274)             | 40,434,092                            |
| Total long-term liabilities                                  | 2,657,071           | 1,430,000                              | 155,000                        | 540,285,782                                     | (60,236,790)            | 998,453,797                           |
| <b>Total liabilities</b>                                     | <b>2,919,552</b>    | <b>1,721,186</b>                       | <b>987,027</b>                 | <b>569,858,989</b>                              | <b>(117,725,856)</b>    | <b>1,145,006,143</b>                  |
| <b>Net assets</b>  |                     |  |                                |   |                         |                                       |
| Unrestricted net assets, controlling                         | 368,303             | 187,371                                | (691,702)                      | 208,662,951                                     | (374,437,253)           | 35,576,477                            |
| Unrestricted net assets, noncontrolling                      | -                   | -                                      | -                              | -   | 390,003,366             | 390,003,366                           |
| Total unrestricted net assets                                | 368,303             | 187,371                                | (691,702)                      | 208,662,951                                     | 15,566,113              | 425,579,843                           |
| Temporarily restricted net assets                            | -                   | 248,000                                | -                              | 36,095,766                                      | (870,833)               | 228,731,615                           |
| Permanently restricted net assets                            | -                   | -                                      | -                              | -   | -                       | 3,965,706                             |
| <b>Total net assets</b>                                      | <b>368,303</b>      | <b>435,371</b>                         | <b>(691,702)</b>               | <b>244,758,717</b>                              | <b>14,695,280</b>       | <b>658,277,164</b>                    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 3,287,855</b> | <b>\$ 2,156,557</b>                    | <b>\$ 295,325</b>              | <b>\$ 814,617,706</b>                           | <b>\$ (103,030,576)</b> | <b>\$ 1,803,283,307</b>               |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing, Inc.  
For the year ended December 31, 2011

|  | Mercy Housing<br>Inc. | Mercy Loan<br>Fund  | Mercy Housing<br>Management<br>Group | Mercy Portfolio<br>Services | MPS<br>Community I, LLC |
|--|-----------------------|---------------------|--------------------------------------|-----------------------------|-------------------------|
| <b>Revenues</b>                                      |                       |                     |                                      |                             |                         |
| Rent - net of vacancies                              | \$ -                  | \$ -                | \$ -                                 | \$ -                        | \$ -                    |
| Developer fees                                       | -                     | -                   | -                                    | -                           | -                       |
| Services fees  | 403,148               | -                   | 10,922,252                           | -                           | -                       |
| Philanthropy   | 2,823,394             | 1,657,459           | 30,306                               | 168,720                     | -                       |
| Capital grants                                       | -                     | -                   | -                                    | -                           | -                       |
| Consulting   | 25,937                | -                   | 26,587                               | 3,326,560                   | -                       |
| Interest   | 905,354               | 2,153,947           | 4                                    | 5,862                       | -                       |
| Other  | 13,016,265            | 456,529             | 1,438,202                            | 529,947                     | -                       |
| <b>Total revenues</b>                                | <u>17,174,098</u>     | <u>4,267,935</u>    | <u>12,417,351</u>                    | <u>4,031,089</u>            | <u>-</u>                |
| <b>Expenses and losses</b>                           |                       |                     |                                      |                             |                         |
| Compensation   | 8,014,964             | 812,240             | 7,798,944                            | 2,566,197                   | -                       |
| Administrative                                       | 2,298,014             | 185,761             | 1,193,975                            | 380,284                     | -                       |
| Professional services                                | 860,514               | 213,798             | 184,893                              | 173,502                     | -                       |
| Depreciation and amortization                        | 253,783               | -                   | 1,976                                | 61,229                      | -                       |
| Grants   | 8,809,842             | -                   | -                                    | -                           | -                       |
| Facility   | 720,559               | 1,073               | 75,504                               | 157,322                     | -                       |
| Interest and fees                                    | 542,671               | 741,744             | 78,769                               | 35                          | -                       |
| Bad debts  | -                     | -                   | -                                    | -                           | -                       |
| Provision for impaired assets                        | 515,231               | 1,746,696           | -                                    | -                           | -                       |
| Project expenses                                     | -                     | -                   | -                                    | -                           | -                       |
| Allocation   | (10,816,042)          | 288,336             | 2,970,429                            | 657,768                     | -                       |
| (Gain) loss on sale of assets                        | -                     | -                   | -                                    | -                           | -                       |
| (Gain) loss on investment in limited partnership     | (38,639)              | (105)               | -                                    | -                           | -                       |
| <b>Total expenses and losses</b>                     | <u>11,160,897</u>     | <u>3,989,543</u>    | <u>12,304,490</u>                    | <u>3,996,337</u>            | <u>-</u>                |
| <b>Excess (deficiency) of revenues over expenses</b> | 6,013,201             | 278,392             | 112,861                              | 34,752                      | -                       |
| Net assets at the beginning of year                  | 4,953,201             | 6,721,106           | (5,423,440)                          | 772,155                     | 16,589                  |
| Net transfers to (from) net assets                   | -                     | -                   | -                                    | -                           | -                       |
| Net assets at end of year                            | <u>\$ 10,966,402</u>  | <u>\$ 6,999,498</u> | <u>\$ (5,310,579)</u>                | <u>\$ 806,907</u>           | <u>\$ 16,589</u>        |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing, Inc.  
For the year ended December 31, 2011

|  | Mercy Commercial<br>Finance Properties | Consolidated<br>Mercy Housing<br>Mountain Plains | Consolidated<br>Mercy Housing<br>California | Consolidated<br>Mercy Housing<br>Northwest - ID |
|--|--|--|---|---|
| <b>Revenues</b>                                      |  |  |   |   |
| Rent - net of vacancies                              | \$ -                                   | \$ 8,328,368                                     | \$ 16,994,580                               | \$ 829,390                                      |
| Developer fees                                       | -                                      | 2,036,995  | 1,265,280                                   | 422,726   |
| Services fees  | -                                      | 433,419  | 3,391,825                                   | 46,849  |
| Philanthropy   | -                                      | 2,447,426  | 1,289,730                                   | 253,556   |
| Capital grants                                       | -                                      | 2,232,000  | 14,516,911                                  | 4,297,700                                       |
| Consulting   | -                                      | -  | 675,560                                     | 36,995  |
| Interest   | -                                      | 487,042  | 557,642                                     | 121,603   |
| Other  | 1,957,363                              | 254,308  | 1,793,278                                   | 25,152  |
| <b>Total revenues</b>                                | <u>1,957,363</u>                       | <u>16,219,558</u>                                | <u>40,484,806</u>                           | <u>6,033,971</u>                                |
| <b>Expenses and losses</b>                           |  |  |   |   |
| Compensation   | -                                      | 3,431,156  | 11,689,680                                  | 560,819   |
| Administrative                                       | -                                      | 1,673,607  | 3,880,551                                   | 208,383   |
| Professional services                                | -                                      | 555,297  | 891,522                                     | 300,219   |
| Depreciation and amortization                        | -                                      | 2,437,427  | 8,729,288                                   | 244,228   |
| Grants   | -                                      | 119,065  | 665,672                                     | 7,913   |
| Facility   | -                                      | 3,472,492  | 4,952,248                                   | 354,886   |
| Interest and fees                                    | 40                                     | 1,114,097  | 3,420,200                                   | 92,050  |
| Bad debts  | -                                      | 183,121  | 221,443                                     | 26,275  |
| Provision for impaired assets                        | -                                      | 412,513  | 122,622                                     | 67,369  |
| Project expenses                                     | -                                      | 303,114  | 386,780                                     | 4,554   |
| Allocation   | -                                      | 894,360  | 2,418,321                                   | 250,044   |
| (Gain) loss on sale of assets                        | 53,008                                 | (582,760)  | (3,373)                                     | -   |
| (Gain) loss on investment in limited partnership     | -                                      | -  | (10,955)                                    | -   |
| <b>Total expenses and losses</b>                     | <u>53,048</u>                          | <u>14,013,489</u>                                | <u>37,363,999</u>                           | <u>2,116,740</u>                                |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>1,904,315</u>                       | <u>2,206,069</u>                                 | <u>3,120,807</u>                            | <u>3,917,231</u>                                |
| Net assets at the beginning of year                  | (1,904,315)                            | 29,045,070                                       | 104,963,466                                 | 4,428,098                                       |
| Net transfers to (from) net assets                   | -                                      | 474,611  | 2,824,744                                   | (615,800)                                       |
| Net assets at end of year                            | <u>\$ -</u>                            | <u>\$ 31,725,750</u>                             | <u>\$ 110,909,017</u>                       | <u>\$ 7,729,529</u>                             |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing, Inc.  
For the year ended December 31, 2011

|  | Consolidated<br>Mercy Housing<br>Lakefront | Consolidated<br>Mercy Housing<br>Southeast | Consolidated<br>Mercy Housing<br>Northwest | Mercy Housing<br>Ohio | Mercy Properties<br>Washington III, LLC<br>(Cobble Knoll I) | Mercy Properties<br>Washington II, LLC<br>(Cobble Knoll II) |
|--|--|--|--|-----------------------|---|---|
| <b>Revenues</b>                                      |  |  |  |                       |   |   |
| Rent - net of vacancies                              | \$ 13,873,891                              | \$ 8,262,897                               | \$ 6,057,870                               | \$ -                  | \$ 4,044,630  | \$ 3,150,948  |
| Developer fees                                       | 1,852,933                                  | 3,063,359                                  | 1,396,040                                  | -                     | -   | -   |
| Services fees  | -  | 121,379                                    | 130,928                                    | -                     | -   | -   |
| Philanthropy   | 7,059,848                                  | 290,226                                    | 1,054,717                                  | -                     | -   | -   |
| Capital grants                                       | 1,356,173                                  | 4,702,118                                  | -  | -                     | -   | -   |
| Consulting   | 116,550                                    | -  | 391,363                                    | -                     | -   | -   |
| Interest   | 80,045                                     | 32,538                                     | 62,020                                     | 80,895                | 1,152   | 1,039   |
| Other  | 410,281                                    | 6,513,335                                  | 308,977                                    | -                     | 89,328  | 105,940   |
| <b>Total revenues</b>                                | <u>24,749,721</u>                          | <u>22,985,852</u>                          | <u>9,401,915</u>                           | <u>80,895</u>         | <u>4,135,110</u>  | <u>3,257,927</u>  |
| <b>Expenses and losses</b>                           |  |  |  |                       |   |   |
| Compensation   | 8,897,613                                  | 2,541,119                                  | 2,979,525                                  | (82)                  | 649,701   | 703,300   |
| Administrative                                       | 2,417,598                                  | 1,352,552                                  | 1,325,642                                  | 18                    | 495,270   | 384,858   |
| Professional services                                | 823,684                                    | 434,730                                    | 259,845                                    | 5,075                 | 136,469   | 104,852   |
| Depreciation and amortization                        | 6,254,490                                  | 4,359,889                                  | 4,171,836                                  | -                     | 696,088   | 549,093   |
| Grants   | 522,391                                    | 119,307                                    | 13,857                                     | -                     | -   | -   |
| Facility   | 4,979,595                                  | 3,080,637                                  | 1,780,064                                  | -                     | 1,428,765   | 1,131,384   |
| Interest and fees                                    | 2,405,361                                  | 5,746,358                                  | 1,071,855                                  | 55,463                | 549,269   | 463,169   |
| Bad debts  | 154,141                                    | 892,942                                    | 125,446                                    | 492,831               | 8,047   | 18,917  |
| Provision for impaired assets                        | -  | 15,916                                     | 38,598                                     | -                     | -   | -   |
| Project expenses                                     | -  | 648,875                                    | -  | -                     | -   | -   |
| Allocation   | 1,539,064                                  | 774,420                                    | 922,584                                    | 100,716               | -   | -   |
| (Gain) loss on sale of assets                        | -  | -  | (78,433)                                   | -                     | -   | -   |
| (Gain) loss on investment in limited partnership     | 470,944                                    | -  | (37,911)                                   | -                     | -   | -   |
| <b>Total expenses and losses</b>                     | <u>28,464,881</u>                          | <u>19,966,745</u>                          | <u>12,572,908</u>                          | <u>654,021</u>        | <u>3,963,609</u>  | <u>3,355,573</u>  |
| <b>Excess (deficiency) of revenues over expenses</b> | (3,715,160)                                | 3,019,107                                  | (3,170,993)                                | (573,126)             | 171,501   | (97,646)  |
| Net assets at the beginning of year                  | 62,124,811                                 | 54,759,971                                 | 51,190,759                                 | (1,129,714)           | 624,976   | 1,754,093   |
| Net transfers to (from) net assets                   | <u>19,361,682</u>                          | <u>45,198,782</u>                          | <u>5,349,039</u>                           | <u>-</u>              | <u>-</u>  | <u>-</u>  |
| Net assets at end of year                            | <u>\$ 77,771,333</u>                       | <u>\$ 102,977,860</u>                      | <u>\$ 53,368,805</u>                       | <u>\$ (1,702,840)</u> | <u>\$ 796,477</u>   | <u>\$ 1,656,447</u>   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing, Inc.  
For the year ended December 31, 2011

|  | Padre<br>Apartments | Mercy<br>Bond Properties<br>Colorado I | Mercy Commercial<br>California | Consolidated<br>General Partner<br>Corporations | Eliminations         | Consolidated<br>Mercy Housing<br>Inc. |
|--|---------------------|--|--------------------------------|---|----------------------|---------------------------------------|
| <b>Revenues</b>                                      |                     |  |                                |   |                      |                                       |
| Rent - net of vacancies                              | \$ 706,249          | \$ 464,616                             | \$ 976,706                     | \$ 59,798,457                                   | \$ (410,331)         | \$ 123,078,271                        |
| Developer fees                                       | -                   | -                                      | -                              | -   | (100,000)            | 9,937,333                             |
| Services fees  | -                   | -                                      | -                              | 35,793  | (13,667,055)         | 1,818,538                             |
| Philanthropy   | -                   | -                                      | -                              | 124,361   | (1,927,336)          | 15,272,407                            |
| Capital grants                                       | -                   | -                                      | -                              | -   | -                    | 27,104,902                            |
| Consulting   | -                   | -                                      | -                              | -   | (257,289)            | 4,342,263                             |
| Interest   | 1,516               | 60                                     | 6                              | 363,506   | (2,145,761)          | 2,708,470                             |
| Other  | 10,787              | 2,769                                  | 67,567                         | 3,238,711                                       | (12,146,350)         | 18,072,389                            |
| <b>Total revenues</b>                                | <b>718,552</b>      | <b>467,445</b>                         | <b>1,044,279</b>               | <b>63,560,828</b>                               | <b>(30,654,122)</b>  | <b>202,334,573</b>                    |
| <b>Expenses and losses</b>                           |                     |  |                                |   |                      |                                       |
| Compensation   | 71,673              | 93,769                                 | 1,700                          | 14,031,490                                      | (790)                | 64,843,018                            |
| Administrative                                       | 53,508              | 59,999                                 | 53,373                         | 8,859,795                                       | (12,338,028)         | 12,485,160                            |
| Professional services                                | 20,821              | 11,350                                 | 3,146                          | 4,065,271                                       | (2,343,612)          | 6,701,376                             |
| Depreciation and amortization                        | 157,078             | 73,461                                 | 7,706                          | 38,598,082                                      | (470,349)            | 66,125,305                            |
| Grants   | -                   | -                                      | -                              | 867,041   | (9,678,543)          | 1,446,545                             |
| Facility   | 172,250             | 116,045                                | 1,228,317                      | 19,304,392                                      | (772,552)            | 42,182,981                            |
| Interest and fees                                    | 208,071             | 83,556                                 | 28,246                         | 17,015,986                                      | (1,927,642)          | 31,689,298                            |
| Bad debts  | -                   | 1,049                                  | 2,100                          | 297,387   | (896,525)            | 1,527,174                             |
| Provision for impaired assets                        | -                   | -                                      | -                              | 39,540  | (1,110,904)          | 1,847,581                             |
| Project expenses                                     | -                   | -                                      | -                              | -   | (52,714)             | 1,290,609                             |
| Allocation   | -                   | -                                      | -                              | -   | -                    | -                                     |
| (Gain) loss on sale of assets                        | -                   | -                                      | -                              | (115,579)                                       | (841,666)            | (1,568,803)                           |
| (Gain) loss on investment in limited partnership     | -                   | -                                      | -                              | 3,007,659                                       | (3,165,103)          | 225,890                               |
| <b>Total expenses and losses</b>                     | <b>683,401</b>      | <b>439,229</b>                         | <b>1,324,588</b>               | <b>105,971,064</b>                              | <b>(33,598,428)</b>  | <b>228,796,134</b>                    |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>35,151</b>       | <b>28,216</b>                          | <b>(280,309)</b>               | <b>(42,410,236)</b>                             | <b>2,944,306</b>     | <b>(26,461,561)</b>                   |
| Net assets at the beginning of year                  | 333,152             | 407,155                                | (411,393)                      | 262,732,700                                     | 13,962,327           | 589,920,767                           |
| Net transfers to (from) net assets                   | -                   | -                                      | -                              | 24,436,253                                      | (2,211,353)          | 94,817,958                            |
| Net assets at end of year                            | <u>\$ 368,303</u>   | <u>\$ 435,371</u>                      | <u>\$ (691,702)</u>            | <u>\$ 244,758,717</u>                           | <u>\$ 14,695,280</u> | <u>\$ 658,277,164</u>                 |

Consolidating Statement of Financial Position  
Mercy Housing Mountain Plains  
December 31, 2011

|  | Mercy Housing<br>Mountain Plains | Holly Park<br>Community<br>Center LLC | Homes for<br>Greeley | Stapleton II<br>Mercy, LLC | Bluff Mercy, LLC    | Mercy Housing<br>Colorado GP, LLC |
|--|----------------------------------|---------------------------------------|----------------------|----------------------------|---------------------|-----------------------------------|
| <b>Assets</b>  |                                  |                                       |                      |                            |                     |                                   |
| <b>Current assets</b>  |                                  |                                       |                      |                            |                     |                                   |
| Cash and cash equivalents                                    | \$ -                             | \$ -                                  | \$ 17,978            | \$ -                       | \$ -                | \$ -                              |
| Cash, tenant security deposits                               | -                                | -                                     | 4,720                | -                          | -                   | -                                 |
| Cash, restricted   | 558,579                          | 532                                   | 1,197                | -                          | 934,756             | -                                 |
| Investments  | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Investments, restricted                                      | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Accounts receivable, net                                     | 9,449                            | -                                     | -                    | -                          | -                   | -                                 |
| Due from affiliate, net                                      | 2,369,917                        | -                                     | -                    | -                          | -                   | 75,354                            |
| Pledges receivable   | 51,034                           | -                                     | -                    | -                          | -                   | -                                 |
| Grants receivable  | 121,913                          | -                                     | -                    | -                          | -                   | -                                 |
| Current portion of notes and interest receivable             | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Current portion of notes and interest receivable, affiliates | 911,494                          | -                                     | -                    | -                          | -                   | -                                 |
| Prepaid expenses and other assets                            | 7,532                            | -                                     | -                    | -                          | -                   | -                                 |
| Inventory  | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Assets held for sale   | -                                | -                                     | -                    | -                          | -                   | -                                 |
| <b>Total current assets</b>                                  | <b>4,029,918</b>                 | <b>532</b>                            | <b>23,895</b>        | <b>-</b>                   | <b>934,756</b>      | <b>75,354</b>                     |
| <b>Property and equipment</b>                                |                                  |                                       |                      |                            |                     |                                   |
| Land and land improvements                                   | -                                | 226,320                               | -                    | -                          | 1,380,000           | -                                 |
| Buildings  | -                                | 378,604                               | 831,978              | -                          | -                   | -                                 |
| Furniture and equipment                                      | 47,382                           | 60,479                                | -                    | -                          | -                   | -                                 |
| Predevelopment project costs                                 | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Construction in progress                                     | -                                | -                                     | -                    | -                          | 5,877,592           | -                                 |
| Accumulated depreciation                                     | (46,132)                         | (87,489)                              | (54,475)             | -                          | -                   | -                                 |
| <b>Net property and equipment</b>                            | <b>1,250</b>                     | <b>577,914</b>                        | <b>777,503</b>       | <b>-</b>                   | <b>7,257,592</b>    | <b>-</b>                          |
| <b>Other long-term assets</b>                                |                                  |                                       |                      |                            |                     |                                   |
| Restricted property reserves                                 | -                                | -                                     | -                    | -                          | 36,888              | -                                 |
| Cash, restricted   | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Long-term investments  | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Long-term investments, restricted                            | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Due from affiliates  | 240,476                          | -                                     | -                    | -                          | -                   | -                                 |
| Pledges receivable, net                                      | 39,524                           | -                                     | -                    | -                          | -                   | -                                 |
| Grants receivable  | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Investments in limited partnerships                          | -                                | -                                     | -                    | 1,380,100                  | -                   | (13,839)                          |
| Notes and interest receivable, net                           | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Notes and interest receivable, affiliates                    | 6,717,978                        | -                                     | -                    | -                          | -                   | -                                 |
| Allowance for impaired assets                                | (545,883)                        | -                                     | -                    | -                          | -                   | -                                 |
| Other assets   | -                                | -                                     | 3,837                | -                          | 300,182             | -                                 |
| <b>Total other long-term assets</b>                          | <b>6,452,095</b>                 | <b>-</b>                              | <b>3,837</b>         | <b>1,380,100</b>           | <b>337,070</b>      | <b>(13,839)</b>                   |
| <b>Total assets</b>  | <b>\$ 10,483,263</b>             | <b>\$ 578,446</b>                     | <b>\$ 805,235</b>    | <b>\$ 1,380,100</b>        | <b>\$ 8,529,418</b> | <b>\$ 61,515</b>                  |
| <b>Liabilities</b>   |                                  |                                       |                      |                            |                     |                                   |
| <b>Current liabilities</b>                                   |                                  |                                       |                      |                            |                     |                                   |
| Accounts payable and accrued expenses                        | \$ 122,704                       | \$ 6,255                              | \$ -                 | \$ -                       | \$ 1,823,853        | \$ -                              |
| Due to affiliates  | 5,411,507                        | 986                                   | 565,143              | 1,055                      | 527,239             | 311                               |
| Accrued interest   | -                                | -                                     | -                    | -                          | 8,068               | -                                 |
| Accrued interest, affiliates                                 | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Current portion of notes payable                             | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Current portion of notes payable, affiliates                 | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Deferred revenue and other liabilities                       | -                                | -                                     | 5,625                | -                          | -                   | -                                 |
| Tenant security deposits                                     | -                                | -                                     | 4,720                | -                          | -                   | -                                 |
| Miscellaneous current liabilities                            | -                                | -                                     | -                    | -                          | -                   | -                                 |
| <b>Total current liabilities</b>                             | <b>5,534,211</b>                 | <b>7,241</b>                          | <b>575,488</b>       | <b>1,055</b>               | <b>2,359,160</b>    | <b>311</b>                        |
| <b>Long-term liabilities</b>                                 |                                  |                                       |                      |                            |                     |                                   |
| Due to affiliates  | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Accrued interest   | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Accrued interest, affiliates                                 | -                                | -                                     | -                    | -                          | 38,291              | -                                 |
| Notes payable, less current portion                          | 84,198                           | -                                     | -                    | -                          | 2,172,573           | -                                 |
| Notes payable, less current portion, affiliates              | -                                | 70,000                                | 21,042               | -                          | 2,232,000           | -                                 |
| Deferred revenue and other liabilities                       | -                                | -                                     | -                    | -                          | 35,002              | -                                 |
| <b>Total long-term liabilities</b>                           | <b>84,198</b>                    | <b>70,000</b>                         | <b>21,042</b>        | <b>-</b>                   | <b>4,477,866</b>    | <b>-</b>                          |
| <b>Total liabilities</b>                                     | <b>5,618,409</b>                 | <b>77,241</b>                         | <b>596,530</b>       | <b>1,055</b>               | <b>6,837,026</b>    | <b>311</b>                        |
| <b>Net assets</b>  |                                  |                                       |                      |                            |                     |                                   |
| Unrestricted net assets, controlling                         | (2,378,567)                      | 501,205                               | 208,705              | 1,379,045                  | 1,692,392           | 61,204                            |
| Unrestricted net assets, noncontrolling                      | -                                | -                                     | -                    | -                          | -                   | -                                 |
| <b>Total unrestricted net assets</b>                         | <b>(2,378,567)</b>               | <b>501,205</b>                        | <b>208,705</b>       | <b>1,379,045</b>           | <b>1,692,392</b>    | <b>61,204</b>                     |
| Temporarily restricted net assets                            | 6,443,421                        | -                                     | -                    | -                          | -                   | -                                 |
| Permanently restricted net assets                            | 800,000                          | -                                     | -                    | -                          | -                   | -                                 |
| <b>Total net assets</b>                                      | <b>4,864,854</b>                 | <b>501,205</b>                        | <b>208,705</b>       | <b>1,379,045</b>           | <b>1,692,392</b>    | <b>61,204</b>                     |
| <b>Total liabilities and net assets</b>                      | <b>\$ 10,483,263</b>             | <b>\$ 578,446</b>                     | <b>\$ 805,235</b>    | <b>\$ 1,380,100</b>        | <b>\$ 8,529,418</b> | <b>\$ 61,515</b>                  |

Consolidating Statement of Financial Position  
Mercy Housing Mountain Plains  
December 31, 2011

|  | Mercy Housing<br>Colorado III<br>(Springfield<br>Court) | Mercy Housing<br>Colorado IV<br>(Wapiti<br>Meadows) | Consolidated<br>Mercy Housing<br>Midwest | Consolidated<br>Mercy Housing<br>Southwest | Eliminations          | Consolidated<br>Mercy Housing<br>Mountain Plains |
|--|---|---|--|--|-----------------------|--|
| <b>Assets</b>  |   |   |  |  |                       |  |
| <b>Current assets</b>  |   |   |  |  |                       |  |
| Cash and cash equivalents                                    | \$ 9,863  | \$ 54,965   | \$ 981,418                               | \$ 667,606                                 | \$ -                  | \$ 1,731,830                                     |
| Cash, tenant security deposits                               | 20,542  | 14,798  | 136,022                                  | 107,927                                    | -                     | 284,009  |
| Cash, restricted   | -   | -   | 2,410,589                                | 49,276                                     | -                     | 3,954,929  |
| Investments  | -   | -   | -  | -  | -                     | -  |
| Investments, restricted                                      | -   | -   | -  | -  | -                     | -  |
| Accounts receivable, net                                     | 926   | 25  | 139,104                                  | 162,503                                    | -                     | 312,007  |
| Due from affiliate, net                                      | -   | -   | 183,849                                  | 103,298                                    | (2,062,211)           | 670,207  |
| Pledges receivable   | -   | -   | 5,000                                    | 390  | -                     | 56,424   |
| Grants receivable  | -   | -   | -  | -  | -                     | 121,913  |
| Current portion of notes and interest receivable             | -   | -   | -  | 13,542                                     | -                     | 13,542   |
| Current portion of notes and interest receivable, affiliates | -   | -   | 2,797                                    | 4,875                                      | (612,143)             | 307,023  |
| Prepaid expenses and other assets                            | 12,842  | 10,345  | 101,194                                  | 147,251                                    | -                     | 279,164  |
| Inventory  | -   | -   | -  | -  | -                     | -  |
| Assets held for sale   | -   | -   | -  | -  | -                     | -  |
| <b>Total current assets</b>                                  | <b>44,173</b>   | <b>80,133</b>                                       | <b>3,959,973</b>                         | <b>1,256,668</b>                           | <b>(2,674,354)</b>    | <b>7,731,048</b>                                 |
| <b>Property and equipment</b>                                |   |   |  |  |                       |  |
| Land and land improvements                                   | 817,019   | 645,672   | 2,104,114                                | 2,010,846                                  | -                     | 7,183,971  |
| Buildings  | 4,160,542   | 4,303,378   | 31,138,282                               | 28,355,499                                 | (116,805)             | 69,051,478                                       |
| Furniture and equipment                                      | 410,074   | 228,509   | 827,291                                  | 2,674,025                                  | -                     | 4,247,760  |
| Predevelopment project costs                                 | -   | -   | -  | -  | -                     | -  |
| Construction in progress                                     | -   | -   | -  | -  | (73,293)              | 5,804,299  |
| Accumulated depreciation                                     | (2,995,694)   | (3,239,343)   | (4,517,056)                              | (15,696,684)                               | 759                   | (26,636,114)                                     |
| <b>Net property and equipment</b>                            | <b>2,391,941</b>  | <b>1,938,216</b>                                    | <b>29,552,631</b>                        | <b>17,343,686</b>                          | <b>(189,339)</b>      | <b>59,651,394</b>                                |
| <b>Other long-term assets</b>                                |   |   |  |  |                       |  |
| Restricted property reserves                                 | 280,902   | 13,260  | 994,960                                  | 1,948,875                                  | -                     | 3,274,885  |
| Cash, restricted   | -   | -   | -  | -  | -                     | -  |
| Long-term investments  | -   | -   | -  | -  | -                     | -  |
| Long-term investments, restricted                            | -   | -   | -  | -  | -                     | -  |
| Due from affiliates  | -   | -   | -  | -  | (35,002)              | 205,474  |
| Pledges receivable, net                                      | -   | -   | 1,300                                    | -  | -                     | 40,824   |
| Grants receivable  | -   | -   | -  | -  | -                     | -  |
| Investments in limited partnerships                          | -   | -   | -  | -  | (1,366,261)           | -  |
| Notes and interest receivable, net                           | -   | -   | -  | -  | -                     | -  |
| Notes and interest receivable, affiliates                    | -   | -   | -  | 283,511                                    | (1,737,382)           | 5,264,107  |
| Allowance for impaired assets                                | -   | -   | -  | -  | -                     | (545,883)  |
| Other assets   | 253,764   | 87,483  | 844,095                                  | 77,799                                     | -                     | 1,567,160  |
| <b>Total other long-term assets</b>                          | <b>534,666</b>  | <b>100,743</b>                                      | <b>1,840,355</b>                         | <b>2,310,185</b>                           | <b>(3,138,645)</b>    | <b>9,806,567</b>                                 |
| <b>Total assets</b>  | <b>\$ 2,970,780</b>                                     | <b>\$ 2,119,092</b>                                 | <b>\$ 35,352,959</b>                     | <b>\$ 20,910,539</b>                       | <b>\$ (6,002,338)</b> | <b>\$ 77,189,009</b>                             |
| <b>Liabilities</b>   |   |   |  |  |                       |  |
| <b>Current liabilities</b>                                   |   |   |  |  |                       |  |
| Accounts payable and accrued expenses                        | \$ 39,135   | \$ 40,381   | \$ 1,180,708                             | \$ 576,785                                 | \$ (4,248)            | \$ 3,785,573                                     |
| Due to affiliates  | 380,605   | 59,218  | 3,571,118                                | 1,187,791                                  | (2,999,886)           | 8,705,087  |
| Accrued interest   | 10,383  | 2,637   | 23,917                                   | 17,082                                     | -                     | 62,087   |
| Accrued interest, affiliates                                 | -   | 6,188   | -  | -  | -                     | 6,188  |
| Current portion of notes payable                             | 501,595   | 6,419   | 96,658                                   | 2,630,414                                  | (471,653)             | 2,763,433  |
| Current portion of notes payable, affiliates                 | -   | -   | -  | -  | -                     | -  |
| Deferred revenue and other liabilities                       | 1,298   | 78  | 57,177                                   | 22,596                                     | -                     | 86,774   |
| Tenant security deposits                                     | 18,075  | 13,624  | 142,458                                  | 104,810                                    | -                     | 283,687  |
| Miscellaneous current liabilities                            | -   | -   | -  | -  | -                     | -  |
| <b>Total current liabilities</b>                             | <b>951,091</b>  | <b>128,545</b>                                      | <b>5,072,036</b>                         | <b>4,539,478</b>                           | <b>(3,475,787)</b>    | <b>15,692,829</b>                                |
| <b>Long-term liabilities</b>                                 |   |   |  |  |                       |  |
| Due to affiliates  | -   | -   | -  | 34,949                                     | (34,949)              | -  |
| Accrued interest   | -   | -   | 472,804                                  | 4,740                                      | -                     | 477,544  |
| Accrued interest, affiliates                                 | 408,725   | 1,123,698   | -  | -  | (1,570,714)           | -  |
| Notes payable, less current portion                          | 2,198,823   | 415,899   | 20,693,871                               | 2,532,587                                  | -                     | 28,097,951                                       |
| Notes payable, less current portion, affiliates              | 324,000   | 960,000   | -  | 735,000                                    | (3,152,000)           | 1,190,042  |
| Deferred revenue and other liabilities                       | -   | -   | 115,635                                  | 2,097                                      | (147,841)             | 4,893  |
| <b>Total long-term liabilities</b>                           | <b>2,931,548</b>  | <b>2,499,597</b>                                    | <b>21,282,310</b>                        | <b>3,309,373</b>                           | <b>(4,905,504)</b>    | <b>29,770,430</b>                                |
| <b>Total liabilities</b>                                     | <b>3,882,639</b>  | <b>2,628,142</b>                                    | <b>26,354,346</b>                        | <b>7,848,851</b>                           | <b>(8,381,291)</b>    | <b>45,463,259</b>                                |
| <b>Net assets</b>  |   |   |  |  |                       |  |
| Unrestricted net assets, controlling                         | (911,859)   | (509,050)   | 4,263,779                                | (731,632)                                  | 2,378,953             | 5,954,175  |
| Unrestricted net assets, noncontrolling                      | -   | -   | -  | -  | -                     | -  |
| <b>Total unrestricted net assets</b>                         | <b>(911,859)</b>  | <b>(509,050)</b>                                    | <b>4,263,779</b>                         | <b>(731,632)</b>                           | <b>2,378,953</b>      | <b>5,954,175</b>                                 |
| Temporarily restricted net assets                            | -   | -   | 4,734,834                                | 13,793,320                                 | -                     | 24,971,575                                       |
| Permanently restricted net assets                            | -   | -   | -  | -  | -                     | 800,000  |
| <b>Total net assets</b>                                      | <b>(911,859)</b>  | <b>(509,050)</b>                                    | <b>8,998,613</b>                         | <b>13,061,688</b>                          | <b>2,378,953</b>      | <b>31,725,750</b>                                |
| <b>Total liabilities and net assets</b>                      | <b>\$ 2,970,780</b>                                     | <b>\$ 2,119,092</b>                                 | <b>\$ 35,352,959</b>                     | <b>\$ 20,910,539</b>                       | <b>\$ (6,002,338)</b> | <b>\$ 77,189,009</b>                             |



Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Mountain Plains  
For the year ended December 31, 2011

|  | Mercy Housing<br>Mountain Plains | Holly Park<br>Community<br>Center LLC | Homes for<br>Greeley | Stapleton II<br>Mercy, LLC | Bluff Mercy, LLC    | Mercy Housing<br>Colorado GP, LLC |
|--|----------------------------------|---------------------------------------|----------------------|----------------------------|---------------------|-----------------------------------|
| <b>Revenues</b>                                      |                                  |                                       |                      |                            |                     |                                   |
| Rent - net of vacancies                              | \$ -                             | \$ -                                  | \$ 79,235            | \$ -                       | \$ -                | \$ -                              |
| Developer fees                                       | 2,044,991                        | -                                     | -                    | -                          | -                   | -                                 |
| Services fees  | 457,794                          | -                                     | -                    | -                          | -                   | 15,357                            |
| Philanthropy   | 1,043,343                        | -                                     | -                    | -                          | -                   | -                                 |
| Capital grants                                       | 2,232,000                        | -                                     | -                    | -                          | -                   | -                                 |
| Consulting   | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Interest   | 534,359                          | -                                     | -                    | -                          | 102                 | -                                 |
| Other  | 88,871                           | -                                     | 1,313                | -                          | -                   | -                                 |
| <b>Total revenues</b>                                | <u>6,401,358</u>                 | <u>-</u>                              | <u>80,548</u>        | <u>-</u>                   | <u>102</u>          | <u>15,357</u>                     |
| <b>Expenses and losses</b>                           |                                  |                                       |                      |                            |                     |                                   |
| Compensation   | 908,050                          | -                                     | -                    | -                          | -                   | -                                 |
| Administrative                                       | 210,027                          | -                                     | 16,575               | -                          | 311                 | -                                 |
| Professional services                                | 203,435                          | -                                     | 658                  | 934                        | 2,499               | 310                               |
| Depreciation and amortization                        | 3,000                            | 37,495                                | 27,931               | -                          | -                   | -                                 |
| Grants   | -                                | -                                     | -                    | -                          | -                   | -                                 |
| Facility   | 1,574                            | 974                                   | 47,333               | -                          | -                   | -                                 |
| Interest and fees                                    | 126,443                          | -                                     | -                    | 21                         | -                   | -                                 |
| Bad debts  | 13,092                           | -                                     | -                    | -                          | -                   | -                                 |
| Provision for impaired assets                        | 2,759,521                        | -                                     | -                    | -                          | -                   | -                                 |
| Project expenses                                     | 21,499                           | -                                     | -                    | -                          | -                   | -                                 |
| Allocation   | 468,672                          | -                                     | -                    | -                          | -                   | -                                 |
| (Gain) loss on sale of assets                        | -                                | -                                     | -                    | -                          | -                   | -                                 |
| (Gain) loss on investment in limited partnership     | -                                | -                                     | -                    | -                          | -                   | 297                               |
| <b>Total expenses and losses</b>                     | <u>4,715,313</u>                 | <u>38,469</u>                         | <u>92,497</u>        | <u>955</u>                 | <u>2,810</u>        | <u>607</u>                        |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>1,686,045</u>                 | <u>(38,469)</u>                       | <u>(11,949)</u>      | <u>(955)</u>               | <u>(2,708)</u>      | <u>14,750</u>                     |
| Net assets at beginning of year                      | 3,178,809                        | 539,674                               | 220,654              | 1,380,000                  | 1,380,000           | -                                 |
| Other transfers to (from) net assets                 | -                                | -                                     | -                    | -                          | 315,100             | 46,454                            |
| <b>Net assets at end of year</b>                     | <u>\$ 4,864,854</u>              | <u>\$ 501,205</u>                     | <u>\$ 208,705</u>    | <u>\$ 1,379,045</u>        | <u>\$ 1,692,392</u> | <u>\$ 61,204</u>                  |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Mountain Plains  
For the year ended December 31, 2011

|  | Mercy Housing<br>Colorado III<br>(Springfield<br>Court) | Mercy Housing<br>Colorado IV<br>(Wapiti<br>Meadows) | Consolidated<br>Mercy Housing<br>Midwest | Consolidated<br>Mercy Housing<br>Southwest | Eliminations        | Consolidated<br>Mercy Housing<br>Colorado |
|--|---|---|--|--|---------------------|---|
| <b>Revenues</b>                                      |   |   |  |  |                     |   |
| Rent - net of vacancies                              | \$ 415,847  | \$ 253,578  | \$ 2,918,289                             | \$ 4,661,419                               | \$ -                | \$ 8,328,368                              |
| Developer fees                                       | -   | -   | -  | -  | (7,996)             | 2,036,995                                 |
| Services fees  | -   | -   | 141,425                                  | 89,200                                     | (270,357)           | 433,419                                   |
| Philanthropy   | -   | -   | 1,124,533                                | 279,550                                    | -                   | 2,447,426                                 |
| Capital grants                                       | -   | -   | -  | -  | -                   | 2,232,000                                 |
| Consulting   | -   | -   | -  | -  | -                   | -   |
| Interest   | 260   | 33  | 25,354                                   | 68,336                                     | (141,402)           | 487,042                                   |
| Other  | 9,391   | 4,542   | 95,699                                   | 81,498                                     | (27,006)            | 254,308                                   |
| <b>Total revenues</b>                                | <b>425,498</b>  | <b>258,153</b>                                      | <b>4,305,300</b>                         | <b>5,180,003</b>                           | <b>(446,761)</b>    | <b>16,219,558</b>                         |
| <b>Expenses and losses</b>                           |   |   |  |  |                     |   |
| Compensation   | 101,804   | 69,529  | 918,489                                  | 1,433,284                                  | -                   | 3,431,156                                 |
| Administrative                                       | 55,458  | 38,825  | 694,361                                  | 677,415                                    | (19,365)            | 1,673,607                                 |
| Professional services                                | 3,619   | 4,087   | 175,835                                  | 418,920                                    | (255,000)           | 555,297                                   |
| Depreciation and amortization                        | 131,727   | 122,622   | 1,018,937                                | 1,096,372                                  | (657)               | 2,437,427                                 |
| Grants   | -   | -   | 47,251                                   | 71,814                                     | -                   | 119,065                                   |
| Facility   | 88,610  | 121,107   | 1,433,607                                | 1,779,287                                  | -                   | 3,472,492                                 |
| Interest and fees                                    | 129,050   | 109,505   | 603,891                                  | 245,585                                    | (100,398)           | 1,114,097                                 |
| Bad debts  | 3,263   | 1,550   | 109,737                                  | 65,980                                     | (10,501)            | 183,121                                   |
| Provision for impaired assets                        | -   | -   | 1,268                                    | 22,413                                     | (2,370,689)         | 412,513                                   |
| Project expenses                                     | -   | -   | -  | 281,615                                    | -                   | 303,114                                   |
| Allocation   | -   | -   | 193,596                                  | 232,092                                    | -                   | 894,360                                   |
| (Gain) loss on sale of assets                        | -   | -   | (582,760)                                | -  | -                   | (582,760)                                 |
| (Gain) loss on investment in limited partnership     | -   | -   | -  | -  | (297)               | -   |
| <b>Total expenses and losses</b>                     | <b>513,531</b>  | <b>467,225</b>                                      | <b>4,614,212</b>                         | <b>6,324,777</b>                           | <b>(2,756,907)</b>  | <b>14,013,489</b>                         |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(88,033)</b>   | <b>(209,072)</b>                                    | <b>(308,912)</b>                         | <b>(1,144,774)</b>                         | <b>2,310,146</b>    | <b>2,206,069</b>                          |
| Net assets at beginning of year                      | -   | -   | 9,521,526                                | 14,206,462                                 | (1,382,055)         | 29,045,070                                |
| Other transfers to (from) net assets                 | (823,826)   | (299,978)   | (214,001)                                | -  | 1,450,862           | 474,611                                   |
| <b>Net assets at end of year</b>                     | <b>\$ (911,859)</b>                                     | <b>\$ (509,050)</b>                                 | <b>\$ 8,998,613</b>                      | <b>\$ 13,061,688</b>                       | <b>\$ 2,378,953</b> | <b>\$ 31,725,750</b>                      |

Consolidating Statement of Financial Position  
Mercy Housing Midwest  
December 31, 2011

|  | Mercy Housing<br>Midwest | Mercy<br>Crestview<br>Village | Heartland<br>Housing<br>Initiative<br>(HARP) | Mercy<br>House    | Mercy<br>Northglen |
|--|--------------------------|-------------------------------|--|-------------------|--------------------|
| <b>Assets</b>  |                          |                               |  |                   |                    |
| Current assets   |                          |                               |  |                   |                    |
| Cash and cash equivalents                                    | \$ 285,820               | \$ 642                        | \$ -   | \$ 7,868          | \$ -               |
| Cash, tenant security deposits                               | -                        | -                             | -  | 3,000             | -                  |
| Cash, restricted   | 1,041,769                | -                             | -  | -                 | -                  |
| Investments  | -                        | -                             | -  | -                 | -                  |
| Investments, restricted                                      | -                        | -                             | -  | -                 | -                  |
| Accounts receivable, net                                     | 4,717                    | -                             | -  | 3,403             | -                  |
| Due from affiliate, net                                      | 186,524                  | -                             | -  | 536               | -                  |
| Pledges receivable   | 5,000                    | -                             | -  | -                 | -                  |
| Grants receivable  | -                        | -                             | -  | -                 | -                  |
| Current portion of notes and interest receivable             | -                        | -                             | -  | -                 | -                  |
| Current portion of notes and interest receivable, affiliates | 94,312                   | -                             | -  | -                 | -                  |
| Prepaid expenses and other assets                            | 4,098                    | -                             | -  | 3,196             | -                  |
| Inventory  | -                        | -                             | -  | -                 | -                  |
| Assets held for sale   | -                        | -                             | -  | -                 | -                  |
| Total current assets   | 1,622,240                | 642                           | -  | 18,003            | -                  |
| Property and equipment                                       |                          |                               |  |                   |                    |
| Land and land improvements                                   | -                        | -                             | -  | 30,770            | -                  |
| Buildings  | -                        | -                             | -  | 441,202           | -                  |
| Furniture and equipment                                      | 44,343                   | -                             | -  | 58,021            | -                  |
| Predevelopment project costs                                 | -                        | -                             | -  | -                 | -                  |
| Construction in progress                                     | -                        | -                             | -  | -                 | -                  |
| Accumulated depreciation                                     | (41,379)                 | -                             | -  | (404,626)         | -                  |
| Net property and equipment                                   | 2,964                    | -                             | -  | 125,367           | -                  |
| Other long-term assets                                       |                          |                               |  |                   |                    |
| Restricted property reserves                                 | -                        | -                             | -  | 19,464            | -                  |
| Cash, restricted   | -                        | -                             | -  | -                 | -                  |
| Long-term investments  | -                        | -                             | -  | -                 | -                  |
| Long-term investments, restricted                            | -                        | -                             | -  | -                 | -                  |
| Due from affiliates  | -                        | -                             | -  | -                 | -                  |
| Pledges receivable, net                                      | 1,300                    | -                             | -  | -                 | -                  |
| 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                                 | 1,300                    | -                             | -  | 19,464            | -                  |
| <b>Total assets</b>  | <b>\$ 1,626,504</b>      | <b>\$ 642</b>                 | <b>\$ -</b>                                  | <b>\$ 162,834</b> | <b>\$ -</b>        |
| <b>Liabilities</b>   |                          |                               |  |                   |                    |
| Current liabilities  |                          |                               |  |                   |                    |
| Accounts payable and accrued expenses                        | \$ 24,615                | \$ -                          | \$ -   | \$ 13,822         | \$ 1,342           |
| Due to affiliates  | -                        | 16,557                        | -  | 6,865             | 40,065             |
| Accrued interest   | -                        | -                             | -  | 2,064             | -                  |
| Accrued interest, affiliates                                 | -                        | -                             | -  | -                 | -                  |
| Current portion of notes payable                             | -                        | -                             | -  | 7,188             | -                  |
| Current portion of notes payable, affiliates                 | -                        | -                             | -  | -                 | -                  |
| Deferred revenue and other liabilities                       | -                        | -                             | -  | 524               | -                  |
| Tenant security deposits                                     | -                        | -                             | -  | 2,611             | -                  |
| Miscellaneous current liabilities                            | -                        | -                             | -  | -                 | -                  |
| Total current liabilities                                    | 24,615                   | 16,557                        | -  | 33,074            | 41,407             |
| Long-term liabilities  |                          |                               |  |                   |                    |
| Due to affiliates  | -                        | -                             | -  | -                 | -                  |
| Accrued interest   | 16,023                   | -                             | -  | -                 | -                  |
| Accrued interest, affiliates                                 | -                        | -                             | -  | -                 | -                  |
| Notes payable, less current portion                          | 147,500                  | -                             | -  | 268,031           | -                  |
| Notes payable, less current portion, affiliates              | -                        | -                             | -  | -                 | -                  |
| Deferred revenue and other liabilities                       | -                        | -                             | -  | -                 | -                  |
| Total long-term liabilities                                  | 163,523                  | -                             | -  | 268,031           | -                  |
| <b>Total liabilities</b>                                     | <b>188,138</b>           | <b>16,557</b>                 | <b>-</b>                                     | <b>301,105</b>    | <b>41,407</b>      |
| <b>Net assets</b>  |                          |                               |  |                   |                    |
| Unrestricted net assets, controlling                         | 385,297                  | (15,915)                      | -  | (138,271)         | (41,407)           |
| Unrestricted net assets, noncontrolling                      | -                        | -                             | -  | -                 | -                  |
| Total unrestricted net assets                                | 385,297                  | (15,915)                      | -  | (138,271)         | (41,407)           |
| Temporarily restricted net assets                            | 1,053,069                | -                             | -  | -                 | -                  |
| Permanently restricted net assets                            | -                        | -                             | -  | -                 | -                  |
| <b>Total net assets</b>                                      | <b>1,438,366</b>         | <b>(15,915)</b>               | <b>-</b>                                     | <b>(138,271)</b>  | <b>(41,407)</b>    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 1,626,504</b>      | <b>\$ 642</b>                 | <b>\$ -</b>                                  | <b>\$ 162,834</b> | <b>\$ -</b>        |

Consolidating Statement of Financial Position  
 Mercy Housing Midwest  
 December 31, 2011

**Assets**

|  | Mercy<br>Oakwood<br>Gardens | Mercy<br>Bond Properties<br>Nebraska I (Mercy<br>Timbercreek LLC) | Mercy<br>Western<br>Manor | Mercy Village<br>Joplin<br>(Mercy Village<br>at St. Johns) | Mercy<br>Housing Midwest<br>Nebraska, LLC |
|--|-----------------------------|---|---------------------------|--|---|
| <b>Current assets</b>  |                             |   |                           |  |   |
| Cash and cash equivalents                                    | \$ 36,848                   | \$ 46,955   | \$ -                      | \$ 268,159   | \$ -                                      |
| Cash, tenant security deposits                               | -                           | 39,211  | -                         | 13,083   | -   |
| Cash, restricted   | -                           | -   | -                         | 815,626  | -   |
| Investments  | -                           | -   | -                         | -  | -   |
| Investments, restricted                                      | -                           | -   | -                         | -  | -   |
| Accounts receivable, net                                     | -                           | 69,564  | 15                        | 12,702   | -   |
| Due from affiliate, net                                      | 646                         | -   | -                         | -  | -   |
| Pledges receivable   | -                           | -   | -                         | -  | -   |
| Grants receivable  | -                           | -   | -                         | -  | -   |
| Current portion of notes and interest receivable             | -                           | -   | -                         | -  | -   |
| Current portion of notes and interest receivable, affiliates | -                           | -   | -                         | -  | -   |
| Prepaid expenses and other assets                            | -                           | 28,975  | -                         | 11,428   | -   |
| Inventory  | -                           | -   | -                         | -  | -   |
| Assets held for sale   | -                           | -   | -                         | -  | -   |
| <b>Total current assets</b>                                  | <b>37,494</b>               | <b>184,705</b>  | <b>15</b>                 | <b>1,120,998</b>   | <b>-</b>                                  |
| <b>Property and equipment</b>                                |                             |   |                           |  |   |
| Land and land improvements                                   | -                           | 1,281,712   | -                         | -  | -   |
| Buildings  | -                           | 6,837,282   | -                         | 3,987,825  | -   |
| Furniture and equipment                                      | -                           | 576,294   | -                         | 32,952   | -   |
| Predevelopment project costs                                 | -                           | -   | -                         | -  | -   |
| Construction in progress                                     | -                           | -   | -                         | -  | -   |
| Accumulated depreciation                                     | -                           | (2,864,800)   | -                         | (652,667)  | -   |
| <b>Net property and equipment</b>                            | <b>-</b>                    | <b>5,830,488</b>  | <b>-</b>                  | <b>3,368,110</b>   | <b>-</b>                                  |
| <b>Other long-term assets</b>                                |                             |   |                           |  |   |
| Restricted property reserves                                 | -                           | 370,301   | -                         | 178,416  | -   |
| Cash, restricted   | -                           | -   | -                         | -  | -   |
| Long-term investments  | -                           | -   | -                         | -  | -   |
| Long-term investments, restricted                            | -                           | -   | -                         | -  | -   |
| Due from affiliates  | -                           | -   | -                         | -  | -   |
| Pledges receivable, net                                      | -                           | -   | -                         | -  | -   |
| Grants receivable  | -                           | -   | -                         | -  | -   |
| Investments in limited partnerships                          | -                           | -   | -                         | -  | 775,983                                   |
| Notes and interest receivable, net                           | -                           | -   | -                         | -  | -   |
| Notes and interest receivable, affiliates                    | -                           | -   | -                         | -  | -   |
| Allowance for impaired assets                                | -                           | -   | -                         | -  | -   |
| Other assets   | -                           | 284,789   | -                         | -  | -   |
| <b>Total other long-term assets</b>                          | <b>-</b>                    | <b>655,090</b>  | <b>-</b>                  | <b>178,416</b>   | <b>775,983</b>                            |
| <b>Total assets</b>  | <b>\$ 37,494</b>            | <b>\$ 6,670,283</b>   | <b>\$ 15</b>              | <b>\$ 4,667,524</b>  | <b>\$ 775,983</b>                         |

**Liabilities**

|   |                  |                     |                 |                     |                   |
|---|------------------|---------------------|-----------------|---------------------|-------------------|
| <b>Current liabilities</b>                      |                  |                     |                 |                     |                   |
| Accounts payable and accrued expenses           | \$ 1,063         | \$ 206,076          | \$ (9,492)      | \$ 380,923          | \$ -              |
| Due to affiliates                               | 322,078          | 171,710             | 25,934          | 66,322              | 1,363             |
| Accrued interest                                | -                | 21,853              | -               | -                   | -                 |
| Accrued interest, affiliates                    | -                | -                   | -               | -                   | -                 |
| Current portion of notes payable                | -                | 89,470              | -               | -                   | -                 |
| Current portion of notes payable, affiliates    | -                | -                   | -               | -                   | -                 |
| Deferred revenue and other liabilities          | -                | 10,223              | 482             | -                   | -                 |
| Tenant security deposits                        | 14,584           | 38,286              | -               | 10,675              | -                 |
| Miscellaneous current liabilities               | -                | -                   | -               | -                   | -                 |
| <b>Total current liabilities</b>                | <b>337,725</b>   | <b>537,618</b>      | <b>16,924</b>   | <b>457,920</b>      | <b>1,363</b>      |
| <b>Long-term liabilities</b>                    |                  |                     |                 |                     |                   |
| Due to affiliates                               | -                | -                   | -               | -                   | -                 |
| Accrued interest                                | -                | 411,738             | -               | -                   | -                 |
| Accrued interest, affiliates                    | -                | -                   | -               | -                   | -                 |
| Notes payable, less current portion             | -                | 8,504,449           | -               | -                   | -                 |
| Notes payable, less current portion, affiliates | -                | -                   | -               | -                   | -                 |
| Deferred revenue and other liabilities          | 971              | 1,825               | -               | -                   | -                 |
| <b>Total long-term liabilities</b>              | <b>971</b>       | <b>8,918,012</b>    | <b>-</b>        | <b>-</b>            | <b>-</b>          |
| <b>Total liabilities</b>                        | <b>338,696</b>   | <b>9,455,630</b>    | <b>16,924</b>   | <b>457,920</b>      | <b>1,363</b>      |
| <b>Net assets</b>                               |                  |                     |                 |                     |                   |
| Unrestricted net assets, controlling            | (301,202)        | (2,785,347)         | (16,909)        | 527,839             | 774,620           |
| Unrestricted net assets, noncontrolling         | -                | -                   | -               | -                   | -                 |
| <b>Total unrestricted net assets</b>            | <b>(301,202)</b> | <b>(2,785,347)</b>  | <b>(16,909)</b> | <b>527,839</b>      | <b>774,620</b>    |
| Temporarily restricted net assets               | -                | -                   | -               | 3,681,765           | -                 |
| Permanently restricted net assets               | -                | -                   | -               | -                   | -                 |
| <b>Total net assets</b>                         | <b>(301,202)</b> | <b>(2,785,347)</b>  | <b>(16,909)</b> | <b>4,209,604</b>    | <b>774,620</b>    |
| <b>Total liabilities and net assets</b>         | <b>\$ 37,494</b> | <b>\$ 6,670,283</b> | <b>\$ 15</b>    | <b>\$ 4,667,524</b> | <b>\$ 775,983</b> |

Consolidating Statement of Financial Position  
Mercy Housing Midwest  
December 31, 2011

|  | Northglen, LP       | Crestview<br>Village<br>Housing, LP | Western<br>Manor, LP | Eliminations          | Consolidated<br>Mercy Housing<br>Midwest |
|--|---------------------|-------------------------------------|----------------------|-----------------------|--|
| <b>Assets</b>  |                     |                                     |                      |                       |  |
| <b>Current assets</b>  |                     |                                     |                      |                       |  |
| Cash and cash equivalents                                    | \$ 13,914           | \$ 102,299                          | \$ 218,913           | \$ -                  | \$ 981,418                               |
| Cash, tenant security deposits                               | 17,899              | 46,252                              | 16,577               | -                     | 136,022                                  |
| Cash, restricted   | 74,289              | 2,239                               | 476,666              | -                     | 2,410,589                                |
| Investments  | -                   | -                                   | -                    | -                     | -  |
| Investments, restricted                                      | -                   | -                                   | -                    | -                     | -  |
| Accounts receivable, net                                     | 30,891              | 13,829                              | 3,983                | -                     | 139,104                                  |
| Due from affiliate, net                                      | 40,065              | 16,571                              | 26,453               | (86,946)              | 183,849                                  |
| Pledges receivable   | -                   | -                                   | -                    | -                     | 5,000                                    |
| Grants receivable  | -                   | -                                   | -                    | -                     | -  |
| Current portion of notes and interest receivable             | -                   | -                                   | -                    | -                     | -  |
| Current portion of notes and interest receivable, affiliates | -                   | -                                   | -                    | (91,515)              | 2,797                                    |
| Prepaid expenses and other assets                            | 9,024               | 29,233                              | 15,240               | -                     | 101,194                                  |
| Inventory  | -                   | -                                   | -                    | -                     | -  |
| Assets held for sale   | -                   | -                                   | -                    | -                     | -  |
| <b>Total current assets</b>                                  | <b>186,082</b>      | <b>210,423</b>                      | <b>757,832</b>       | <b>(178,461)</b>      | <b>3,959,973</b>                         |
| <b>Property and equipment</b>                                |                     |                                     |                      |                       |  |
| Land and land improvements                                   | 532,459             | 1,904,967                           | 431,009              | (2,076,803)           | 2,104,114                                |
| Buildings  | 4,158,793           | 11,020,722                          | 5,903,157            | (1,210,699)           | 31,138,282                               |
| Furniture and equipment                                      | 28,232              | 48,299                              | 39,150               | -                     | 827,291                                  |
| Predevelopment project costs                                 | -                   | -                                   | -                    | -                     | -  |
| Construction in progress                                     | -                   | -                                   | -                    | -                     | -  |
| Accumulated depreciation                                     | (120,470)           | (302,131)                           | (136,486)            | 5,503                 | (4,517,056)                              |
| <b>Net property and equipment</b>                            | <b>4,599,014</b>    | <b>12,671,857</b>                   | <b>6,236,830</b>     | <b>(3,281,999)</b>    | <b>29,552,631</b>                        |
| <b>Other long-term assets</b>                                |                     |                                     |                      |                       |  |
| Restricted property reserves                                 | 97,429              | 246,657                             | 82,693               | -                     | 994,960                                  |
| Cash, restricted   | -                   | -                                   | -                    | -                     | -  |
| Long-term investments  | -                   | -                                   | -                    | -                     | -  |
| Long-term investments, restricted                            | -                   | -                                   | -                    | -                     | -  |
| Due from affiliates  | -                   | -                                   | -                    | -                     | -  |
| Pledges receivable, net                                      | -                   | -                                   | -                    | -                     | 1,300                                    |
| Grants receivable  | -                   | -                                   | -                    | -                     | -  |
| Investments in limited partnerships                          | -                   | -                                   | -                    | (775,983)             | -  |
| Notes and interest receivable, net                           | -                   | -                                   | -                    | -                     | -  |
| Notes and interest receivable, affiliates                    | -                   | -                                   | -                    | -                     | -  |
| Allowance for impaired assets                                | -                   | -                                   | -                    | -                     | -  |
| Other assets   | 154,866             | 218,672                             | 185,768              | -                     | 844,095                                  |
| <b>Total other long-term assets</b>                          | <b>252,295</b>      | <b>465,329</b>                      | <b>268,461</b>       | <b>(775,983)</b>      | <b>1,840,355</b>                         |
| <b>Total assets</b>  | <b>\$ 5,037,391</b> | <b>\$ 13,347,609</b>                | <b>\$ 7,263,123</b>  | <b>\$ (4,236,443)</b> | <b>\$ 35,352,959</b>                     |
| <b>Liabilities</b>   |                     |                                     |                      |                       |  |
| <b>Current liabilities</b>                                   |                     |                                     |                      |                       |  |
| Accounts payable and accrued expenses                        | \$ 207,053          | \$ 198,102                          | \$ 207,601           | \$ (50,397)           | \$ 1,180,708                             |
| Due to affiliates  | 741,403             | 1,729,040                           | 969,875              | (520,094)             | 3,571,118                                |
| Accrued interest   | -                   | -                                   | -                    | -                     | 23,917                                   |
| Accrued interest, affiliates                                 | -                   | -                                   | -                    | -                     | -  |
| Current portion of notes payable                             | -                   | -                                   | -                    | -                     | 96,658                                   |
| Current portion of notes payable, affiliates                 | -                   | -                                   | -                    | -                     | -  |
| Deferred revenue and other liabilities                       | 18,430              | 23,503                              | 4,015                | -                     | 57,177                                   |
| Tenant security deposits                                     | 16,684              | 43,789                              | 15,829               | -                     | 142,458                                  |
| Miscellaneous current liabilities                            | -                   | -                                   | -                    | -                     | -  |
| <b>Total current liabilities</b>                             | <b>983,570</b>      | <b>1,994,434</b>                    | <b>1,197,320</b>     | <b>(570,491)</b>      | <b>5,072,036</b>                         |
| <b>Long-term liabilities</b>                                 |                     |                                     |                      |                       |  |
| Due to affiliates  | -                   | -                                   | -                    | -                     | -  |
| Accrued interest   | 14,670              | 18,617                              | 11,756               | -                     | 472,804                                  |
| Accrued interest, affiliates                                 | 48,151              | 238,419                             | 92,530               | (379,100)             | -  |
| Notes payable, less current portion                          | 2,876,592           | 5,495,785                           | 3,401,514            | -                     | 20,693,871                               |
| Notes payable, less current portion, affiliates              | 1,180,000           | 4,910,051                           | 1,890,000            | (7,980,051)           | -  |
| Deferred revenue and other liabilities                       | 44,049              | 24,386                              | 44,404               | -                     | 115,635                                  |
| <b>Total long-term liabilities</b>                           | <b>4,163,462</b>    | <b>10,687,258</b>                   | <b>5,440,204</b>     | <b>(8,359,151)</b>    | <b>21,282,310</b>                        |
| <b>Total liabilities</b>                                     | <b>5,147,032</b>    | <b>12,681,692</b>                   | <b>6,637,524</b>     | <b>(8,929,642)</b>    | <b>26,354,346</b>                        |
| <b>Net assets</b>  |                     |                                     |                      |                       |  |
| Unrestricted net assets, controlling                         | (109,641)           | 665,917                             | 625,599              | 4,693,199             | 4,263,779                                |
| Unrestricted net assets, noncontrolling                      | -                   | -                                   | -                    | -                     | -  |
| <b>Total unrestricted net assets</b>                         | <b>(109,641)</b>    | <b>665,917</b>                      | <b>625,599</b>       | <b>4,693,199</b>      | <b>4,263,779</b>                         |
| Temporarily restricted net assets                            | -                   | -                                   | -                    | -                     | 4,734,834                                |
| Permanently restricted net assets                            | -                   | -                                   | -                    | -                     | -  |
| <b>Total net assets</b>                                      | <b>(109,641)</b>    | <b>665,917</b>                      | <b>625,599</b>       | <b>4,693,199</b>      | <b>8,998,613</b>                         |
| <b>Total liabilities and net assets</b>                      | <b>\$ 5,037,391</b> | <b>\$ 13,347,609</b>                | <b>\$ 7,263,123</b>  | <b>\$ (4,236,443)</b> | <b>\$ 35,352,959</b>                     |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Midwest  
For the year ended December 31, 2011

|  | Mercy Housing<br>Midwest | Mercy<br>Crestview<br>Village | Heartland<br>Housing<br>Initiative<br>(HARP) | Mercy<br>House      | Mercy<br>Northglen |
|--|--------------------------|-------------------------------|--|---------------------|--------------------|
| <b>Revenues</b>                                      |                          |                               |  |                     |                    |
| Rent - net of vacancies                              | \$ -                     | \$ 153                        | \$ -   | \$ 112,390          | \$ -               |
| Developer fees                                       | -                        | -                             | -  | -                   | -                  |
| Services fees  | 141,425                  | -                             | -  | -                   | -                  |
| Philanthropy   | 1,124,483                | -                             | -  | -                   | -                  |
| Capital grants                                       | -                        | -                             | -  | -                   | -                  |
| Consulting   | -                        | -                             | -  | -                   | -                  |
| Interest   | 336,349                  | 128                           | 2  | 15                  | -                  |
| Other  | 113,891                  | -                             | -  | 2,146               | -                  |
| <b>Total revenues</b>                                | <b>1,716,148</b>         | <b>281</b>                    | <b>2</b>                                     | <b>114,551</b>      | <b>-</b>           |
| <b>Expenses and losses</b>                           |                          |                               |  |                     |                    |
| Compensation   | 261,084                  | 51                            | -  | 18,761              | -                  |
| Administrative                                       | 55,162                   | 547                           | -  | 17,103              | -                  |
| Professional services                                | 64,051                   | -                             | -  | 7,727               | -                  |
| Depreciation and amortization                        | 4,614                    | -                             | -  | 18,076              | -                  |
| Grants   | 47,250                   | 326,712                       | -  | -                   | 145,217            |
| Facility   | 8,985                    | 2,132                         | -  | 39,660              | 500                |
| Interest and fees                                    | (4,297)                  | -                             | 53   | 25,184              | -                  |
| Bad debts  | 162,176                  | -                             | -  | 236                 | -                  |
| Provision for impaired assets                        | 336,150                  | -                             | -  | -                   | -                  |
| Project expenses                                     | -                        | -                             | -  | -                   | -                  |
| Allocation   | 193,596                  | -                             | -  | -                   | -                  |
| (Gain) loss on sale of assets                        | -                        | (300,836)                     | 11,067                                       | -                   | (121,338)          |
| (Gain) loss on investment in limited partnership     | -                        | -                             | -  | -                   | -                  |
| <b>Total expenses and losses</b>                     | <b>1,128,771</b>         | <b>28,606</b>                 | <b>11,120</b>                                | <b>126,747</b>      | <b>24,379</b>      |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>587,377</b>           | <b>(28,325)</b>               | <b>(11,118)</b>                              | <b>(12,196)</b>     | <b>(24,379)</b>    |
| Net assets at beginning of year                      | 850,989                  | 12,410                        | 11,118                                       | (126,075)           | (17,028)           |
| Other transfers to (from) net assets                 | -                        | -                             | -  | -                   | -                  |
| <b>Net assets at end of year</b>                     | <b>\$ 1,438,366</b>      | <b>\$ (15,915)</b>            | <b>\$ -</b>                                  | <b>\$ (138,271)</b> | <b>\$ (41,407)</b> |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Midwest  
For the year ended December 31, 2011

|  | Mercy<br>Oakwood<br>Gardens | Mercy<br>Bond Properties<br>Nebraska I (Mercy<br>Timbercreek LLC) | Mercy<br>Western<br>Manor | Mercy Village<br>Joplin<br>(Mercy Village<br>at St. Johns) | Mercy<br>Housing Midwest<br>Nebraska, LLC |
|--|-----------------------------|---|---------------------------|--|---|
| <b>Revenues</b>                                      |                             |   |                           |  |   |
| Rent - net of vacancies                              | \$ 224,383                  | \$ 1,133,692  | \$ (28)                   | \$ 216,097   | \$ -                                      |
| Developer fees                                       | -                           | -   | -                         | -  | -   |
| Services fees  | -                           | -   | -                         | -  | -   |
| Philanthropy   | -                           | -   | -                         | 50   | -   |
| Capital grants                                       | -                           | -   | -                         | -  | -   |
| Consulting   | -                           | -   | -                         | -  | -   |
| Interest   | 22,000                      | 312   | -                         | 123  | -   |
| Other  | 21,255                      | 41,945  | -                         | 3,111  | 776,109                                   |
| <b>Total revenues</b>                                | <b>267,638</b>              | <b>1,175,949</b>  | <b>(28)</b>               | <b>219,381</b>   | <b>776,109</b>                            |
| <b>Expenses and losses</b>                           |                             |   |                           |  |   |
| Compensation   | 20,351                      | 144,330   | (2,366)                   | 97,300   | -   |
| Administrative                                       | 77,602                      | 207,320   | 468                       | 59,800   | -   |
| Professional services                                | 12,250                      | 15,450  | -                         | 11,701   | 1,019                                     |
| Depreciation and amortization                        | -                           | 295,704   | -                         | 69,523   | -   |
| Grants   | -                           | -   | 304,181                   | -  | -   |
| Facility   | 136,376                     | 601,968   | (125)                     | 106,490  | -   |
| Interest and fees                                    | 145,962                     | 307,571   | -                         | -  | 32  |
| Bad debts  | 17,725                      | 19,470  | -                         | 30   | -   |
| Provision for impaired assets                        | -                           | -   | -                         | -  | -   |
| Project expenses                                     | -                           | -   | -                         | -  | -   |
| Allocation   | -                           | -   | -                         | -  | -   |
| (Gain) loss on sale of assets                        | (102,821)                   | -   | (304,181)                 | (540,760)  | -   |
| (Gain) loss on investment in limited partnership     | -                           | -   | -                         | -  | 101                                       |
| <b>Total expenses and losses</b>                     | <b>307,445</b>              | <b>1,591,813</b>  | <b>(2,023)</b>            | <b>(195,916)</b>   | <b>1,152</b>                              |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(39,807)</b>             | <b>(415,864)</b>  | <b>1,995</b>              | <b>415,297</b>   | <b>774,957</b>                            |
| Net assets at beginning of year                      | (261,395)                   | (2,369,483)   | (18,904)                  | 3,794,307  | (337)                                     |
| Other transfers to (from) net assets                 | -                           | -   | -                         | -  | -   |
| <b>Net assets at end of year</b>                     | <b>\$ (301,202)</b>         | <b>\$ (2,785,347)</b>   | <b>\$ (16,909)</b>        | <b>\$ 4,209,604</b>  | <b>\$ 774,620</b>                         |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Midwest  
For the year ended December 31, 2011

|  | Northglen, LP       | Mercy Crestview<br>Village<br>Housing, LP | Western<br>Manor, LP | Eliminations        | Consolidated<br>Mercy Housing<br>Midwest |
|--|---------------------|---|----------------------|---------------------|--|
| <b>Revenues</b>                                      |                     |   |                      |                     |  |
| Rent - net of vacancies                              | \$ 222,769          | \$ 652,031                                | \$ 364,002           | \$ (7,200)          | \$ 2,918,289                             |
| Developer fees                                       | -                   | -   | -                    | -                   | -  |
| Services fees  | -                   | -   | -                    | -                   | 141,425                                  |
| Philanthropy   | -                   | -   | -                    | -                   | 1,124,533                                |
| Capital grants                                       | -                   | -   | -                    | -                   | -  |
| Consulting   | -                   | -   | -                    | -                   | -  |
| Interest   | 55                  | 899                                       | 552                  | (335,081)           | 25,354                                   |
| Other  | 5,097               | 2,532                                     | 8,443                | (878,830)           | 95,699                                   |
| <b>Total revenues</b>                                | <u>227,921</u>      | <u>655,462</u>                            | <u>372,997</u>       | <u>(1,221,111)</u>  | <u>4,305,300</u>                         |
| <b>Expenses and losses</b>                           |                     |   |                      |                     |  |
| Compensation   | 92,185              | 185,431                                   | 101,362              | -                   | 918,489                                  |
| Administrative                                       | 68,444              | 128,902                                   | 79,013               | -                   | 694,361                                  |
| Professional services                                | 18,279              | 26,683                                    | 18,675               | -                   | 175,835                                  |
| Depreciation and amortization                        | 147,110             | 326,607                                   | 162,806              | (5,503)             | 1,018,937                                |
| Grants   | -                   | -   | -                    | (776,109)           | 47,251                                   |
| Facility   | 97,686              | 350,175                                   | 96,962               | (7,202)             | 1,433,607                                |
| Interest and fees                                    | 59,817              | 231,725                                   | 71,383               | (233,539)           | 603,891                                  |
| Bad debts  | 266                 | 794                                       | 3,570                | (94,530)            | 109,737                                  |
| Provision for impaired assets                        | -                   | -   | -                    | (334,882)           | 1,268                                    |
| Project expenses                                     | -                   | -   | -                    | -                   | -  |
| Allocation   | -                   | -   | -                    | -                   | 193,596                                  |
| (Gain) loss on sale of assets                        | -                   | -   | -                    | 776,109             | (582,760)                                |
| (Gain) loss on investment in limited partnership     | -                   | -   | -                    | (101)               | -  |
| <b>Total expenses and losses</b>                     | <u>483,787</u>      | <u>1,250,317</u>                          | <u>533,771</u>       | <u>(675,757)</u>    | <u>4,614,212</u>                         |
| <b>Excess (deficiency) of revenues over expenses</b> | (255,866)           | (594,855)                                 | (160,774)            | (545,354)           | (308,912)                                |
| Net assets at beginning of year                      | 12,675              | 1,035,727                                 | 582,859              | 6,014,663           | 9,521,526                                |
| Other transfers to (from) net assets                 | 133,550             | 225,045                                   | 203,514              | (776,110)           | (214,001)                                |
| <b>Net assets at end of year</b>                     | <u>\$ (109,641)</u> | <u>\$ 665,917</u>                         | <u>\$ 625,599</u>    | <u>\$ 4,693,199</u> | <u>\$ 8,998,613</u>                      |



Consolidating Statement of Financial Position  
Mercy Housing Southwest  
December 31, 2011

|  | Mercy Housing<br>Southwest | Avondale Senior<br>Housing | Camelot<br>Casitas | Casa<br>De Merced   | Casa<br>De Shanti | Decatur<br>Place    |
|--|----------------------------|----------------------------|--------------------|---------------------|-------------------|---------------------|
| <b>Assets</b>  |                            |                            |                    |                     |                   |                     |
| Current assets   |                            |                            |                    |                     |                   |                     |
| Cash and cash equivalents                                    | \$ 1,200                   | \$ 104                     | \$ 2,550           | \$ 952              | \$ 1,103          | \$ 446,525          |
| Cash, tenant security deposits                               |                            | 8,970                      | 849                | 8,465               | 8,265             | 14,936              |
| Cash, restricted   | 49,276                     | -                          | -                  | -                   | -                 | -                   |
| Investments  | -                          | -                          | -                  | -                   | -                 | -                   |
| Investments, restricted                                      | -                          | -                          | -                  | -                   | -                 | -                   |
| Accounts receivable, net                                     | 57,750                     | -                          | 319                | -                   | -                 | 5,328               |
| Due from affiliate, net                                      | 103,187                    | -                          | -                  | -                   | -                 | -                   |
| Pledges receivable   | 390                        | -                          | -                  | -                   | -                 | -                   |
| Grants receivable  | -                          | -                          | -                  | -                   | -                 | -                   |
| Current portion of notes and interest receivable             | 13,542                     | -                          | -                  | -                   | -                 | -                   |
| Current portion of notes and interest receivable, affiliates | 755,798                    | -                          | -                  | -                   | -                 | -                   |
| Prepaid expenses and other assets                            | 2,994                      | 8,619                      | 1,870              | 8,404               | 5,208             | 37,656              |
| Inventory  | -                          | -                          | -                  | -                   | -                 | -                   |
| Assets held for sale   | -                          | -                          | -                  | -                   | -                 | -                   |
| Total current assets   | 984,137                    | 17,693                     | 5,588              | 17,821              | 14,576            | 504,445             |
| 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                                      | -                          | 110,170                    | 62,386             | 114,286             | 71,038            | 940,355             |
| Predevelopment project costs                                 | -                          | -                          | -                  | -                   | -                 | -                   |
| Construction in progress                                     | -                          | -                          | -                  | -                   | -                 | -                   |
| Accumulated depreciation                                     | -                          | (925,724)                  | (176,000)          | (1,144,229)         | (796,569)         | (4,623,424)         |
| Net property and equipment                                   | -                          | 1,717,334                  | 341,584            | 1,063,212           | 635,799           | 3,312,481           |
| Other long-term assets                                       |                            |                            |                    |                     |                   |                     |
| Restricted property reserves                                 | -                          | 77,550                     | 15,082             | 123,957             | 30,773            | 1,036,422           |
| 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                    | 283,511                    | -                          | -                  | -                   | -                 | -                   |
| Allowance for impaired assets                                | -                          | -                          | -                  | -                   | -                 | -                   |
| Other assets   | -                          | -                          | -                  | -                   | -                 | 31,164              |
| Total other long-term assets                                 | 295,296                    | 77,550                     | 15,082             | 123,957             | 30,773            | 1,067,586           |
| <b>Total assets</b>  | <b>\$ 1,279,433</b>        | <b>\$ 1,812,577</b>        | <b>\$ 362,254</b>  | <b>\$ 1,204,990</b> | <b>\$ 681,148</b> | <b>\$ 4,884,512</b> |
| <b>Liabilities</b>   |                            |                            |                    |                     |                   |                     |
| Current liabilities  |                            |                            |                    |                     |                   |                     |
| Accounts payable and accrued expenses                        | \$ 24,887                  | \$ 39,786                  | \$ 10,016          | \$ 21,698           | \$ 18,018         | \$ 97,284           |
| Due to affiliates  | 1,187,744                  | 13,052                     | -                  | 44,686              | 86,450            | -                   |
| Accrued interest   | 2,500                      | -                          | -                  | -                   | -                 | 9,519               |
| Accrued interest, affiliates                                 | -                          | -                          | -                  | -                   | -                 | -                   |
| Current portion of notes payable                             | -                          | -                          | -                  | -                   | -                 | 40,774              |
| Current portion of notes payable, affiliates                 | -                          | -                          | -                  | -                   | -                 | -                   |
| Deferred revenue and other liabilities                       | -                          | 5                          | 70                 | 1,074               | 432               | 6,304               |
| Tenant security deposits                                     | -                          | 8,969                      | 849                | 8,358               | 4,977             | 14,862              |
| Miscellaneous current liabilities                            | -                          | -                          | -                  | -                   | -                 | -                   |
| Total current liabilities                                    | 1,215,131                  | 61,812                     | 10,935             | 75,816              | 109,877           | 168,743             |
| Long-term liabilities  |                            |                            |                    |                     |                   |                     |
| Due to affiliates  | -                          | -                          | -                  | -                   | -                 | 34,949              |
| Accrued interest   | -                          | -                          | -                  | -                   | -                 | 4,740               |
| Accrued interest, affiliates                                 | -                          | -                          | -                  | -                   | -                 | -                   |
| Notes payable, less current portion                          | 500,000                    | -                          | -                  | -                   | -                 | 1,957,278           |
| Notes payable, less current portion, affiliates              | -                          | -                          | -                  | -                   | -                 | -                   |
| Deferred revenue and other liabilities                       | -                          | -                          | -                  | -                   | 637               | -                   |
| Total long-term liabilities                                  | 500,000                    | -                          | -                  | -                   | 637               | 1,996,967           |
| <b>Total liabilities</b>                                     | <b>1,715,131</b>           | <b>61,812</b>              | <b>10,935</b>      | <b>75,816</b>       | <b>110,514</b>    | <b>2,165,710</b>    |
| <b>Net assets</b>  |                            |                            |                    |                     |                   |                     |
| Unrestricted net assets, controlling                         | (575,682)                  | (56,268)                   | 27,917             | (233,652)           | (259,508)         | 2,350,257           |
| Unrestricted net assets, controlling                         | -                          | -                          | -                  | -                   | -                 | -                   |
| Total unrestricted net assets                                | (575,682)                  | (56,268)                   | 27,917             | (233,652)           | (259,508)         | 2,350,257           |
| Temporarily restricted net assets                            | 139,984                    | 1,807,033                  | 323,402            | 1,362,826           | 830,142           | 368,545             |
| Permanently restricted net assets                            | -                          | -                          | -                  | -                   | -                 | -                   |
| <b>Total net assets</b>                                      | <b>(435,698)</b>           | <b>1,750,765</b>           | <b>351,319</b>     | <b>1,129,174</b>    | <b>570,634</b>    | <b>2,718,802</b>    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 1,279,433</b>        | <b>\$ 1,812,577</b>        | <b>\$ 362,254</b>  | <b>\$ 1,204,990</b> | <b>\$ 681,148</b> | <b>\$ 4,884,512</b> |

Consolidating Statement of Financial Position  
Mercy Housing Southwest  
December 31, 2011

|  | El Mirage<br>Senior | Holly<br>Park East  | Mesa Senior<br>Meadows | Guadalupe<br>Senior Village | Peoria Place      | Plazas<br>De Merced |
|--|---------------------|---------------------|------------------------|-----------------------------|-------------------|---------------------|
| <b>Assets</b>  |                     |                     |                        |                             |                   |                     |
| Current assets   |                     |                     |                        |                             |                   |                     |
| Cash and cash equivalents                                    | \$ 37,797           | \$ 113,171          | \$ 1,732               | \$ 167                      | \$ 101            | \$ 277              |
| Cash, tenant security deposits                               | 10,975              | 10,862              | 10,312                 | 4,625                       | 1,920             | 4,622               |
| Cash, restricted   | -                   | -                   | -                      | -                           | -                 | -                   |
| Investments  | -                   | -                   | -                      | -                           | -                 | -                   |
| Investments, restricted                                      | -                   | -                   | -                      | -                           | -                 | -                   |
| Accounts receivable, net                                     | 45                  | 15,869              | 993                    | 28                          | 4,265             | 16,002              |
| 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                            | 8,582               | 13,749              | 8,150                  | 4,184                       | 2,949             | 5,411               |
| Inventory  | -                   | -                   | -                      | -                           | -                 | -                   |
| Assets held for sale   | -                   | -                   | -                      | -                           | -                 | -                   |
| Total current assets   | 57,399              | 153,651             | 21,187                 | 9,004                       | 9,235             | 26,312              |
| 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                                      | 219,972             | 432,076             | 113,889                | 49,045                      | 34,583            | 123,397             |
| Predevelopment project costs                                 | -                   | -                   | -                      | -                           | -                 | -                   |
| Construction in progress                                     | -                   | -                   | -                      | -                           | -                 | -                   |
| Accumulated depreciation                                     | (1,090,053)         | (1,264,881)         | (1,027,013)            | (570,037)                   | (368,796)         | (961,277)           |
| Net property and equipment                                   | 1,171,566           | 1,662,316           | 1,392,884              | 672,039                     | 747,420           | 714,796             |
| Other long-term assets                                       |                     |                     |                        |                             |                   |                     |
| Restricted property reserves                                 | 63,705              | 235,921             | 120,112                | 40,404                      | 12,585            | 26,394              |
| 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   | -                   | 915                 | -                      | -                           | -                 | -                   |
| Total other long-term assets                                 | 63,705              | 236,836             | 120,112                | 40,404                      | 12,585            | 26,394              |
| <b>Total assets</b>  | <b>\$ 1,292,670</b> | <b>\$ 2,052,803</b> | <b>\$ 1,534,183</b>    | <b>\$ 721,447</b>           | <b>\$ 769,240</b> | <b>\$ 767,502</b>   |
| <b>Liabilities</b>   |                     |                     |                        |                             |                   |                     |
| Current liabilities  |                     |                     |                        |                             |                   |                     |
| Accounts payable and accrued expenses                        | \$ 36,315           | \$ 93,703           | \$ 36,531              | \$ 11,940                   | \$ 25,114         | \$ 42,396           |
| Due to affiliates  | -                   | 48                  | 23,390                 | -                           | 19,685            | 33,841              |
| Accrued interest   | -                   | 816                 | -                      | -                           | -                 | -                   |
| Accrued interest, affiliates                                 | -                   | -                   | -                      | -                           | -                 | -                   |
| Current portion of notes payable                             | -                   | 64,640              | -                      | -                           | -                 | -                   |
| Current portion of notes payable, affiliates                 | -                   | -                   | -                      | -                           | -                 | 20,000              |
| Deferred revenue and other liabilities                       | 252                 | 2,034               | 48                     | 48                          | 439               | 1,897               |
| Tenant security deposits                                     | 10,974              | 10,732              | 10,685                 | 4,624                       | 1,920             | 4,896               |
| Miscellaneous current liabilities                            | -                   | -                   | -                      | -                           | -                 | -                   |
| Total current liabilities                                    | 47,541              | 171,973             | 70,654                 | 16,612                      | 47,158            | 103,030             |
| Long-term liabilities  |                     |                     |                        |                             |                   |                     |
| Due to affiliates  | -                   | -                   | -                      | -                           | -                 | -                   |
| Accrued interest   | -                   | -                   | -                      | -                           | -                 | -                   |
| Accrued interest, affiliates                                 | -                   | -                   | -                      | -                           | -                 | -                   |
| Notes payable, less current portion                          | -                   | 75,309              | -                      | -                           | -                 | -                   |
| Notes payable, less current portion, affiliates              | -                   | -                   | -                      | -                           | -                 | -                   |
| Deferred revenue and other liabilities                       | -                   | 256                 | -                      | -                           | -                 | -                   |
| Total long-term liabilities                                  | -                   | 75,565              | -                      | -                           | -                 | -                   |
| <b>Total liabilities</b>                                     | <b>47,541</b>       | <b>247,538</b>      | <b>70,654</b>          | <b>16,612</b>               | <b>47,158</b>     | <b>103,030</b>      |
| <b>Net assets</b>  |                     |                     |                        |                             |                   |                     |
| Unrestricted net assets, controlling                         | (193,491)           | 1,739,987           | (64,826)               | (100,965)                   | (57,693)          | (258,495)           |
| Unrestricted net assets, controlling                         | -                   | -                   | -                      | -                           | -                 | -                   |
| Total unrestricted net assets                                | (193,491)           | 1,739,987           | (64,826)               | (100,965)                   | (57,693)          | (258,495)           |
| Temporarily restricted net assets                            | 1,438,620           | 65,278              | 1,528,355              | 805,800                     | 779,775           | 922,967             |
| Permanently restricted net assets                            | -                   | -                   | -                      | -                           | -                 | -                   |
| <b>Total net assets</b>                                      | <b>1,245,129</b>    | <b>1,805,265</b>    | <b>1,463,529</b>       | <b>704,835</b>              | <b>722,082</b>    | <b>664,472</b>      |
| <b>Total liabilities and net assets</b>                      | <b>\$ 1,292,670</b> | <b>\$ 2,052,803</b> | <b>\$ 1,534,183</b>    | <b>\$ 721,447</b>           | <b>\$ 769,240</b> | <b>\$ 767,502</b>   |

Consolidating Statement of Financial Position  
Mercy Housing Southwest  
December 31, 2011

|  | Vista Alegre        | Willow Street<br>Apartments | Mercy Properties<br>Arizona<br>(Mercy Court) | Eliminations          | Consolidated<br>Mercy Housing<br>Southwest |
|--|---------------------|-----------------------------|--|-----------------------|--|
| <b>Assets</b>  |                     |                             |  |                       |  |
| Current assets   |                     |                             |  |                       |  |
| Cash and cash equivalents                                    | \$ 46,474           | \$ 13,630                   | \$ 1,823                                     | \$ -                  | \$ 667,606                                 |
| Cash, tenant security deposits                               | 15,948              | 2,146                       | 5,032  | -                     | 107,927                                    |
| Cash, restricted   | -                   | -                           | -  | -                     | 49,276                                     |
| Investments  | -                   | -                           | -  | -                     | -  |
| Investments, restricted                                      | -                   | -                           | -  | -                     | -  |
| Accounts receivable, net                                     | 596                 | -                           | 61,308                                       | -                     | 162,503                                    |
| Due from affiliate, net                                      | -                   | 111                         | -  | -                     | 103,298                                    |
| Pledges receivable   | -                   | -                           | -  | -                     | 390  |
| Grants receivable  | -                   | -                           | -  | -                     | -  |
| Current portion of notes and interest receivable             | -                   | -                           | -  | -                     | 13,542                                     |
| Current portion of notes and interest receivable, affiliates | -                   | -                           | -  | (750,923)             | 4,875                                      |
| Prepaid expenses and other assets                            | 11,788              | 2,524                       | 25,163                                       | -                     | 147,251                                    |
| Inventory  | -                   | -                           | -  | -                     | -  |
| Assets held for sale   | -                   | -                           | -  | -                     | -  |
| Total current assets   | 74,806              | 18,411                      | 93,326                                       | (750,923)             | 1,256,668                                  |
| 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                                      | -                     | 2,674,025                                  |
| Predevelopment project costs                                 | -                   | -                           | -  | -                     | -  |
| Construction in progress                                     | -                   | -                           | -  | -                     | -  |
| Accumulated depreciation                                     | (1,364,357)         | (596,803)                   | (984,481)                                    | 196,960               | (15,696,684)                               |
| Net property and equipment                                   | 2,434,852           | 676,989                     | 1,086,841                                    | (286,427)             | 17,343,686                                 |
| Other long-term assets                                       |                     |                             |  |                       |  |
| Restricted property reserves                                 | 93,675              | 72,295                      | -  | -                     | 1,948,875                                  |
| 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                    | -                   | -                           | -  | -                     | 283,511                                    |
| Allowance for impaired assets                                | -                   | -                           | -  | -                     | -  |
| Other assets   | -                   | -                           | 45,720                                       | -                     | 77,799                                     |
| Total other long-term assets                                 | 93,675              | 72,295                      | 45,720                                       | (11,785)              | 2,310,185                                  |
| <b>Total assets</b>  | <b>\$ 2,603,333</b> | <b>\$ 767,695</b>           | <b>\$ 1,225,887</b>                          | <b>\$ (1,049,135)</b> | <b>\$ 20,910,539</b>                       |
| <b>Liabilities</b>   |                     |                             |  |                       |  |
| Current liabilities  |                     |                             |  |                       |  |
| Accounts payable and accrued expenses                        | \$ 27,358           | \$ 17,248                   | \$ 74,491                                    | \$ -                  | \$ 576,785                                 |
| Due to affiliates  | -                   | -                           | 626,390                                      | (847,495)             | 1,187,791                                  |
| Accrued interest   | -                   | -                           | 4,247  | -                     | 17,082                                     |
| Accrued interest, affiliates                                 | -                   | -                           | -  | -                     | -  |
| Current portion of notes payable                             | -                   | -                           | 2,525,000                                    | -                     | 2,630,414                                  |
| Current portion of notes payable, affiliates                 | -                   | -                           | -  | (20,000)              | -  |
| Deferred revenue and other liabilities                       | 132                 | 1,021                       | 8,840  | -                     | 22,596                                     |
| Tenant security deposits                                     | 16,147              | 1,980                       | 4,837  | -                     | 104,810                                    |
| Miscellaneous current liabilities                            | -                   | -                           | -  | -                     | -  |
| Total current liabilities                                    | 43,637              | 20,249                      | 3,243,805                                    | (867,495)             | 4,539,478                                  |
| Long-term liabilities  |                     |                             |  |                       |  |
| Due to affiliates  | -                   | -                           | 8,742  | (8,742)               | 34,949                                     |
| Accrued interest   | -                   | -                           | -  | -                     | 4,740                                      |
| Accrued interest, affiliates                                 | -                   | -                           | -  | -                     | -  |
| Notes payable, less current portion                          | -                   | -                           | -  | -                     | 2,532,587                                  |
| Notes payable, less current portion, affiliates              | -                   | -                           | 735,000                                      | -                     | 735,000                                    |
| Deferred revenue and other liabilities                       | -                   | -                           | 1,204  | -                     | 2,097                                      |
| Total long-term liabilities                                  | -                   | -                           | 744,946                                      | (8,742)               | 3,309,373                                  |
| <b>Total liabilities</b>                                     | <b>43,637</b>       | <b>20,249</b>               | <b>3,988,751</b>                             | <b>(876,237)</b>      | <b>7,848,851</b>                           |
| <b>Net assets</b>  |                     |                             |  |                       |  |
| Unrestricted net assets, controlling                         | (101,971)           | (11,480)                    | (2,762,864)                                  | (172,898)             | (731,632)                                  |
| Unrestricted net assets, controlling                         | -                   | -                           | -  | -                     | -  |
| Total unrestricted net assets                                | (101,971)           | (11,480)                    | (2,762,864)                                  | (172,898)             | (731,632)                                  |
| Temporarily restricted net assets                            | 2,661,667           | 758,926                     | -  | -                     | 13,793,320                                 |
| Permanently restricted net assets                            | -                   | -                           | -  | -                     | -  |
| <b>Total net assets</b>                                      | <b>2,559,696</b>    | <b>747,446</b>              | <b>(2,762,864)</b>                           | <b>(172,898)</b>      | <b>13,061,688</b>                          |
| <b>Total liabilities and net assets</b>                      | <b>\$ 2,603,333</b> | <b>\$ 767,695</b>           | <b>\$ 1,225,887</b>                          | <b>\$ (1,049,135)</b> | <b>\$ 20,910,539</b>                       |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southwest  
For the year ended December 31, 2011

|  | Mercy Housing<br>Southwest | Avondale Senior<br>Housing | Camelot<br>Casitas | Casa<br>De Merced   | Casa<br>De Shanti | Decatur<br>Place    |
|--|----------------------------|----------------------------|--------------------|---------------------|-------------------|---------------------|
| <b>Revenues</b>                                      |                            |                            |                    |                     |                   |                     |
| Rent - net of vacancies                              | \$ -                       | \$ 190,606                 | \$ 55,459          | \$ 208,525          | \$ 157,876        | \$ 1,558,116        |
| Developer fees                                       | -                          | -                          | -                  | -                   | -                 | -                   |
| Services fees  | 89,200                     | -                          | -                  | -                   | -                 | -                   |
| Philanthropy   | 279,550                    | -                          | -                  | -                   | -                 | -                   |
| Capital Grants                                       | -                          | -                          | -                  | -                   | -                 | -                   |
| Consulting   | -                          | -                          | -                  | -                   | -                 | -                   |
| Interest   | 29,436                     | 78                         | 25                 | 71                  | 16                | 2,308               |
| Other  | 6,004                      | 1,153                      | 1,667              | 3,126               | 1,816             | 20,633              |
| <b>Total revenues</b>                                | <u>404,190</u>             | <u>191,837</u>             | <u>57,151</u>      | <u>211,722</u>      | <u>159,708</u>    | <u>1,581,057</u>    |
| <b>Expenses and losses</b>                           |                            |                            |                    |                     |                   |                     |
| Compensation   | 203,828                    | 90,031                     | 18,657             | 84,351              | 50,108            | 314,545             |
| Administrative                                       | 103,676                    | 29,533                     | 9,531              | 31,089              | 28,278            | 126,382             |
| Professional services                                | 10,784                     | 10,197                     | 10,044             | 10,513              | 10,574            | 258,746             |
| Depreciation and amortization                        | -                          | 88,650                     | 17,491             | 74,677              | 47,486            | 259,487             |
| Grants   | 123,185                    | -                          | -                  | -                   | -                 | -                   |
| Facility   | 14,049                     | 76,445                     | 16,350             | 66,981              | 62,147            | 433,223             |
| Interest and fees                                    | 22,656                     | 122                        | 73                 | 473                 | -                 | 120,252             |
| Bad debts  | 31,151                     | -                          | -                  | -                   | 67                | 6,069               |
| Provision for impaired assets                        | 22,413                     | -                          | -                  | -                   | -                 | -                   |
| Project expenses                                     | 281,615                    | -                          | -                  | -                   | -                 | -                   |
| Allocation   | 232,092                    | -                          | -                  | -                   | -                 | -                   |
| (Gain) loss on sale of assets                        | -                          | -                          | -                  | -                   | -                 | -                   |
| (Gain) loss on investment in limited partnership     | -                          | -                          | -                  | -                   | -                 | -                   |
| <b>Total expenses and losses</b>                     | <u>1,045,449</u>           | <u>294,978</u>             | <u>72,146</u>      | <u>268,084</u>      | <u>198,660</u>    | <u>1,518,704</u>    |
| <b>Excess (deficiency) of revenues over expenses</b> | (641,259)                  | (103,141)                  | (14,995)           | (56,362)            | (38,952)          | 62,353              |
| Net assets at beginning of year                      | 205,561                    | 1,853,906                  | 366,314            | 1,185,536           | 609,586           | 2,656,449           |
| Other transfers to (from) net assets                 | -                          | -                          | -                  | -                   | -                 | -                   |
| <b>Net assets at end of year</b>                     | <u>\$ (435,698)</u>        | <u>\$ 1,750,765</u>        | <u>\$ 351,319</u>  | <u>\$ 1,129,174</u> | <u>\$ 570,634</u> | <u>\$ 2,718,802</u> |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southwest  
For the year ended December 31, 2011

|  | El Mirage<br>Senior | Holly<br>Park East  | Mesa Senior<br>Meadows | Guadalupe<br>Senior Village | Peoria Place      | Plazas<br>De Merced |
|--|---------------------|---------------------|------------------------|-----------------------------|-------------------|---------------------|
| <b>Revenues</b>                                      |                     |                     |                        |                             |                   |                     |
| Rent - net of vacancies                              | \$ 210,714          | \$ 698,302          | \$ 252,486             | \$ 104,945                  | \$ 82,532         | \$ 168,905          |
| Developer fees                                       | -                   | -                   | -                      | -                           | -                 | -                   |
| Services fees  | -                   | -                   | -                      | -                           | -                 | -                   |
| Philanthropy   | -                   | -                   | -                      | -                           | -                 | -                   |
| Capital Grants                                       | -                   | -                   | -                      | -                           | -                 | -                   |
| Consulting   | -                   | -                   | -                      | -                           | -                 | -                   |
| Interest   | 114                 | 42,520              | 46                     | 26                          | 18                | 14                  |
| Other  | 3,493               | 15,291              | 1,763                  | 1,626                       | 730               | 2,602               |
| <b>Total revenues</b>                                | <u>214,321</u>      | <u>756,113</u>      | <u>254,295</u>         | <u>106,597</u>              | <u>83,280</u>     | <u>171,521</u>      |
| <b>Expenses and losses</b>                           |                     |                     |                        |                             |                   |                     |
| Compensation   | 58,078              | 111,282             | 91,082                 | 31,256                      | 28,540            | 51,051              |
| Administrative                                       | 36,087              | 72,285              | 30,752                 | 16,796                      | 13,412            | 26,715              |
| Professional services                                | 10,197              | 27,883              | 10,197                 | 10,032                      | 10,191            | 11,029              |
| Depreciation and amortization                        | 75,504              | 91,466              | 77,304                 | 41,746                      | 36,791            | 58,123              |
| Grants   | -                   | -                   | -                      | -                           | -                 | -                   |
| Facility   | 91,410              | 245,965             | 60,993                 | 40,261                      | 45,372            | 64,176              |
| Interest and fees                                    | 29                  | 11,668              | 105                    | 100                         | 50                | 10                  |
| Bad debts  | -                   | 14,662              | -                      | -                           | 356               | 319                 |
| Provision for impaired assets                        | -                   | -                   | -                      | -                           | -                 | -                   |
| Project expenses                                     | -                   | -                   | -                      | -                           | -                 | -                   |
| Allocation   | -                   | -                   | -                      | -                           | -                 | -                   |
| (Gain) loss on sale of assets                        | -                   | -                   | -                      | -                           | -                 | -                   |
| (Gain) loss on investment in limited partnership     | -                   | -                   | -                      | -                           | -                 | -                   |
| <b>Total expenses and losses</b>                     | <u>271,305</u>      | <u>575,211</u>      | <u>270,433</u>         | <u>140,191</u>              | <u>134,712</u>    | <u>211,423</u>      |
| <b>Excess (deficiency) of revenues over expenses</b> | (56,984)            | 180,902             | (16,138)               | (33,594)                    | (51,432)          | (39,902)            |
| Net assets at beginning of year                      | 1,302,113           | 1,624,363           | 1,479,667              | 738,429                     | 773,514           | 704,374             |
| Other transfers to (from) net assets                 | -                   | -                   | -                      | -                           | -                 | -                   |
| <b>Net assets at end of year</b>                     | <u>\$ 1,245,129</u> | <u>\$ 1,805,265</u> | <u>\$ 1,463,529</u>    | <u>\$ 704,835</u>           | <u>\$ 722,082</u> | <u>\$ 664,472</u>   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southwest  
For the year ended December 31, 2011

|  | Vista Alegre        | Willow Street<br>Apartments | Mercy Properties<br>Arizona<br>(Mercy Court) | Eliminations        | Consolidated<br>Mercy Housing<br>Southwest |
|--|---------------------|-----------------------------|--|---------------------|--|
| <b>Revenues</b>                                      |                     |                             |  |                     |  |
| Rent - net of vacancies                              | \$ 304,338          | \$ 99,131                   | \$ 620,855                                   | \$ (51,371)         | \$ 4,661,419                               |
| Developer fees                                       | -                   | -                           | -  | -                   | -  |
| Services fees  | -                   | -                           | -  | -                   | 89,200                                     |
| Philanthropy   | -                   | -                           | -  | -                   | 279,550                                    |
| Capital Grants                                       | -                   | -                           | -  | -                   | -  |
| Consulting   | -                   | -                           | -  | -                   | -  |
| Interest   | 102                 | 151                         | 11   | (6,600)             | 68,336                                     |
| Other  | 2,854               | 427                         | 24,313                                       | (6,000)             | 81,498                                     |
| <b>Total revenues</b>                                | <u>307,294</u>      | <u>99,709</u>               | <u>645,179</u>                               | <u>(63,971)</u>     | <u>5,180,003</u>                           |
| <b>Expenses and losses</b>                           |                     |                             |  |                     |  |
| Compensation   | 90,922              | 39,263                      | 170,290                                      | -                   | 1,433,284                                  |
| Administrative                                       | 63,400              | 15,144                      | 74,335                                       | -                   | 677,415                                    |
| Professional services                                | 11,797              | 10,221                      | 6,515  | -                   | 418,920                                    |
| Depreciation and amortization                        | 128,556             | 44,394                      | 72,275                                       | (17,578)            | 1,096,372                                  |
| Grants   | -                   | -                           | -  | (51,371)            | 71,814                                     |
| Facility   | 135,267             | 34,566                      | 392,082                                      | -                   | 1,779,287                                  |
| Interest and fees                                    | -                   | 8                           | 96,639                                       | (6,600)             | 245,585                                    |
| Bad debts  | -                   | -                           | 13,890                                       | (534)               | 65,980                                     |
| Provision for impaired assets                        | -                   | -                           | -  | -                   | 22,413                                     |
| Project expenses                                     | -                   | -                           | -  | -                   | 281,615                                    |
| Allocation   | -                   | -                           | -  | -                   | 232,092                                    |
| (Gain) loss on sale of assets                        | -                   | -                           | -  | -                   | -  |
| (Gain) loss on investment in limited partnership     | -                   | -                           | -  | -                   | -  |
| <b>Total expenses and losses</b>                     | <u>429,942</u>      | <u>143,596</u>              | <u>826,026</u>                               | <u>(76,083)</u>     | <u>6,324,777</u>                           |
| <b>Excess (deficiency) of revenues over expenses</b> | (122,648)           | (43,887)                    | (180,847)                                    | 12,112              | (1,144,774)                                |
| Net assets at beginning of year                      | 2,682,344           | 791,333                     | (2,582,017)                                  | (185,010)           | 14,206,462                                 |
| Other transfers to (from) net assets                 | -                   | -                           | -  | -                   | -  |
| <b>Net assets at end of year</b>                     | <u>\$ 2,559,696</u> | <u>\$ 747,446</u>           | <u>\$ (2,762,864)</u>                        | <u>\$ (172,898)</u> | <u>\$ 13,061,688</u>                       |

Consolidating Statement of Financial Position  
Mercy Housing California  
December 31, 2011

|  | Mercy Housing<br>California | Affordable<br>Housing<br>Initiative (AHI) | All Hallows<br>Community | Marin Homes<br>for Independent<br>Living | Cantebria<br>Senior Homes | Mercy Senior<br>Housing Oxnard | EH/CC<br>Housing Corp.<br>(Eden House) |
|--|-----------------------------|---|--------------------------|--|---------------------------|--------------------------------|--|
| <b>Assets</b>  |                             |   |                          |  |                           |                                |  |
| <b>Current assets</b>  |                             |   |                          |  |                           |                                |  |
| Cash and cash equivalents                                    | \$ 5,996,061                | \$ -                                      | \$ 173,377               | \$ 11,190                                | \$ 40,489                 | \$ 9,093                       | \$ 152,198                             |
| Cash, tenant security deposits                               | -                           | -   | 11,115                   | 6,406                                    | 11,929                    | 12,491                         | 73,424                                 |
| Cash, restricted   | 1,300,326                   | -   | -                        | -  | -                         | -                              | -                                      |
| Investments  | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Investments, restricted                                      | 195,000                     | -   | -                        | -  | -                         | -                              | -                                      |
| Accounts receivable, net                                     | 256,770                     | -   | 550                      | 1,035                                    | 630                       | -                              | 58,959                                 |
| Due from affiliate, net                                      | 8,974,405                   | -   | -                        | -  | -                         | -                              | -                                      |
| Pledges receivable   | 19,250                      | -   | -                        | -  | -                         | -                              | -                                      |
| Grants receivable  | 555,871                     | -   | -                        | -  | -                         | -                              | -                                      |
| Current portion of notes and interest receivable             | 98,773                      | -   | -                        | -  | -                         | -                              | -                                      |
| Current portion of notes and interest receivable, affiliates | 2,731,975                   | -   | -                        | -  | -                         | -                              | -                                      |
| Prepaid expenses and other assets                            | 39,127                      | -   | 12,234                   | 7,977                                    | 14,168                    | 5,772                          | 20,258                                 |
| Inventory  | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Assets for Sale  | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| <b>Total current assets</b>                                  | <b>20,167,558</b>           | <b>-</b>                                  | <b>197,276</b>           | <b>26,608</b>                            | <b>67,216</b>             | <b>27,356</b>                  | <b>304,839</b>                         |
| <b>Property and equipment</b>                                |                             |   |                          |  |                           |                                |  |
| Land and land improvements                                   | 1,044,500                   | -   | 164,430                  | 389,000                                  | 20,827                    | 323,400                        | 530,400                                |
| Buildings  | 364,661                     | -   | 2,659,062                | 1,626,384                                | 5,134,081                 | 4,146,690                      | 7,973,993                              |
| Furniture and equipment                                      | 251,670                     | -   | 143,014                  | 107,034                                  | 19,879                    | 92,484                         | 829,112                                |
| Predevelopment project costs                                 | 4,301,355                   | -   | -                        | -  | -                         | -                              | -                                      |
| Construction in progress                                     | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Accumulated depreciation                                     | (468,512)                   | -   | (1,754,390)              | (1,645,036)                              | (1,269,034)               | (2,013,505)                    | (4,013,827)                            |
| <b>Net property and equipment</b>                            | <b>5,493,674</b>            | <b>-</b>                                  | <b>1,212,116</b>         | <b>477,382</b>                           | <b>3,905,753</b>          | <b>2,549,069</b>               | <b>5,319,678</b>                       |
| <b>Other long-term assets</b>                                |                             |   |                          |  |                           |                                |  |
| Restricted property reserves                                 | 803,847                     | -   | 854,671                  | 138,717                                  | 56,925                    | 129,946                        | 317,074                                |
| Cash, restricted   | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Long-term investments  | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Long-term investments, restricted                            | 1,560,000                   | -   | -                        | -  | -                         | -                              | -                                      |
| Due from affiliates  | 1,704,190                   | -   | -                        | -  | -                         | -                              | -                                      |
| Pledges receivable, net                                      | 201,151                     | -   | -                        | -  | -                         | -                              | -                                      |
| Grants receivable  | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Investments in limited partnerships                          | 501,865                     | 331,203                                   | -                        | -  | -                         | -                              | -                                      |
| Notes and interest receivable, net                           | 4,701,521                   | -   | -                        | -  | -                         | -                              | -                                      |
| Notes and interest receivable, affiliates                    | 2,016,333                   | -   | -                        | -  | -                         | -                              | -                                      |
| Allowance for impaired assets                                | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Other assets   | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| <b>Total other long-term assets</b>                          | <b>11,488,907</b>           | <b>331,203</b>                            | <b>854,671</b>           | <b>138,717</b>                           | <b>56,925</b>             | <b>129,946</b>                 | <b>317,074</b>                         |
| <b>Total assets</b>  | <b>\$ 37,150,139</b>        | <b>\$ 331,203</b>                         | <b>\$ 2,264,063</b>      | <b>\$ 642,707</b>                        | <b>\$ 4,029,894</b>       | <b>\$ 2,706,371</b>            | <b>\$ 5,941,591</b>                    |
| <b>Liabilities</b>   |                             |   |                          |  |                           |                                |  |
| <b>Current liabilities</b>                                   |                             |   |                          |  |                           |                                |  |
| Accounts payable and accrued expenses                        | \$ 1,181,906                | \$ 226                                    | \$ 51,353                | \$ 43,033                                | \$ 22,606                 | \$ 31,033                      | \$ 132,937                             |
| Due to affiliates  | 3,351                       | 68,483                                    | -                        | -  | 16,233                    | 51,784                         | -                                      |
| Accrued interest   | 16,867                      | -   | 13,470                   | 6,696                                    | -                         | -                              | 697                                    |
| Accrued interest, affiliates                                 | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Current portion of notes payable                             | 1,683,285                   | -   | 78,827                   | 42,941                                   | -                         | -                              | 119,550                                |
| Current portion of notes payable, affiliates                 | 4,702,551                   | -   | -                        | -  | -                         | -                              | -                                      |
| Deferred revenue and other liabilities                       | 170,792                     | -   | 5                        | 14                                       | 2,613                     | 4,960                          | 2,116                                  |
| Tenant security deposits                                     | -                           | -   | 12,104                   | 6,406                                    | 11,707                    | 12,286                         | 72,919                                 |
| Miscellaneous current liabilities                            | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| <b>Total current liabilities</b>                             | <b>7,758,752</b>            | <b>68,709</b>                             | <b>155,759</b>           | <b>99,090</b>                            | <b>53,159</b>             | <b>100,063</b>                 | <b>328,219</b>                         |
| <b>Long-term liabilities</b>                                 |                             |   |                          |  |                           |                                |  |
| Due to affiliates  | 60,000                      | -   | -                        | -  | -                         | -                              | -                                      |
| Accrued interest   | 2,759                       | -   | -                        | -  | -                         | -                              | -                                      |
| Accrued interest, affiliates                                 | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Notes payable, less current portion                          | 2,124,000                   | -   | 1,668,615                | 825,731                                  | -                         | -                              | 153,628                                |
| Notes payable, less current portion, affiliates              | 464,136                     | -   | -                        | -  | -                         | -                              | -                                      |
| Deferred revenue and other liabilities                       | 4,323,394                   | -   | -                        | -  | -                         | -                              | -                                      |
| <b>Total long-term liabilities</b>                           | <b>6,974,289</b>            | <b>-</b>                                  | <b>1,668,615</b>         | <b>825,731</b>                           | <b>-</b>                  | <b>-</b>                       | <b>153,628</b>                         |
| <b>Total liabilities</b>                                     | <b>14,733,041</b>           | <b>68,709</b>                             | <b>1,824,374</b>         | <b>924,821</b>                           | <b>53,159</b>             | <b>100,063</b>                 | <b>481,847</b>                         |
| <b>Net assets</b>  |                             |   |                          |  |                           |                                |  |
| Unrestricted net assets, controlling                         | 16,048,098                  | 262,494                                   | 439,689                  | (282,114)                                | 534,686                   | (450,060)                      | 5,459,744                              |
| Unrestricted net assets, noncontrolling                      | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| <b>Total unrestricted net assets</b>                         | <b>16,048,098</b>           | <b>262,494</b>                            | <b>439,689</b>           | <b>(282,114)</b>                         | <b>534,686</b>            | <b>(450,060)</b>               | <b>5,459,744</b>                       |
| Temporarily restricted net assets                            | 4,599,000                   | -   | -                        | -  | 3,442,049                 | 3,056,368                      | -                                      |
| Permanently restricted net assets                            | 1,770,000                   | -   | -                        | -  | -                         | -                              | -                                      |
| <b>Total net assets</b>                                      | <b>22,417,098</b>           | <b>262,494</b>                            | <b>439,689</b>           | <b>(282,114)</b>                         | <b>3,976,735</b>          | <b>2,606,308</b>               | <b>5,459,744</b>                       |
| <b>Total liabilities and net assets</b>                      | <b>\$ 37,150,139</b>        | <b>\$ 331,203</b>                         | <b>\$ 2,264,063</b>      | <b>\$ 642,707</b>                        | <b>\$ 4,029,894</b>       | <b>\$ 2,706,371</b>            | <b>\$ 5,941,591</b>                    |

Consolidating Statement of Financial Position  
Mercy Housing California  
December 31, 2011

|  | Francis of<br>Assisi<br>Community | Gault Street<br>Senior | John W. King<br>Senior Housing<br>Community | Maria B. Freitas<br>Senior Housing<br>Corp. | Marin Housing<br>Corp. | Mercy Family<br>Plaza LP | Mercy Gardens       |
|--|-----------------------------------|------------------------|---|---|------------------------|--------------------------|---------------------|
| <b>Assets</b>  |                                   |                        |   |   |                        |                          |                     |
| <b>Current assets</b>  |                                   |                        |   |   |                        |                          |                     |
| Cash and cash equivalents                                    | \$ 162,356                        | \$ 28,252              | \$ 132,589                                  | \$ 42,058                                   | \$ 4,008               | \$ 181,944               | \$ 25,530           |
| Cash, tenant security deposits                               | 32,416                            | 11,938                 | 24,188                                      | 20,671                                      | -                      | 26,426                   | 6,269               |
| Cash, restricted   | 29,326                            | 10,484                 | 11,723                                      | 12,248                                      | 27,886                 | -                        | -                   |
| Investments  | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Investments, restricted                                      | 282,300                           | -                      | -   | -   | -                      | -                        | -                   |
| Accounts receivable, net                                     | 706                               | 1,023                  | 44  | -   | -                      | 2,493                    | 992                 |
| 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                            | 36,634                            | 9,805                  | 27,755                                      | 16,855                                      | -                      | 6,963                    | 3,466               |
| Inventory  | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Assets for Sale  | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| <b>Total current assets</b>                                  | <b>543,738</b>                    | <b>61,502</b>          | <b>196,299</b>                              | <b>91,832</b>                               | <b>31,894</b>          | <b>217,826</b>           | <b>36,257</b>       |
| <b>Property and equipment</b>                                |                                   |                        |   |   |                        |                          |                     |
| Land and land improvements                                   | 445,912                           | -                      | 1,032,798                                   | 773,219                                     | -                      | 1,029,580                | 74,646              |
| Buildings  | 5,024,387                         | 4,566,986              | 13,331,654                                  | 5,880,586                                   | -                      | 1,100,204                | 3,769,452           |
| Furniture and equipment                                      | 706,948                           | 66,363                 | 293,178                                     | 204,698                                     | -                      | 50,034                   | 28,571              |
| Predevelopment project costs                                 | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Construction in progress                                     | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Accumulated depreciation                                     | (4,854,292)                       | (1,292,168)            | (4,998,726)                                 | (3,298,108)                                 | -                      | (1,025,850)              | (1,383,165)         |
| <b>Net property and equipment</b>                            | <b>1,322,955</b>                  | <b>3,341,181</b>       | <b>9,658,904</b>                            | <b>3,560,395</b>                            | <b>-</b>               | <b>1,153,968</b>         | <b>2,489,504</b>    |
| <b>Other long-term assets</b>                                |                                   |                        |   |   |                        |                          |                     |
| Restricted property reserves                                 | 481,300                           | 164,982                | 260,561                                     | 379,331                                     | -                      | 240,860                  | 152,027             |
| 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                    | -                                 | -                      | -   | -   | 4,324,553              | -                        | -                   |
| Allowance for impaired assets                                | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Other assets   | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| <b>Total other long-term assets</b>                          | <b>481,300</b>                    | <b>164,982</b>         | <b>260,561</b>                              | <b>379,331</b>                              | <b>4,324,553</b>       | <b>240,860</b>           | <b>152,027</b>      |
| <b>Total assets</b>  | <b>\$ 2,347,993</b>               | <b>\$ 3,567,665</b>    | <b>\$ 10,115,764</b>                        | <b>\$ 4,031,558</b>                         | <b>\$ 4,356,447</b>    | <b>\$ 1,612,654</b>      | <b>\$ 2,677,788</b> |
| <b>Liabilities</b>   |                                   |                        |   |   |                        |                          |                     |
| <b>Current liabilities</b>                                   |                                   |                        |   |   |                        |                          |                     |
| Accounts payable and accrued expenses                        | \$ 130,013                        | \$ 19,291              | \$ 157,687                                  | \$ 59,400                                   | \$ -                   | \$ 20,966                | \$ 14,080           |
| Due to affiliates  | -                                 | -                      | 10,000                                      | -   | -                      | 65,083                   | 8,019               |
| Accrued interest   | 12,295                            | -                      | -   | -   | -                      | 2,280                    | -                   |
| Accrued interest, affiliates                                 | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Current portion of notes payable                             | 205,657                           | -                      | -   | -   | -                      | 102,044                  | -                   |
| Current portion of notes payable, affiliates                 | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Deferred revenue and other liabilities                       | 510                               | 757                    | 222   | 294   | -                      | 2,758                    | 1,097               |
| Tenant security deposits                                     | 32,026                            | 11,438                 | 24,183                                      | 20,671                                      | -                      | 35,000                   | 6,587               |
| Miscellaneous current liabilities                            | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| <b>Total current liabilities</b>                             | <b>380,501</b>                    | <b>31,486</b>          | <b>192,092</b>                              | <b>80,365</b>                               | <b>-</b>               | <b>228,131</b>           | <b>29,783</b>       |
| <b>Long-term liabilities</b>                                 |                                   |                        |   |   |                        |                          |                     |
| Due to affiliates  | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Accrued interest   | -                                 | -                      | -   | -   | -                      | 1,032,965                | 347,255             |
| Accrued interest, affiliates                                 | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Notes payable, less current portion                          | 1,940,371                         | -                      | -   | -   | -                      | 810,075                  | 1,060,319           |
| Notes payable, less current portion, affiliates              | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Deferred revenue and other liabilities                       | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| <b>Total long-term liabilities</b>                           | <b>1,940,371</b>                  | <b>-</b>               | <b>-</b>                                    | <b>-</b>                                    | <b>-</b>               | <b>1,843,040</b>         | <b>1,407,574</b>    |
| <b>Total liabilities</b>                                     | <b>2,320,872</b>                  | <b>31,486</b>          | <b>192,092</b>                              | <b>80,365</b>                               | <b>-</b>               | <b>2,071,171</b>         | <b>1,437,357</b>    |
| <b>Net assets</b>  |                                   |                        |   |   |                        |                          |                     |
| Unrestricted net assets, controlling                         | (238,585)                         | (376,951)              | (803,700)                                   | (30,556)                                    | 4,356,447              | (458,517)                | (826,010)           |
| Unrestricted net assets, noncontrolling                      | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Total unrestricted net assets                                | (238,585)                         | (376,951)              | (803,700)                                   | (30,556)                                    | 4,356,447              | (458,517)                | (826,010)           |
| Temporarily restricted net assets                            | -                                 | 3,913,130              | 10,727,372                                  | 3,981,749                                   | -                      | -                        | 2,066,441           |
| Permanently restricted net assets                            | 265,706                           | -                      | -   | -   | -                      | -                        | -                   |
| <b>Total net assets</b>                                      | <b>27,121</b>                     | <b>3,536,179</b>       | <b>9,923,672</b>                            | <b>3,951,193</b>                            | <b>4,356,447</b>       | <b>(458,517)</b>         | <b>1,240,431</b>    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 2,347,993</b>               | <b>\$ 3,567,665</b>    | <b>\$ 10,115,764</b>                        | <b>\$ 4,031,558</b>                         | <b>\$ 4,356,447</b>    | <b>\$ 1,612,654</b>      | <b>\$ 2,677,788</b> |



Consolidating Statement of Financial Position  
Mercy Housing California  
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|  | Notre Dame<br>Senior<br>Housing Corp. | Oceana Senior<br>Housing Corp. | Presentation<br>Senior<br>Community | Russell Manor       | Tierra Del<br>Sol, Inc. | Garden Park<br>Apartment<br>Community | Mercy Oaks<br>Village |
|--|---------------------------------------|--------------------------------|-------------------------------------|---------------------|-------------------------|---------------------------------------|-----------------------|
| <b>Assets</b>  |                                       |                                |                                     |                     |                         |                                       |                       |
| Current assets   |                                       |                                |                                     |                     |                         |                                       |                       |
| Cash and cash equivalents                                    | \$ 25,844                             | \$ 62,928                      | \$ 168,014                          | \$ 445              | \$ 3,180                | \$ 2,182                              | \$ 12,799             |
| Cash, tenant security deposits                               | 24,558                                | 13,585                         | 36,543                              | 19,192              | 25,336                  | 4,758                                 | 19,075                |
| Cash, restricted   | 12,473                                | -                              | -                                   | -                   | 321,004                 | -                                     | 10,279                |
| Investments  | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Investments, restricted                                      | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Accounts receivable, net                                     | 299                                   | 1,148                          | 1,007                               | 442                 | 511                     | 635                                   | 30                    |
| 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                            | 16,858                                | 9,911                          | 30,778                              | 10,594              | 14,998                  | 13,142                                | 10,566                |
| Inventory  | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Assets for Sale  | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Total current assets   | 80,032                                | 87,572                         | 236,342                             | 30,673              | 365,029                 | 20,717                                | 52,749                |
| Property and equipment                                       |                                       |                                |                                     |                     |                         |                                       |                       |
| Land and land improvements                                   | 2,000,000                             | 400,000                        | 1,774,481                           | 224,377             | 1,180,289               | 561,834                               | -                     |
| Buildings  | 8,309,976                             | 3,481,615                      | 13,862,012                          | 4,990,286           | 11,660,326              | 3,453,115                             | 7,738,716             |
| Furniture and equipment                                      | 346,120                               | 242,392                        | 401,628                             | 1,010,201           | 31,415                  | 60,491                                | 76,896                |
| Predevelopment project costs                                 | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Construction in progress                                     | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Accumulated depreciation                                     | (4,578,919)                           | (2,239,985)                    | (5,872,680)                         | (2,882,872)         | (1,740,704)             | (935,147)                             | (1,554,447)           |
| Net property and equipment                                   | 6,077,177                             | 1,884,022                      | 10,165,441                          | 3,341,992           | 11,131,326              | 3,140,293                             | 6,261,165             |
| Other long-term assets                                       |                                       |                                |                                     |                     |                         |                                       |                       |
| Restricted property reserves                                 | 116,072                               | 169,359                        | 864,045                             | 89,232              | 148,793                 | 1,217,843                             | 164,102               |
| 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   | -                                     | 2,821                          | -                                   | 3,344               | 44,049                  | 12,362                                | 28,337                |
| Total other long-term assets                                 | 116,072                               | 172,180                        | 864,045                             | 92,576              | 192,842                 | 1,230,205                             | 192,439               |
| <b>Total assets</b>  | <b>\$ 6,273,281</b>                   | <b>\$ 2,143,774</b>            | <b>\$ 11,265,828</b>                | <b>\$ 3,465,241</b> | <b>\$ 11,689,197</b>    | <b>\$ 4,391,215</b>                   | <b>\$ 6,506,353</b>   |
| <b>Liabilities</b>   |                                       |                                |                                     |                     |                         |                                       |                       |
| Current liabilities  |                                       |                                |                                     |                     |                         |                                       |                       |
| Accounts payable and accrued expenses                        | \$ 74,781                             | \$ 25,882                      | \$ 85,139                           | \$ 83,581           | \$ 64,545               | \$ 45,621                             | \$ 43,370             |
| Due to affiliates  | 10,980                                | -                              | -                                   | 21,199              | 1,581,183               | -                                     | 10,000                |
| Accrued interest   | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Accrued interest, affiliates                                 | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Current portion of notes payable                             | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Current portion of notes payable, affiliates                 | -                                     | -                              | -                                   | -                   | 115,389                 | -                                     | -                     |
| Deferred revenue and other liabilities                       | 2,501                                 | 206                            | 372                                 | 159                 | 2,463                   | 82                                    | 260                   |
| Tenant security deposits                                     | 24,558                                | 13,584                         | 36,543                              | 18,983              | 24,256                  | 4,758                                 | 19,075                |
| Miscellaneous current liabilities                            | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Total current liabilities                                    | 112,820                               | 39,672                         | 122,054                             | 123,922             | 1,787,836               | 50,461                                | 72,705                |
| Long-term liabilities  |                                       |                                |                                     |                     |                         |                                       |                       |
| Due to affiliates  | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Accrued interest   | -                                     | 639,852                        | -                                   | 148,676             | -                       | 567,391                               | 34,738                |
| Accrued interest, affiliates                                 | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Notes payable, less current portion                          | -                                     | 620,000                        | -                                   | 357,229             | -                       | 3,228,602                             | 500,000               |
| Notes payable, less current portion, affiliates              | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Deferred revenue and other liabilities                       | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Total long-term liabilities                                  | -                                     | 1,259,852                      | -                                   | 505,905             | -                       | 3,795,993                             | 534,738               |
| <b>Total liabilities</b>                                     | <b>112,820</b>                        | <b>1,299,524</b>               | <b>122,054</b>                      | <b>629,827</b>      | <b>1,787,836</b>        | <b>3,846,454</b>                      | <b>607,443</b>        |
| <b>Net assets</b>  |                                       |                                |                                     |                     |                         |                                       |                       |
| Unrestricted net assets, controlling                         | (559,119)                             | (1,193,962)                    | (105,247)                           | (943,656)           | (737,492)               | (253,392)                             | (436,779)             |
| Unrestricted net assets, noncontrolling                      | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Total unrestricted net assets                                | (559,119)                             | (1,193,962)                    | (105,247)                           | (943,656)           | (737,492)               | (253,392)                             | (436,779)             |
| Temporarily restricted net assets                            | 6,719,580                             | 2,038,212                      | 11,249,021                          | 3,779,070           | 10,638,853              | 798,153                               | 6,335,689             |
| Permanently restricted net assets                            | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| <b>Total net assets</b>                                      | <b>6,160,461</b>                      | <b>844,250</b>                 | <b>11,143,774</b>                   | <b>2,835,414</b>    | <b>9,901,361</b>        | <b>544,761</b>                        | <b>5,898,910</b>      |
| <b>Total liabilities and net assets</b>                      | <b>\$ 6,273,281</b>                   | <b>\$ 2,143,774</b>            | <b>\$ 11,265,828</b>                | <b>\$ 3,465,241</b> | <b>\$ 11,689,197</b>    | <b>\$ 4,391,215</b>                   | <b>\$ 6,506,353</b>   |

Consolidating Statement of Financial Position  
Mercy Housing California  
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|  | MHC NSP LLC         | Consolidated<br>Mercy Housing<br>California Senior<br>Properties, LLC | Consolidated<br>Mercy Housing<br>CalWest | Mercy<br>Properties<br>California | Eliminations           | Consolidated<br>Mercy Housing<br>California |
|--|---------------------|---|--|-----------------------------------|------------------------|---|
| <b>Assets</b>  |                     |   |  |                                   |                        |   |
| <b>Current assets</b>  |                     |   |  |                                   |                        |   |
| Cash and cash equivalents                                    | \$ 50,807           | \$ 787,988  | \$ 972,498                               | \$ 444,151                        | \$ -                   | \$ 9,489,981                                |
| Cash, tenant security deposits                               | -                   | 111,979   | 163,409                                  | 41,418                            | -                      | 697,126                                     |
| Cash, restricted   | -                   | 294,874   | 3,621,736                                | 210,071                           | -                      | 5,862,430                                   |
| Investments  | -                   | -   | -  | -                                 | -                      | -   |
| Investments, restricted                                      | -                   | -   | -  | -                                 | -                      | 477,300                                     |
| Accounts receivable, net                                     | -                   | 12,468  | 274,545                                  | 150,430                           | (5,416)                | 759,301                                     |
| Due from affiliate, net                                      | -                   | 3,519   | -  | 1,053,460                         | (6,245,849)            | 3,785,335                                   |
| Pledges receivable   | -                   | -   | -  | -                                 | -                      | 19,250                                      |
| Grants receivable  | -                   | -   | 3,750,000                                | -                                 | -                      | 4,305,871                                   |
| Current portion of notes and interest receivable             | -                   | -   | -  | -                                 | -                      | 98,773                                      |
| Current portion of notes and interest receivable, affiliates | -                   | -   | -  | -                                 | (1,905,747)            | 826,228                                     |
| Prepaid expenses and other assets                            | 3,000               | 99,317  | 625,281                                  | 26,541                            | (562,500)              | 499,500                                     |
| Inventory  | 2,280,615           | -   | -  | -                                 | (187,311)              | 2,093,304                                   |
| Assets for Sale  | -                   | -   | -  | -                                 | -                      | -   |
| Total current assets   | 2,334,422           | 1,310,145   | 9,407,469                                | 1,926,071                         | (8,906,823)            | 28,914,599                                  |
| <b>Property and equipment</b>                                |                     |   |  |                                   |                        |   |
| Land and land improvements                                   | -                   | 2,047,727   | 20,300,733                               | 7,492,585                         | -                      | 41,810,738                                  |
| Buildings  | -                   | 20,782,491  | 102,005,962                              | 13,345,018                        | (7,286,572)            | 237,921,085                                 |
| Furniture and equipment                                      | -                   | 825,878   | 2,061,005                                | 175,178                           | (15,853)               | 8,008,336                                   |
| Predevelopment project costs                                 | -                   | -   | -  | -                                 | -                      | 4,301,355                                   |
| Construction in progress                                     | -                   | -   | 35,992,137                               | 3,093,275                         | (2,710,248)            | 36,375,164                                  |
| Accumulated depreciation                                     | -                   | (3,291,831)   | (4,519,599)                              | (6,405,791)                       | 1,463,280              | (60,575,308)                                |
| Net property and equipment                                   | -                   | 20,364,265  | 155,840,238                              | 17,700,265                        | (8,549,393)            | 267,841,370                                 |
| <b>Other long-term assets</b>                                |                     |   |  |                                   |                        |   |
| Restricted property reserves                                 | -                   | 2,927,207   | 5,184,567                                | 442,237                           | -                      | 15,303,698                                  |
| Cash, restricted   | -                   | -   | -  | -                                 | -                      | -   |
| Long-term investments  | -                   | -   | -  | -                                 | -                      | -   |
| Long-term investments, restricted                            | -                   | -   | -  | -                                 | -                      | 1,560,000                                   |
| Due from affiliates  | -                   | -   | -  | 60,000                            | (1,543,187)            | 221,003                                     |
| Pledges receivable, net                                      | -                   | -   | -  | -                                 | -                      | 201,151                                     |
| Grants receivable  | -                   | -   | -  | -                                 | -                      | -   |
| Investments in limited partnerships                          | -                   | -   | 870,010                                  | -                                 | (824,413)              | 878,665                                     |
| Notes and interest receivable, net                           | -                   | -   | -  | 450,000                           | -                      | 5,151,521                                   |
| Notes and interest receivable, affiliates                    | -                   | -   | -  | -                                 | -                      | 6,340,886                                   |
| Allowance for impaired assets                                | -                   | -   | -  | -                                 | -                      | -   |
| Other assets   | -                   | 672,835   | 2,234,858                                | 202,564                           | -                      | 3,201,170                                   |
| Total other long-term assets                                 | -                   | 3,600,042   | 8,289,435                                | 1,154,801                         | (2,367,600)            | 32,858,094                                  |
| <b>Total assets</b>  | <b>\$ 2,334,422</b> | <b>\$ 25,274,452</b>  | <b>\$ 173,537,142</b>                    | <b>\$ 20,781,137</b>              | <b>\$ (19,823,816)</b> | <b>\$ 329,614,063</b>                       |
| <b>Liabilities</b>   |                     |   |  |                                   |                        |   |
| <b>Current liabilities</b>                                   |                     |   |  |                                   |                        |   |
| Accounts payable and accrued expenses                        | \$ 13,701           | \$ 277,258  | \$ 9,803,296                             | \$ 122,751                        | \$ (66,271)            | \$ 12,438,185                               |
| Due to affiliates  | -                   | 402,971   | 3,366,592                                | 2,480,167                         | (7,978,448)            | 117,597                                     |
| Accrued interest   | -                   | 358,190   | 1,329,394                                | 437,865                           | -                      | 2,178,354                                   |
| Accrued interest, affiliates                                 | -                   | -   | -  | 185,000                           | -                      | 185,000                                     |
| Current portion of notes payable                             | 2,130,080           | 416,624   | 32,284,674                               | 51,034                            | -                      | 37,114,716                                  |
| Current portion of notes payable, affiliates                 | 190,851             | 2,002   | 598,905                                  | 976,274                           | (1,883,420)            | 4,702,552                                   |
| Deferred revenue and other liabilities                       | -                   | 3,578   | 406,001                                  | 2,456                             | (792)                  | 603,424                                     |
| Tenant security deposits                                     | -                   | 111,631   | 173,254                                  | 40,617                            | -                      | 712,586                                     |
| Miscellaneous current liabilities                            | -                   | -   | -  | -                                 | -                      | -   |
| Total current liabilities                                    | 2,334,632           | 1,572,254   | 47,962,716                               | 4,296,164                         | (9,928,931)            | 58,052,414                                  |
| <b>Long-term liabilities</b>                                 |                     |   |  |                                   |                        |   |
| Due to affiliates  | -                   | -   | -  | -                                 | (60,000)               | -   |
| Accrued interest   | -                   | 523,422   | 1,741,238                                | 471,336                           | -                      | 5,509,632                                   |
| Accrued interest, affiliates                                 | -                   | -   | -  | -                                 | -                      | -   |
| Notes payable, less current portion                          | -                   | 23,038,580  | 78,704,749                               | 10,514,369                        | -                      | 125,546,268                                 |
| Notes payable, less current portion, affiliates              | -                   | -   | 2,230,008                                | 3,563,212                         | (2,230,008)            | 4,027,348                                   |
| Deferred revenue and other liabilities                       | -                   | 542   | 21,970,484                               | -                                 | (725,036)              | 25,569,384                                  |
| Total long-term liabilities                                  | -                   | 23,562,544  | 104,646,479                              | 14,548,917                        | (3,015,044)            | 160,652,632                                 |
| <b>Total liabilities</b>                                     | <b>2,334,632</b>    | <b>25,134,798</b>   | <b>152,609,195</b>                       | <b>18,845,081</b>                 | <b>(12,943,975)</b>    | <b>218,705,046</b>                          |
| <b>Net assets</b>  |                     |   |  |                                   |                        |   |
| Unrestricted net assets, controlling                         | (210)               | 139,654   | 10,318,252                               | (3,797,757)                       | (6,879,841)            | 19,185,116                                  |
| Unrestricted net assets, noncontrolling                      | -                   | -   | -  | -                                 | -                      | -   |
| Total unrestricted net assets                                | (210)               | 139,654   | 10,318,252                               | (3,797,757)                       | (6,879,841)            | 19,185,116                                  |
| Temporarily restricted net assets                            | -                   | -   | 10,609,695                               | 5,733,813                         | -                      | 89,688,195                                  |
| Permanently restricted net assets                            | -                   | -   | -  | -                                 | -                      | 2,035,706                                   |
| <b>Total net assets</b>                                      | <b>(210)</b>        | <b>139,654</b>  | <b>20,927,947</b>                        | <b>1,936,056</b>                  | <b>(6,879,841)</b>     | <b>110,909,017</b>                          |
| <b>Total liabilities and net assets</b>                      | <b>\$ 2,334,422</b> | <b>\$ 25,274,452</b>  | <b>\$ 173,537,142</b>                    | <b>\$ 20,781,137</b>              | <b>\$ (19,823,816)</b> | <b>\$ 329,614,063</b>                       |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing California  
For the year ended December 31, 2011

|  | Mercy Housing<br>California | Affordable<br>Housing<br>Initiative (AHI) | All Hallows<br>Community | Marin Homes<br>for Independent<br>Living | Cantebria<br>Senior Homes | Mercy Senior<br>Housing Oxnard | EH/CC<br>Housing Corp.<br>(Eden House) |
|--|-----------------------------|---|--------------------------|--|---------------------------|--------------------------------|--|
| <b>Revenues</b>                                      |                             |   |                          |  |                           |                                |  |
| Rent - net of vacancies                              | \$ -                        | \$ -                                      | \$ 777,112               | \$ 350,173                               | \$ 284,139                | \$ 240,207                     | \$ 1,029,149                           |
| Developer fees                                       | 2,248,269                   | -   | -                        | -  | -                         | -                              | -                                      |
| Services fees  | 3,819,729                   | -   | -                        | -  | -                         | -                              | -                                      |
| Philanthropy   | 1,131,390                   | -   | -                        | -  | -                         | -                              | -                                      |
| Capital grants                                       | 130,403                     | -   | -                        | -  | -                         | -                              | 98,617                                 |
| Consulting   | 951,714                     | -   | -                        | -  | -                         | -                              | -                                      |
| Interest   | 386,887                     | -   | 549                      | 125                                      | 180                       | 90                             | 82,949                                 |
| Other  | 1,689,971                   | -   | 2,578                    | 2,194                                    | 6,322                     | 766                            | 14,597                                 |
| <b>Total revenues</b>                                | <b>10,358,363</b>           | <b>-</b>                                  | <b>780,239</b>           | <b>352,492</b>                           | <b>290,641</b>            | <b>241,063</b>                 | <b>1,225,312</b>                       |
| <b>Expenses and losses</b>                           |                             |   |                          |  |                           |                                |  |
| Compensation   | 6,189,761                   | -   | 189,162                  | 100,941                                  | 58,691                    | 71,393                         | 164,940                                |
| Administrative                                       | 808,921                     | 1,423                                     | 63,925                   | 31,021                                   | 93,824                    | 41,623                         | 121,503                                |
| Professional services                                | 254,437                     | 1,105                                     | 36,744                   | 17,268                                   | 10,137                    | 39,873                         | 94,308                                 |
| Depreciation and amortization                        | 27,126                      | -   | 72,215                   | 57,060                                   | 188,972                   | 150,788                        | 318,922                                |
| Grants   | 996,406                     | -   | -                        | -  | -                         | -                              | -                                      |
| Facility   | 339,407                     | -   | 124,897                  | 69,481                                   | 88,614                    | 76,167                         | 352,899                                |
| Interest and fees                                    | 40,211                      | 3,238                                     | 164,737                  | 82,040                                   | -                         | 924                            | 12,211                                 |
| Bad debts  | 316,385                     | -   | -                        | 8,129                                    | 184                       | -                              | 46,845                                 |
| Provision for impaired assets                        | 653,337                     | -   | -                        | -  | -                         | -                              | -                                      |
| Project expenses                                     | 386,780                     | -   | -                        | -  | -                         | -                              | -                                      |
| Allocation   | 2,418,321                   | -   | -                        | -  | -                         | -                              | -                                      |
| (Gain) loss on sale of assets                        | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| (Gain) loss on investment in limited partnership     | (10,927)                    | 4   | -                        | -  | -                         | -                              | -                                      |
| <b>Total expenses and losses</b>                     | <b>12,420,165</b>           | <b>5,770</b>                              | <b>651,680</b>           | <b>365,940</b>                           | <b>440,422</b>            | <b>380,768</b>                 | <b>1,111,628</b>                       |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(2,061,802)</b>          | <b>(5,770)</b>                            | <b>128,559</b>           | <b>(13,448)</b>                          | <b>(149,781)</b>          | <b>(139,705)</b>               | <b>113,684</b>                         |
| Net assets at beginning of year                      | 24,478,900                  | 268,264                                   | 311,130                  | (268,666)                                | 4,126,516                 | 2,746,013                      | 5,346,060                              |
| Other transfers to (from) net assets                 | -                           | -   | -                        | -  | -                         | -                              | -                                      |
| Net assets at end of year                            | <u>\$ 22,417,098</u>        | <u>\$ 262,494</u>                         | <u>\$ 439,689</u>        | <u>\$ (282,114)</u>                      | <u>\$ 3,976,735</u>       | <u>\$ 2,606,308</u>            | <u>\$ 5,459,744</u>                    |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing California  
For the year ended December 31, 2011

|  | Francis of<br>Assisi<br>Community | Gault Street<br>Senior | John W. King<br>Senior Housing<br>Community | Maria B. Freitas<br>Senior Housing<br>Corp. | Marin Housing<br>Corp. | Mercy Family<br>Plaza LP | Mercy Gardens       |
|--|-----------------------------------|------------------------|---|---|------------------------|--------------------------|---------------------|
| <b>Revenues</b>                                      |                                   |                        |   |   |                        |                          |                     |
| Rent - net of vacancies                              | \$ 1,634,978                      | \$ 215,747             | \$ 742,713                                  | \$ 501,325                                  | \$ -                   | \$ 490,295               | \$ 192,988          |
| Developer fees                                       | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Services fees  | -                                 | -                      | -   | -   | 2,000                  | -                        | -                   |
| Philanthropy   | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Capital grants                                       | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Consulting   | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Interest   | 4,401                             | 103                    | 350   | 285   | 176,821                | 167                      | 121                 |
| Other  | 7,088                             | 2,890                  | 11,418                                      | 3,897                                       | -                      | 9,474                    | 2,963               |
| <b>Total revenues</b>                                | <u>1,646,467</u>                  | <u>218,740</u>         | <u>754,481</u>                              | <u>505,507</u>                              | <u>178,821</u>         | <u>499,936</u>           | <u>196,072</u>      |
| <b>Expenses and losses</b>                           |                                   |                        |   |   |                        |                          |                     |
| Compensation   | 573,550                           | 79,588                 | 412,564                                     | 253,181                                     | 2,623                  | 42,842                   | 54,923              |
| Administrative                                       | 147,054                           | 43,793                 | 120,625                                     | 80,152                                      | -                      | 53,505                   | 39,246              |
| Professional services                                | 85,282                            | 9,344                  | 13,131                                      | 10,777                                      | -                      | 8,540                    | 9,353               |
| Depreciation and amortization                        | 257,211                           | 172,998                | 489,914                                     | 220,641                                     | -                      | 143,164                  | 140,971             |
| Grants   | 393                               | -                      | -   | -   | -                      | -                        | -                   |
| Facility   | 399,710                           | 60,069                 | 204,880                                     | 163,588                                     | -                      | 131,772                  | 54,748              |
| Interest and fees                                    | 153,143                           | 3                      | -   | 52  | -                      | 156,404                  | 31,810              |
| Bad debts  | -                                 | 49                     | 271   | -   | -                      | 38                       | 447                 |
| Provision for impaired assets                        | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Project expenses                                     | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| Allocation   | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| (Gain) loss on sale of assets                        | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| (Gain) loss on investment in limited partnership     | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| <b>Total expenses and losses</b>                     | <u>1,616,343</u>                  | <u>365,844</u>         | <u>1,241,385</u>                            | <u>728,391</u>                              | <u>2,623</u>           | <u>536,265</u>           | <u>331,498</u>      |
| <b>Excess (deficiency) of revenues over expenses</b> | 30,124                            | (147,104)              | (486,904)                                   | (222,884)                                   | 176,198                | (36,329)                 | (135,426)           |
| Net assets at beginning of year                      | (3,003)                           | 3,683,283              | 10,410,576                                  | 4,174,077                                   | 4,180,249              | (422,188)                | 1,375,857           |
| Other transfers to (from) net assets                 | -                                 | -                      | -   | -   | -                      | -                        | -                   |
| <b>Net assets at end of year</b>                     | <u>\$ 27,121</u>                  | <u>\$ 3,536,179</u>    | <u>\$ 9,923,672</u>                         | <u>\$ 3,951,193</u>                         | <u>\$ 4,356,447</u>    | <u>\$ (458,517)</u>      | <u>\$ 1,240,431</u> |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing California  
For the year ended December 31, 2011

|  | Notre Dame<br>Senior<br>Housing Corp. | Oceana Senior<br>Housing Corp. | Presentation<br>Senior<br>Community | Russell Manor       | Tierra Del<br>Sol, Inc. | Garden Park<br>Apartment<br>Community | Mercy Oaks<br>Village |
|--|---------------------------------------|--------------------------------|-------------------------------------|---------------------|-------------------------|---------------------------------------|-----------------------|
| <b>Revenues</b>                                      |                                       |                                |                                     |                     |                         |                                       |                       |
| Rent - net of vacancies                              | \$ 518,185                            | \$ 299,707                     | \$ 960,721                          | \$ 355,793          | \$ 421,755              | \$ 293,731                            | \$ 294,066            |
| Developer fees                                       | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Services fees  | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Philanthropy   | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Capital grants                                       | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Consulting   | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Interest   | 154                                   | 210                            | 638                                 | 24                  | 334                     | 13,291                                | 130                   |
| Other  | 5,101                                 | 3,700                          | 8,897                               | 2,838               | 11,784                  | 12,537                                | 5,094                 |
| <b>Total revenues</b>                                | <u>523,440</u>                        | <u>303,617</u>                 | <u>970,256</u>                      | <u>358,655</u>      | <u>433,873</u>          | <u>319,559</u>                        | <u>299,290</u>        |
| <b>Expenses and losses</b>                           |                                       |                                |                                     |                     |                         |                                       |                       |
| Compensation   | 227,654                               | 98,622                         | 418,011                             | 130,905             | 104,906                 | 168,100                               | 89,312                |
| Administrative                                       | 86,756                                | 51,034                         | 127,047                             | 72,099              | 91,745                  | 41,569                                | 65,619                |
| Professional services                                | 10,914                                | 9,322                          | 11,946                              | 10,813              | 11,433                  | 39,678                                | 33,326                |
| Depreciation and amortization                        | 315,735                               | 133,773                        | 519,725                             | 307,309             | 467,070                 | 134,881                               | 293,096               |
| Grants   | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Facility   | 183,333                               | 119,478                        | 254,126                             | 127,806             | 170,192                 | 88,919                                | 102,039               |
| Interest and fees                                    | -                                     | 36,690                         | -                                   | 10,763              | -                       | 92,781                                | 5,000                 |
| Bad debts  | -                                     | -                              | -                                   | 799                 | 418                     | 41                                    | -                     |
| Provision for impaired assets                        | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Project expenses                                     | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| Allocation   | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| (Gain) loss on sale of assets                        | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| (Gain) loss on investment in limited partnership     | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| <b>Total expenses and losses</b>                     | <u>824,392</u>                        | <u>448,919</u>                 | <u>1,330,855</u>                    | <u>660,494</u>      | <u>845,764</u>          | <u>565,969</u>                        | <u>588,392</u>        |
| <b>Excess (deficiency) of revenues over expenses</b> | (300,952)                             | (145,302)                      | (360,599)                           | (301,839)           | (411,891)               | (246,410)                             | (289,102)             |
| Net assets at beginning of year                      | 6,461,413                             | 989,552                        | 11,504,373                          | 3,137,253           | 10,313,252              | 791,171                               | 6,188,012             |
| Other transfers to (from) net assets                 | -                                     | -                              | -                                   | -                   | -                       | -                                     | -                     |
| <b>Net assets at end of year</b>                     | <u>\$ 6,160,461</u>                   | <u>\$ 844,250</u>              | <u>\$ 11,143,774</u>                | <u>\$ 2,835,414</u> | <u>\$ 9,901,361</u>     | <u>\$ 544,761</u>                     | <u>\$ 5,898,910</u>   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing California  
For the year ended December 31, 2011

|  | MHC NSP LLC     | Consolidated<br>Mercy Housing<br>California Senior<br>Properties, LLC | Consolidated<br>Mercy Housing<br>CalWest | Mercy<br>Properties<br>California | Eliminations          | Consolidated<br>Mercy Housing<br>California |
|--|-----------------|---|--|-----------------------------------|-----------------------|---|
| <b>Revenues</b>                                      |                 |   |  |                                   |                       |   |
| Rent - net of vacancies                              | \$ -            | \$ 4,841,991  | \$ 1,713,880                             | \$ 835,925                        | \$ -                  | \$ 16,994,580                               |
| Developer fees                                       | -               | -   | -  | -                                 | (982,989)             | 1,265,280                                   |
| Services fees  | -               | -   | 4,875                                    | -                                 | (434,779)             | 3,391,825                                   |
| Philanthropy   | -               | -   | -  | 158,340                           | -                     | 1,289,730                                   |
| Capital grants                                       | -               | -   | 14,287,891                               | -                                 | -                     | 14,516,911                                  |
| Consulting   | -               | -   | -  | -                                 | (276,154)             | 675,560                                     |
| Interest   | -               | 4,652   | 3,089                                    | 3,397                             | (121,305)             | 557,642                                     |
| Other  | -               | 70,046  | 87,296                                   | 573,101                           | (741,274)             | 1,793,278                                   |
| <b>Total revenues</b>                                | -               | 4,916,689   | 16,097,031                               | 1,570,763                         | (2,556,501)           | 40,484,806                                  |
| <b>Expenses and losses</b>                           |                 |   |  |                                   |                       |   |
| Compensation   | -               | 1,179,896   | 919,709                                  | 158,406                           | -                     | 11,689,680                                  |
| Administrative                                       | -               | 509,635   | 1,309,072                                | 67,309                            | (187,949)             | 3,880,551                                   |
| Professional services                                | -               | 79,941  | 323,378                                  | 47,302                            | (276,830)             | 891,522                                     |
| Depreciation and amortization                        | -               | 874,728   | 3,189,601                                | 501,537                           | (248,149)             | 8,729,288                                   |
| Grants   | -               | -   | -  | 76,097                            | (407,224)             | 665,672                                     |
| Facility   | -               | 792,803   | 819,570                                  | 227,750                           | -                     | 4,952,248                                   |
| Interest and fees                                    | 210             | 1,335,392   | 904,538                                  | 397,156                           | (7,103)               | 3,420,200                                   |
| Bad debts  | -               | 1,020   | 7,507                                    | -                                 | (160,690)             | 221,443                                     |
| Provision for impaired assets                        | -               | -   | -  | -                                 | (530,715)             | 122,622                                     |
| Project expenses                                     | -               | -   | -  | -                                 | -                     | 386,780                                     |
| Allocation   | -               | -   | -  | -                                 | -                     | 2,418,321                                   |
| (Gain) loss on sale of assets                        | -               | -   | -  | 9,436                             | (12,809)              | (3,373)                                     |
| (Gain) loss on investment in limited partnership     | -               | -   | -  | -                                 | (32)                  | (10,955)                                    |
| <b>Total expenses and losses</b>                     | 210             | 4,773,415   | 7,473,375                                | 1,484,993                         | (1,831,501)           | 37,363,999                                  |
| <b>Excess (deficiency) of revenues over expenses</b> | (210)           | 143,274   | 8,623,656                                | 85,770                            | (725,000)             | 3,120,807                                   |
| Net assets at beginning of year                      | -               | (3,620)   | 10,055,445                               | 1,850,286                         | (6,730,739)           | 104,963,466                                 |
| Other transfers to (from) net assets                 | -               | -   | 2,248,846                                | -                                 | 575,898               | 2,824,744                                   |
| Net assets at end of year                            | <u>\$ (210)</u> | <u>\$ 139,654</u>   | <u>\$ 20,927,947</u>                     | <u>\$ 1,936,056</u>               | <u>\$ (6,879,841)</u> | <u>\$ 110,909,017</u>                       |

Consolidating Statement of Financial Position  
Mercy Housing Senior Properties, LLC  
December 31, 2011

|  | Mercy<br>Housing Senior<br>Properties, LLC | Bennett<br>House, LP | Dorothy Day<br>Community, LP | Junipero Serra, LP  | Monsignor<br>Lyne, LP | St. Andrew<br>Community, LP |
|--|--|----------------------|------------------------------|---------------------|-----------------------|-----------------------------|
| <b>Assets</b>  |  |                      |                              |                     |                       |                             |
| Current assets   |  |                      |                              |                     |                       |                             |
| Cash and cash equivalents                                    | \$ -                                       | \$ 187,601           | \$ 205,309                   | \$ 136,351          | \$ 83,395             | \$ 9,703                    |
| Cash, tenant security deposits                               | -  | 24,721               | 33,100                       | 7,911               | 6,203                 | 14,182                      |
| Cash, restricted   | 7,579                                      | -                    | 287,295                      | -                   | -                     | -                           |
| Investments  | -  | -                    | -                            | -                   | -                     | -                           |
| Investments, restricted                                      | -  | -                    | -                            | -                   | -                     | -                           |
| Accounts receivable, net                                     | -  | 3,931                | 418                          | 1,690               | 59                    | 310                         |
| 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                            | -  | 17,573               | 34,063                       | 7,181               | 6,847                 | 13,816                      |
| Total current assets   | 7,579                                      | 233,826              | 560,185                      | 153,133             | 96,504                | 38,011                      |
| Property and equipment                                       |  |                      |                              |                     |                       |                             |
| Land and land improvements                                   | -  | 370,690              | 591,368                      | 19,791              | 184,924               | 575,836                     |
| Buildings  | -  | 4,059,773            | 6,127,771                    | 1,392,421           | 1,768,190             | 3,375,369                   |
| Furniture and equipment                                      | -  | 216,201              | 311,864                      | 22,891              | 77,243                | 12,064                      |
| Predevelopment project costs                                 | -  | -                    | -                            | -                   | -                     | -                           |
| Construction in progress                                     | -  | -                    | -                            | -                   | -                     | -                           |
| Accumulated depreciation                                     | -  | (668,288)            | (986,471)                    | (200,080)           | (285,728)             | (530,313)                   |
| Net property and equipment                                   | -  | 3,978,376            | 6,044,532                    | 1,235,023           | 1,744,629             | 3,432,956                   |
| Other long-term assets                                       |  |                      |                              |                     |                       |                             |
| Restricted property reserves                                 | -  | 542,202              | 957,847                      | 228,345             | 128,854               | 350,815                     |
| Cash, restricted   | -  | -                    | -                            | -                   | -                     | -                           |
| Long-term investments  | -  | -                    | -                            | -                   | -                     | -                           |
| Long-term investments, restricted                            | -  | -                    | -                            | -                   | -                     | -                           |
| Due from affiliates  | -  | -                    | -                            | -                   | -                     | -                           |
| Pledges receivable, net                                      | -  | -                    | -                            | -                   | -                     | -                           |
| Grants receivable  | -  | -                    | -                            | -                   | -                     | -                           |
| Investments in limited partnerships                          | 523,638                                    | -                    | -                            | -                   | -                     | -                           |
| Notes and interest receivable, net                           | -  | -                    | -                            | -                   | -                     | -                           |
| Notes and interest receivable, affiliates                    | -  | -                    | -                            | -                   | -                     | -                           |
| Allowance for impaired assets                                | -  | -                    | -                            | -                   | -                     | -                           |
| Other assets   | -  | 133,081              | 129,196                      | 121,116             | 48,088                | 12,861                      |
| Total other long-term assets                                 | 523,638                                    | 675,283              | 1,087,043                    | 349,461             | 176,942               | 363,676                     |
| <b>Total assets</b>  | <b>\$ 531,217</b>                          | <b>\$ 4,887,485</b>  | <b>\$ 7,691,760</b>          | <b>\$ 1,737,617</b> | <b>\$ 2,018,075</b>   | <b>\$ 3,834,643</b>         |
| <b>Liabilities</b>   |  |                      |                              |                     |                       |                             |
| Current liabilities  |  |                      |                              |                     |                       |                             |
| Accounts payable and accrued expenses                        | \$ -                                       | \$ 48,060            | \$ 117,270                   | \$ 17,555           | \$ 26,628             | \$ 30,609                   |
| Due to affiliates  | 396,844                                    | -                    | -                            | -                   | -                     | -                           |
| Accrued interest   | -  | 83,416               | 117,702                      | 30,993              | 23,195                | 43,825                      |
| Accrued interest, affiliates                                 | -  | -                    | -                            | -                   | -                     | -                           |
| Current portion of notes payable                             | -  | 84,523               | 132,101                      | 35,000              | 30,000                | 70,000                      |
| Current portion of notes payable, affiliates                 | -  | -                    | -                            | -                   | -                     | -                           |
| Deferred revenue and other liabilities                       | -  | 1,149                | 1,117                        | 8                   | 30                    | 90                          |
| Tenant security deposits                                     | -  | 24,721               | 32,906                       | 7,926               | 6,203                 | 14,502                      |
| Miscellaneous current liabilities                            | -  | -                    | -                            | -                   | -                     | -                           |
| Total current liabilities                                    | 396,844                                    | 241,869              | 401,096                      | 91,482              | 86,056                | 159,026                     |
| Long-term liabilities  |  |                      |                              |                     |                       |                             |
| Due to affiliates  | -  | -                    | -                            | -                   | -                     | -                           |
| Accrued interest   | -  | -                    | -                            | -                   | -                     | 523,422                     |
| Accrued interest, affiliates                                 | -  | -                    | -                            | -                   | -                     | -                           |
| Notes payable, less current portion                          | -  | 4,767,334            | 7,536,314                    | 2,260,214           | 1,802,278             | 3,190,447                   |
| Notes payable, less current portion, affiliates              | -  | -                    | -                            | -                   | -                     | -                           |
| Deferred revenue and other liabilities                       | -  | -                    | -                            | 542                 | -                     | -                           |
| Total long-term liabilities                                  | -  | 4,767,334            | 7,536,314                    | 2,260,756           | 1,802,278             | 3,713,869                   |
| <b>Total liabilities</b>                                     | <b>396,844</b>                             | <b>5,009,203</b>     | <b>7,937,410</b>             | <b>2,352,238</b>    | <b>1,888,334</b>      | <b>3,872,895</b>            |
| <b>Net assets</b>  |  |                      |                              |                     |                       |                             |
| Unrestricted net assets, controlling                         | 134,373                                    | (121,718)            | (245,650)                    | (614,621)           | 129,741               | (38,252)                    |
| Unrestricted net assets, noncontrolling                      | -  | -                    | -                            | -                   | -                     | -                           |
| Total unrestricted net assets                                | 134,373                                    | (121,718)            | (245,650)                    | (614,621)           | 129,741               | (38,252)                    |
| Temporarily restricted net assets                            | -  | -                    | -                            | -                   | -                     | -                           |
| Permanently restricted net assets                            | -  | -                    | -                            | -                   | -                     | -                           |
| <b>Total net assets</b>                                      | <b>134,373</b>                             | <b>(121,718)</b>     | <b>(245,650)</b>             | <b>(614,621)</b>    | <b>129,741</b>        | <b>(38,252)</b>             |
| <b>Total liabilities and net assets</b>                      | <b>\$ 531,217</b>                          | <b>\$ 4,887,485</b>  | <b>\$ 7,691,760</b>          | <b>\$ 1,737,617</b> | <b>\$ 2,018,075</b>   | <b>\$ 3,834,643</b>         |

Consolidating Statement of Financial Position  
Mercy Housing Senior Properties, LLC  
December 31, 2011

|  | Villa Columba, LP | Mercy<br>Riverside, LP | Villa Columba Mercy<br>Riverside, LP | Eliminations        | Consolidated<br>Mercy Housing<br>Senior<br>Properties, LLC |
|--|-------------------|------------------------|--------------------------------------|---------------------|--|
| <b>Assets</b>  |                   |                        |                                      |                     |  |
| Current assets   |                   |                        |                                      |                     |  |
| Cash and cash equivalents                                    | \$ -              | \$ -                   | \$ 165,629                           | \$ -                | \$ 787,988   |
| Cash, tenant security deposits                               | -                 | -                      | 25,862                               | -                   | 111,979  |
| Cash, restricted   | -                 | -                      | -                                    | -                   | 294,874  |
| Investments  | -                 | -                      | -                                    | -                   | -  |
| Investments, restricted                                      | -                 | -                      | -                                    | -                   | -  |
| Accounts receivable, net                                     | -                 | -                      | 6,060                                | -                   | 12,468   |
| Due from affiliate, net                                      | -                 | -                      | 16,569                               | (13,050)            | 3,519  |
| Pledges receivable   | -                 | -                      | -                                    | -                   | -  |
| Grants receivable  | -                 | -                      | -                                    | -                   | -  |
| Current portion of notes and interest receivable             | -                 | -                      | -                                    | -                   | -  |
| Current portion of notes and interest receivable, affiliates | -                 | -                      | -                                    | -                   | -  |
| Prepaid expenses and other assets                            | -                 | -                      | 19,837                               | -                   | 99,317   |
| Total current assets   | -                 | -                      | 233,957                              | (13,050)            | 1,310,145  |
| Property and equipment                                       |                   |                        |                                      |                     |  |
| Land and land improvements                                   | -                 | -                      | 305,118                              | -                   | 2,047,727  |
| Buildings  | -                 | -                      | 4,058,967                            | -                   | 20,782,491   |
| Furniture and equipment                                      | -                 | -                      | 185,615                              | -                   | 825,878  |
| Predevelopment project costs                                 | -                 | -                      | -                                    | -                   | -  |
| Construction in progress                                     | -                 | -                      | -                                    | -                   | -  |
| Accumulated depreciation                                     | -                 | -                      | (620,951)                            | -                   | (3,291,831)  |
| Net property and equipment                                   | -                 | -                      | 3,928,749                            | -                   | 20,364,265   |
| Other long-term assets                                       |                   |                        |                                      |                     |  |
| Restricted property reserves                                 | -                 | -                      | 719,144                              | -                   | 2,927,207  |
| Cash, restricted   | -                 | -                      | -                                    | -                   | -  |
| Long-term investments  | -                 | -                      | -                                    | -                   | -  |
| Long-term investments, restricted                            | -                 | -                      | -                                    | -                   | -  |
| Due from affiliates  | -                 | -                      | -                                    | -                   | -  |
| Pledges receivable, net                                      | -                 | -                      | -                                    | -                   | -  |
| Grants receivable  | -                 | -                      | -                                    | -                   | -  |
| Investments in limited partnerships                          | -                 | -                      | -                                    | (523,638)           | -  |
| Notes and interest receivable, net                           | -                 | -                      | -                                    | -                   | -  |
| Notes and interest receivable, affiliates                    | -                 | -                      | -                                    | -                   | -  |
| Allowance for impaired assets                                | -                 | -                      | -                                    | -                   | -  |
| Other assets   | -                 | -                      | 228,493                              | -                   | 672,835  |
| Total other long-term assets                                 | -                 | -                      | 947,637                              | (523,638)           | 3,600,042  |
| <b>Total assets</b>  | <b>\$ -</b>       | <b>\$ -</b>            | <b>\$ 5,110,343</b>                  | <b>\$ (536,688)</b> | <b>\$ 25,274,452</b>                                       |
| <b>Liabilities</b>   |                   |                        |                                      |                     |  |
| Current liabilities  |                   |                        |                                      |                     |  |
| Accounts payable and accrued expenses                        | \$ -              | \$ -                   | \$ 37,136                            | \$ -                | \$ 277,258   |
| Due to affiliates  | -                 | -                      | 19,177                               | (13,050)            | 402,971  |
| Accrued interest   | -                 | -                      | 59,059                               | -                   | 358,190  |
| Accrued interest, affiliates                                 | -                 | -                      | -                                    | -                   | -  |
| Current portion of notes payable                             | -                 | -                      | 65,000                               | -                   | 416,624  |
| Current portion of notes payable, affiliates                 | -                 | -                      | 2,002                                | -                   | 2,002  |
| Deferred revenue and other liabilities                       | -                 | -                      | 1,184                                | -                   | 3,578  |
| Tenant security deposits                                     | -                 | -                      | 25,373                               | -                   | 111,631  |
| Miscellaneous current liabilities                            | -                 | -                      | -                                    | -                   | -  |
| Total current liabilities                                    | -                 | -                      | 208,931                              | (13,050)            | 1,572,254  |
| Long-term liabilities  |                   |                        |                                      |                     |  |
| Due to affiliates  | -                 | -                      | -                                    | -                   | -  |
| Accrued interest   | -                 | -                      | -                                    | -                   | 523,422  |
| Accrued interest, affiliates                                 | -                 | -                      | -                                    | -                   | -  |
| Notes payable, less current portion                          | -                 | -                      | 3,481,993                            | -                   | 23,038,580   |
| Notes payable, less current portion, affiliates              | -                 | -                      | -                                    | -                   | -  |
| Deferred revenue and other liabilities                       | -                 | -                      | -                                    | -                   | 542  |
| Total long-term liabilities                                  | -                 | -                      | 3,481,993                            | -                   | 23,562,544   |
| <b>Total liabilities</b>                                     | <b>-</b>          | <b>-</b>               | <b>3,690,924</b>                     | <b>(13,050)</b>     | <b>25,134,798</b>  |
| <b>Net assets</b>  |                   |                        |                                      |                     |  |
| Unrestricted net assets, controlling                         | -                 | -                      | 1,419,419                            | (523,638)           | 139,654  |
| Unrestricted net assets, noncontrolling                      | -                 | -                      | -                                    | -                   | -  |
| Total unrestricted net assets                                | -                 | -                      | 1,419,419                            | (523,638)           | 139,654  |
| Temporarily restricted net assets                            | -                 | -                      | -                                    | -                   | -  |
| Permanently restricted net assets                            | -                 | -                      | -                                    | -                   | -  |
| <b>Total net assets</b>                                      | <b>-</b>          | <b>-</b>               | <b>1,419,419</b>                     | <b>(523,638)</b>    | <b>139,654</b>   |
| <b>Total liabilities and net assets</b>                      | <b>\$ -</b>       | <b>\$ -</b>            | <b>\$ 5,110,343</b>                  | <b>\$ (536,688)</b> | <b>\$ 25,274,452</b>                                       |



Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Senior Properties, LLC  
For the year ended December 31, 2011

|  | Mercy<br>Housing Senior<br>Properties, LLC | Bennett<br>House, LP | Dorothy Day<br>Community, LP | Junipero<br>Serra, LP | Monsignor<br>Lyne, LP | St. Andrew<br>Community, LP |
|--|--|----------------------|------------------------------|-----------------------|-----------------------|-----------------------------|
| <b>Revenues</b>                                      |  |                      |                              |                       |                       |                             |
| Rent - net of vacancies                              | \$ -                                       | \$ 1,014,397         | \$ 1,669,603                 | \$ 422,479            | \$ 293,132            | \$ 564,023                  |
| Developer fees                                       | -  | -                    | -                            | -                     | -                     | -                           |
| Services fees  | -  | -                    | -                            | -                     | -                     | -                           |
| Philanthropy   | -  | -                    | -                            | -                     | -                     | -                           |
| Capital grants                                       | -  | -                    | -                            | -                     | -                     | -                           |
| Consulting   | -  | -                    | -                            | -                     | -                     | -                           |
| Interest   | -  | 156                  | 2,715                        | 231                   | 1,315                 | 210                         |
| Other  | -  | 3,401                | 4,414                        | 30,271                | 19,921                | 3,333                       |
| <b>Total revenues</b>                                | -  | 1,017,954            | 1,676,732                    | 452,981               | 314,368               | 567,566                     |
| <b>Expenses and losses</b>                           |  |                      |                              |                       |                       |                             |
| Compensation   | -  | 181,297              | 541,065                      | 86,341                | 65,832                | 134,426                     |
| Administrative                                       | 71,858                                     | 87,850               | 132,372                      | 35,941                | 23,088                | 61,091                      |
| Professional services                                | 72   | 16,869               | 11,914                       | 21,065                | 9,678                 | 10,242                      |
| Depreciation and amortization                        | -  | 194,489              | 247,827                      | 57,413                | 75,152                | 124,972                     |
| Grants   | -  | -                    | -                            | -                     | -                     | -                           |
| Facility   | -  | 151,228              | 243,309                      | 65,013                | 66,116                | 124,086                     |
| Interest and fees                                    | 300  | 289,302              | 454,607                      | 115,432               | 88,305                | 174,502                     |
| Bad debts  | -  | 602                  | 418                          | -                     | -                     | -                           |
| Provision for impaired assets                        | -  | -                    | -                            | -                     | -                     | -                           |
| Project expenses                                     | -  | -                    | -                            | -                     | -                     | -                           |
| Allocation   | -  | -                    | -                            | -                     | -                     | -                           |
| (Gain) loss on sale of assets                        | -  | -                    | -                            | -                     | -                     | -                           |
| (Gain) loss on investment in limited partnership     | (216,725)                                  | -                    | -                            | -                     | -                     | -                           |
| <b>Total expenses and losses</b>                     | (144,495)                                  | 921,637              | 1,631,512                    | 381,205               | 328,171               | 629,319                     |
| <b>Excess (deficiency) of revenues over expenses</b> | 144,495                                    | 96,317               | 45,220                       | 71,776                | (13,803)              | (61,753)                    |
| Net assets at beginning of year                      | (10,122)                                   | (218,035)            | (290,870)                    | (686,397)             | 143,544               | 23,501                      |
| Other transfers to (from) net assets                 | -  | -                    | -                            | -                     | -                     | -                           |
| <b>Net assets at end of year</b>                     | <u>\$ 134,373</u>                          | <u>\$ (121,718)</u>  | <u>\$ (245,650)</u>          | <u>\$ (614,621)</u>   | <u>\$ 129,741</u>     | <u>\$ (38,252)</u>          |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Senior Properties, LLC  
For the year ended December 31, 2011

|  | Villa<br>Columba, LP | Mercy<br>Riverside, LP | Villa Columba<br>Mercy Riverside, LP | Eliminations        | Consolidated<br>Mercy Housing<br>California Senior<br>Properties, LLC |
|--|----------------------|------------------------|--------------------------------------|---------------------|---|
| <b>Revenues</b>                                      |                      |                        |                                      |                     |   |
| Rent - net of vacancies                              | \$ -                 | \$ -                   | \$ 878,357                           | \$ -                | \$ 4,841,991  |
| Developer fees                                       | -                    | -                      | -                                    | -                   | -   |
| Services fees  | -                    | -                      | -                                    | -                   | -   |
| Philanthropy   | -                    | -                      | -                                    | -                   | -   |
| Capital grants                                       | -                    | -                      | -                                    | -                   | -   |
| Consulting   | -                    | -                      | -                                    | -                   | -   |
| Interest   | -                    | -                      | 25                                   | -                   | 4,652   |
| Other  | -                    | -                      | 8,706                                | -                   | 70,046  |
| <b>Total revenues</b>                                | -                    | -                      | 887,088                              | -                   | 4,916,689   |
| <b>Expenses and losses</b>                           |                      |                        |                                      |                     |   |
| Compensation   | -                    | -                      | 170,935                              | -                   | 1,179,896   |
| Administrative                                       | -                    | -                      | 97,435                               | -                   | 509,635   |
| Professional services                                | -                    | -                      | 10,101                               | -                   | 79,941  |
| Depreciation and amortization                        | -                    | -                      | 174,875                              | -                   | 874,728   |
| Grants   | -                    | -                      | -                                    | -                   | -   |
| Facility   | -                    | -                      | 143,051                              | -                   | 792,803   |
| Interest and fees                                    | -                    | -                      | 212,944                              | -                   | 1,335,392   |
| Bad debts  | -                    | -                      | -                                    | -                   | 1,020   |
| Provision for impaired assets                        | -                    | -                      | -                                    | -                   | -   |
| Project expenses                                     | -                    | -                      | -                                    | -                   | -   |
| Allocation   | -                    | -                      | -                                    | -                   | -   |
| (Gain) loss on sale of assets                        | -                    | -                      | -                                    | -                   | -   |
| (Gain) loss on investment in limited partnership     | -                    | -                      | -                                    | 216,725             | -   |
| <b>Total expenses and losses</b>                     | -                    | -                      | 809,341                              | 216,725             | 4,773,415   |
| <b>Excess (deficiency) of revenues over expenses</b> | -                    | -                      | 77,747                               | (216,725)           | 143,274   |
| Net assets at beginning of year                      | 799,752              | 541,920                | -                                    | (306,913)           | (3,620)   |
| Other transfers to (from) net assets                 | (799,752)            | (541,920)              | 1,341,672                            | -                   | -   |
| <b>Net assets at end of year</b>                     | <u>\$ -</u>          | <u>\$ -</u>            | <u>\$ 1,419,419</u>                  | <u>\$ (523,638)</u> | <u>\$ 139,654</u>   |

Consolidating Statement of Financial Position  
Mercy Housing CalWest  
December 31, 2011

**Assets**

|  | Mercy Housing<br>CalWest | Mercy Housing<br>California XXXIX<br>(Gleason Park) | Mercy Housing<br>California XL<br>(Arlington Hotel) | Mercy Housing<br>California XXXVIII<br>(East Leland Court<br>Family Housing) | 365 Fulton LP<br>(Parcel G) | Mercy Housing<br>California XLII<br>(Boulevard Court) |
|--|--------------------------|---|---|--|-----------------------------|---|
| <b>Current assets</b>  |                          |   |   |  |                             |   |
| Cash and cash equivalents                                    | \$ -                     | \$ 39,710   | \$ 81,585   | \$ 86,259  | \$ 604,731                  | \$ 532  |
| Cash, tenant security deposits                               | -                        | 54,190  | 14,701  | 45,293   | 36,249                      | 12,976  |
| Cash, restricted   | -                        | 434,740   | -   | 140  | 207,557                     | 2,670,540   |
| Investments  | -                        | -   | -   | -  | -                           | -   |
| Investments, restricted                                      | -                        | -   | -   | -  | -                           | -   |
| Accounts receivable, net                                     | -                        | 3,571   | 26,828  | 31,062   | 6,158                       | 162,392   |
| 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                            | -                        | 5,233   | 21,613  | 17,796   | 1,891                       | 14,093  |
| <b>Total current assets</b>                                  | -                        | 537,444   | 144,727   | 180,550  | 856,586                     | 2,860,533   |
| <b>Property and equipment</b>                                |                          |   |   |  |                             |   |
| Land and land improvements                                   | -                        | 1,065,441   | 5,848,814   | 2,746,456  | 1,475,001                   | 3,090,021   |
| Buildings  | -                        | 19,743,599  | 12,870,747  | 19,453,560   | 31,124,370                  | 13,813,687  |
| Furniture and equipment                                      | -                        | 180,628   | 307,090   | 328,474  | 435,528                     | 801,765   |
| Predevelopment project costs                                 | -                        | -   | -   | -  | -                           | -   |
| Construction in progress                                     | -                        | -   | 8,367,718   | -  | -                           | -   |
| Accumulated depreciation                                     | -                        | (515,695)   | (523,206)   | (2,550,011)  | (437,116)                   | (486,240)   |
| <b>Net property and equipment</b>                            | -                        | 20,473,973  | 26,871,163  | 19,978,479   | 32,597,783                  | 17,219,233  |
| <b>Other long-term assets</b>                                |                          |   |   |  |                             |   |
| Restricted property reserves                                 | -                        | 535,098   | 2,013,348   | 357,582  | -                           | 1,836,246   |
| Cash, restricted   | -                        | -   | -   | -  | -                           | -   |
| Long-term investments  | -                        | -   | -   | -  | -                           | -   |
| Long-term investments, restricted                            | -                        | -   | -   | -  | -                           | -   |
| Due from affiliates  | -                        | -   | -   | -  | -                           | -   |
| Pledges receivable, net                                      | -                        | -   | -   | -  | -                           | -   |
| Grants receivable  | -                        | -   | -   | -  | -                           | -   |
| Investments in limited partnerships                          | 909,347                  | -   | -   | -  | -                           | -   |
| Notes and interest receivable, net                           | -                        | -   | -   | -  | -                           | -   |
| Notes and interest receivable, affiliates                    | -                        | -   | -   | -  | -                           | -   |
| Allowance for impaired assets                                | -                        | -   | -   | -  | -                           | -   |
| Other assets   | -                        | 219,759   | 448,776   | 287,944  | 324,232                     | 259,962   |
| <b>Total other long-term assets</b>                          | 909,347                  | 754,857   | 2,462,124   | 645,526  | 324,232                     | 2,096,208   |
| <b>Total assets</b>  | <u>\$ 909,347</u>        | <u>\$ 21,766,274</u>                                | <u>\$ 29,478,014</u>                                | <u>\$ 20,804,555</u>   | <u>\$ 33,778,601</u>        | <u>\$ 22,175,974</u>                                  |
| <b>Liabilities</b>   |                          |   |   |  |                             |   |
| <b>Current liabilities</b>                                   |                          |   |   |  |                             |   |
| Accounts payable and accrued expenses                        | \$ -                     | \$ 130,054  | \$ 4,868,201  | \$ 37,972  | \$ 1,225,115                | \$ 72,444   |
| Due to affiliates  | 202,126                  | 16,181  | 17,477  | 24,882   | 453,882                     | 59,372  |
| Accrued interest   | -                        | -   | 1,039,019   | 4,264  | 140,740                     | -   |
| Accrued interest, affiliates                                 | -                        | -   | -   | -  | -                           | -   |
| Current portion of notes payable                             | -                        | -   | 531,168   | 28,788   | 27,239,961                  | -   |
| Current portion of notes payable, affiliates                 | -                        | -   | 135,134   | -  | -                           | -   |
| Deferred revenue and other liabilities                       | -                        | 1,806   | 344   | 1,620  | 3,625                       | 398,606   |
| Tenant security deposits                                     | -                        | 53,870  | 11,535  | 43,203   | 51,670                      | 12,976  |
| Miscellaneous current liabilities                            | -                        | -   | -   | -  | -                           | -   |
| <b>Total current liabilities</b>                             | <u>202,126</u>           | <u>201,911</u>                                      | <u>6,602,878</u>                                    | <u>140,729</u>   | <u>29,114,993</u>           | <u>543,398</u>  |
| <b>Long-term liabilities</b>                                 |                          |   |   |  |                             |   |
| Due to affiliates  | -                        | -   | -   | -  | -                           | -   |
| Accrued interest   | -                        | -   | 998,945   | 396,154  | 227,974                     | 107,596   |
| Accrued interest, affiliates                                 | -                        | -   | -   | -  | -                           | -   |
| Notes payable, less current portion                          | -                        | 21,242,335  | 10,979,066  | 11,965,753   | 5,153,141                   | 10,871,805  |
| Notes payable, less current portion, affiliates              | 1,139,500                | 1,090,508   | -   | -  | -                           | -   |
| Deferred revenue and other liabilities                       | -                        | -   | 11,634,885  | 133,000  | -                           | 10,202,599  |
| <b>Total long-term liabilities</b>                           | <u>1,139,500</u>         | <u>22,332,843</u>                                   | <u>23,612,896</u>                                   | <u>12,494,907</u>  | <u>5,381,115</u>            | <u>21,182,000</u>                                     |
| <b>Total liabilities</b>                                     | <u>1,341,626</u>         | <u>22,534,754</u>                                   | <u>30,215,774</u>                                   | <u>12,635,636</u>  | <u>34,496,108</u>           | <u>21,725,398</u>                                     |
| <b>Net assets</b>  |                          |   |   |  |                             |   |
| Unrestricted net assets, controlling                         | (432,279)                | (768,480)   | (737,760)   | 8,168,919  | (717,507)                   | 450,576   |
| Unrestricted net assets, noncontrolling                      | -                        | -   | -   | -  | -                           | -   |
| <b>Total unrestricted net assets</b>                         | <u>(432,279)</u>         | <u>(768,480)</u>                                    | <u>(737,760)</u>                                    | <u>8,168,919</u>   | <u>(717,507)</u>            | <u>450,576</u>  |
| Temporarily restricted net assets                            | -                        | -   | -   | -  | -                           | -   |
| Permanently restricted net assets                            | -                        | -   | -   | -  | -                           | -   |
| <b>Total net assets</b>                                      | <u>(432,279)</u>         | <u>(768,480)</u>                                    | <u>(737,760)</u>                                    | <u>8,168,919</u>   | <u>(717,507)</u>            | <u>450,576</u>  |
| <b>Total liabilities and net assets</b>                      | <u>\$ 909,347</u>        | <u>\$ 21,766,274</u>                                | <u>\$ 29,478,014</u>                                | <u>\$ 20,804,555</u>   | <u>\$ 33,778,601</u>        | <u>\$ 22,175,974</u>                                  |

Consolidating Statement of Financial Position  
Mercy Housing CalWest  
December 31, 2011

|  | Mercy Housing<br>California XLIV<br>(1000 Fourth St.) | Third and LeConte<br>Housing LP<br>(6600 Third Street) | Mercy Housing<br>California XLIII<br>(Caroline Severance<br>Manor) | Mercy Housing<br>California 47<br>(7th & H Street) | 7th & H GP, LLC      |
|--|---|--|--|--|----------------------|
| <b>Assets</b>  |   |  |  |  |                      |
| Current assets   |   |  |  |  |                      |
| Cash and cash equivalents                                    | \$ 7,652  | \$ -   | \$ 32,764  | \$ -   | \$ -                 |
| Cash, tenant security deposits                               | -   | -  | -  | -  | -                    |
| Cash, restricted   | -   | 196,992  | -  | 90,446   | -                    |
| Investments  | -   | -  | -  | -  | -                    |
| Investments, restricted                                      | -   | -  | -  | -  | -                    |
| Accounts receivable, net                                     | 9,000   | -  | -  | -  | -                    |
| Due from affiliate, net                                      | -   | -  | -  | -  | -                    |
| Pledges receivable   | -   | -  | -  | -  | -                    |
| Grants receivable  | -   | -  | -  | -  | 3,750,000            |
| Current portion of notes and interest receivable             | -   | -  | -  | -  | -                    |
| Current portion of notes and interest receivable, affiliates | -   | -  | -  | -  | -                    |
| Prepaid expenses and other assets                            | 325,000   | 187,500  | -  | -  | -                    |
| <b>Total current assets</b>                                  | <b>341,652</b>  | <b>384,492</b>   | <b>32,764</b>  | <b>90,446</b>                                      | <b>3,750,000</b>     |
| Property and equipment                                       |   |  |  |  |                      |
| Land and land improvements                                   | -   | 3,075,000  | -  | 3,000,000  | -                    |
| Buildings  | -   | -  | -  | -  | -                    |
| Furniture and equipment                                      | -   | -  | -  | -  | -                    |
| Predevelopment project costs                                 | -   | -  | -  | -  | -                    |
| Construction in progress                                     | 4,158,553   | 3,567,148  | 2,240,314  | 16,062,811   | -                    |
| Accumulated depreciation                                     | -   | -  | -  | -  | -                    |
| <b>Net property and equipment</b>                            | <b>4,158,553</b>                                      | <b>6,642,148</b>                                       | <b>2,240,314</b>   | <b>19,062,811</b>                                  | <b>-</b>             |
| Other long-term assets                                       |   |  |  |  |                      |
| Restricted property reserves                                 | -   | -  | -  | 442,293  | -                    |
| Cash, restricted   | -   | -  | -  | -  | -                    |
| Long-term investments  | -   | -  | -  | -  | -                    |
| Long-term investments, restricted                            | -   | -  | -  | -  | -                    |
| Due from affiliates  | -   | -  | -  | -  | -                    |
| Pledges receivable, net                                      | -   | -  | -  | -  | -                    |
| Grants receivable  | -   | -  | -  | -  | -                    |
| Investments in limited partnerships                          | -   | -  | -  | -  | 10,002,046           |
| Notes and interest receivable, net                           | -   | -  | -  | -  | -                    |
| Notes and interest receivable, affiliates                    | -   | -  | -  | -  | -                    |
| Allowance for impaired assets                                | -   | -  | -  | -  | -                    |
| Other assets   | 250   | -  | 64,683   | 540,151  | -                    |
| <b>Total other long-term assets</b>                          | <b>250</b>  | <b>-</b>   | <b>64,683</b>  | <b>982,444</b>                                     | <b>10,002,046</b>    |
| <b>Total assets</b>  | <b>\$ 4,500,455</b>                                   | <b>\$ 7,026,640</b>                                    | <b>\$ 2,337,761</b>  | <b>\$ 20,135,701</b>                               | <b>\$ 13,752,046</b> |
| <b>Liabilities</b>   |   |  |  |  |                      |
| Current liabilities  |   |  |  |  |                      |
| Accounts payable and accrued expenses                        | \$ 65,223   | \$ 85,200  | \$ 30,014  | \$ 3,002,558                                       | \$ -                 |
| Due to affiliates  | 94  | 2,972  | 2,002,465  | 335,194  | 1,574                |
| Accrued interest   | 131,035   | -  | 1,068  | 13,868   | -                    |
| Accrued interest, affiliates                                 | -   | -  | -  | -  | -                    |
| Current portion of notes payable                             | 4,284,757   | -  | 200,000  | -  | -                    |
| Current portion of notes payable, affiliates                 | 39,065  | -  | 103,930  | 119  | -                    |
| Deferred revenue and other liabilities                       | -   | -  | -  | -  | -                    |
| Tenant security deposits                                     | -   | -  | -  | -  | -                    |
| Miscellaneous current liabilities                            | -   | -  | -  | -  | -                    |
| <b>Total current liabilities</b>                             | <b>4,520,174</b>                                      | <b>88,172</b>  | <b>2,337,477</b>   | <b>3,351,739</b>                                   | <b>1,574</b>         |
| Long-term liabilities  |   |  |  |  |                      |
| Due to affiliates  | -   | -  | -  | -  | -                    |
| Accrued interest   | -   | -  | -  | -  | -                    |
| Accrued interest, affiliates                                 | -   | -  | -  | -  | -                    |
| Notes payable, less current portion                          | -   | 6,993,634  | -  | 5,639,886  | -                    |
| Notes payable, less current portion, affiliates              | -   | -  | -  | -  | -                    |
| Deferred revenue and other liabilities                       | -   | -  | -  | -  | -                    |
| <b>Total long-term liabilities</b>                           | <b>-</b>  | <b>6,993,634</b>                                       | <b>-</b>   | <b>5,639,886</b>                                   | <b>-</b>             |
| <b>Total liabilities</b>                                     | <b>4,520,174</b>                                      | <b>7,081,806</b>                                       | <b>2,337,477</b>   | <b>8,991,625</b>                                   | <b>1,574</b>         |
| <b>Net assets</b>  |   |  |  |  |                      |
| Unrestricted net assets, controlling                         | (19,719)  | (55,166)   | 284  | 11,144,076   | 3,140,777            |
| Unrestricted net assets, noncontrolling                      | -   | -  | -  | -  | -                    |
| <b>Total unrestricted net assets</b>                         | <b>(19,719)</b>                                       | <b>(55,166)</b>  | <b>284</b>   | <b>11,144,076</b>                                  | <b>3,140,777</b>     |
| Temporarily restricted net assets                            | -   | -  | -  | -  | 10,609,695           |
| Permanently restricted net assets                            | -   | -  | -  | -  | -                    |
| <b>Total net assets</b>                                      | <b>(19,719)</b>                                       | <b>(55,166)</b>  | <b>284</b>   | <b>11,144,076</b>                                  | <b>13,750,472</b>    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 4,500,455</b>                                   | <b>\$ 7,026,640</b>                                    | <b>\$ 2,337,761</b>  | <b>\$ 20,135,701</b>                               | <b>\$ 13,752,046</b> |

Consolidating Statement of Financial Position  
Mercy Housing CalWest  
December 31, 2011

|  | Mercy Housing<br>California 51, LP<br>(200 6th St/<br>Hugo Hotel) | Madonna Housing,<br>LLC | Mercy Housing<br>California 53, LP<br>(Madonna Residences) | Eliminations           | Consolidated<br>Mercy Housing<br>CalWest |
|--|---|-------------------------|--|------------------------|--|
| <b>Assets</b>  |   |                         |  |                        |  |
| Current assets   |   |                         |  |                        |  |
| Cash and cash equivalents                                    | \$ -  | \$ -                    | \$ 119,265   | \$ -                   | \$ 972,498                               |
| Cash, tenant security deposits                               | -   | -                       | -  | -                      | 163,409                                  |
| Cash, restricted   | 6   | -                       | 21,315   | -                      | 3,621,736                                |
| Investments  | -   | -                       | -  | -                      | -  |
| Investments, restricted                                      | -   | -                       | -  | -                      | -  |
| Accounts receivable, net                                     | -   | -                       | 35,534   | -                      | 274,545                                  |
| Due from affiliate, net                                      | -   | -                       | -  | -                      | -  |
| Pledges receivable   | -   | -                       | -  | -                      | -  |
| Grants receivable  | -   | -                       | -  | -                      | 3,750,000                                |
| Current portion of notes and interest receivable             | -   | -                       | -  | -                      | -  |
| Current portion of notes and interest receivable, affiliates | -   | -                       | -  | -                      | -  |
| Prepaid expenses and other assets                            | 50,000  | -                       | 2,155  | -                      | 625,281                                  |
| Total current assets   | 50,006  | -                       | 178,269  | -                      | 9,407,469                                |
| Property and equipment                                       |   |                         |  |                        |  |
| Land and land improvements                                   | -   | -                       | -  | -                      | 20,300,733                               |
| Buildings  | -   | -                       | 4,999,999  | -                      | 102,005,962                              |
| Furniture and equipment                                      | -   | -                       | 7,520  | -                      | 2,061,005                                |
| Predevelopment project costs                                 | -   | -                       | -  | -                      | -  |
| Construction in progress                                     | 497,518   | -                       | 1,098,075  | -                      | 35,992,137                               |
| Accumulated depreciation                                     | -   | -                       | (7,331)  | -                      | (4,519,599)                              |
| Net property and equipment                                   | 497,518   | -                       | 6,098,263  | -                      | 155,840,238                              |
| Other long-term assets                                       |   |                         |  |                        |  |
| Restricted property reserves                                 | -   | -                       | -  | -                      | 5,184,567                                |
| Cash, restricted   | -   | -                       | -  | -                      | -  |
| Long-term investments  | -   | -                       | -  | -                      | -  |
| Long-term investments, restricted                            | -   | -                       | -  | -                      | -  |
| Due from affiliates  | -   | -                       | -  | -                      | -  |
| Pledges receivable, net                                      | -   | -                       | -  | -                      | -  |
| Grants receivable  | -   | -                       | -  | -                      | -  |
| Investments in limited partnerships                          | -   | 96                      | -  | (10,041,479)           | 870,010                                  |
| Notes and interest receivable, net                           | -   | -                       | -  | -                      | -  |
| Notes and interest receivable, affiliates                    | -   | -                       | -  | -                      | -  |
| Allowance for impaired assets                                | -   | -                       | -  | -                      | -  |
| Other assets   | -   | -                       | 89,101   | -                      | 2,234,858                                |
| Total other long-term assets                                 | -   | 96                      | 89,101   | (10,041,479)           | 8,289,435                                |
| <b>Total assets</b>  | <b>\$ 547,524</b>   | <b>\$ 96</b>            | <b>\$ 6,365,633</b>  | <b>\$ (10,041,479)</b> | <b>\$ 173,537,142</b>                    |
| <b>Liabilities</b>   |   |                         |  |                        |  |
| Current liabilities  |   |                         |  |                        |  |
| Accounts payable and accrued expenses                        | \$ 1,760  | \$ -                    | \$ 284,755   | \$ -                   | \$ 9,803,296                             |
| Due to affiliates  | 24  | 100                     | 250,249  | -                      | 3,366,592                                |
| Accrued interest   | -   | -                       | -  | -                      | 1,329,994                                |
| Accrued interest, affiliates                                 | -   | -                       | -  | -                      | -  |
| Current portion of notes payable                             | -   | -                       | -  | -                      | 32,284,674                               |
| Current portion of notes payable, affiliates                 | 10,055  | -                       | 310,602  | -                      | 598,905                                  |
| Deferred revenue and other liabilities                       | -   | -                       | -  | -                      | 406,001                                  |
| Tenant security deposits                                     | -   | -                       | -  | -                      | 173,254                                  |
| Miscellaneous current liabilities                            | -   | -                       | -  | -                      | -  |
| Total current liabilities                                    | 11,839  | 100                     | 845,606  | -                      | 47,962,716                               |
| Long-term liabilities  |   |                         |  |                        |  |
| Due to affiliates  | -   | -                       | -  | -                      | -  |
| Accrued interest   | 6,272   | -                       | 4,297  | -                      | 1,741,238                                |
| Accrued interest, affiliates                                 | -   | -                       | -  | -                      | -  |
| Notes payable, less current portion                          | 529,437   | -                       | 5,329,692  | -                      | 78,704,749                               |
| Notes payable, less current portion, affiliates              | -   | -                       | -  | -                      | 2,230,008                                |
| Deferred revenue and other liabilities                       | -   | -                       | -  | -                      | 21,970,484                               |
| Total long-term liabilities                                  | 535,709   | -                       | 5,333,989  | -                      | 104,646,479                              |
| <b>Total liabilities</b>                                     | <b>547,548</b>  | <b>100</b>              | <b>6,179,595</b>   | <b>-</b>               | <b>152,609,195</b>                       |
| <b>Net assets</b>  |   |                         |  |                        |  |
| Unrestricted net assets, controlling                         | (24)  | (4)                     | 186,038  | (10,041,479)           | 10,318,252                               |
| Unrestricted net assets, noncontrolling                      | -   | -                       | -  | -                      | -  |
| Total unrestricted net assets                                | (24)  | (4)                     | 186,038  | (10,041,479)           | 10,318,252                               |
| Temporarily restricted net assets                            | -   | -                       | -  | -                      | 10,609,695                               |
| Permanently restricted net assets                            | -   | -                       | -  | -                      | -  |
| <b>Total net assets</b>                                      | <b>(24)</b>   | <b>(4)</b>              | <b>186,038</b>   | <b>(10,041,479)</b>    | <b>20,927,947</b>                        |
| <b>Total liabilities and net assets</b>                      | <b>\$ 547,524</b>   | <b>\$ 96</b>            | <b>\$ 6,365,633</b>  | <b>\$ (10,041,479)</b> | <b>\$ 173,537,142</b>                    |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing CalWest  
For the year ended December 31, 2011

|  | Mercy Housing<br>CalWest | Mercy Housing<br>California XXXIX<br>(Gleason Park) | Mercy Housing<br>California XL<br>(Arlington Hotel) | Mercy Housing<br>California XXXVIII<br>(East Leland Court<br>Family Housing) | 365 Fulton LP<br>(Parcel G) | Mercy Housing<br>California XLII<br>(Boulevard Court) |
|--|--------------------------|---|---|--|-----------------------------|---|
| <b>Revenues</b>                                      |                          |   |   |  |                             |   |
| Rent - net of vacancies                              | \$ -                     | \$ 307,852  | \$ 522,260  | \$ 610,492   | \$ 107,821                  | \$ 153,799  |
| Developer fees                                       | -                        | -   | -   | -  | -                           | -   |
| Services fees  | -                        | -   | -   | -  | -                           | -   |
| Philanthropy   | -                        | -   | -   | -  | -                           | -   |
| Capital grants                                       | -                        | -   | -   | -  | 272,394                     | 263,293   |
| Consulting   | -                        | -   | -   | -  | -                           | -   |
| Interest   | -                        | 1,883   | 27  | 234  | -                           | 891   |
| Other  | -                        | 14,368  | 25,770  | 18,071   | 24,920                      | 4,167   |
| <b>Total revenues</b>                                | -                        | 324,103   | 548,057   | 628,797  | 405,135                     | 422,150   |
| <b>Expenses and losses</b>                           |                          |   |   |  |                             |   |
| Compensation   | -                        | 107,869   | 437,337   | 105,359  | 101,513                     | 155,633   |
| Administrative                                       | 48,855                   | 283,697   | 168,988   | 126,869  | 320,517                     | 300,865   |
| Professional services                                | 3,127                    | 37,307  | 100,309   | 69,827   | 25,007                      | 76,642  |
| Depreciation and amortization                        | -                        | 561,784   | 580,218   | 974,308  | 505,413                     | 560,547   |
| Grants   | -                        | -   | -   | -  | -                           | -   |
| Facility   | -                        | 101,099   | 283,067   | 180,081  | 91,813                      | 128,696   |
| Interest and fees                                    | 491                      | 166   | 89,297  | 302,904  | 470,935                     | 31,594  |
| Bad debts  | -                        | 1,463   | 300   | 5,409  | -                           | 335   |
| Provision for impaired assets                        | -                        | -   | -   | -  | -                           | -   |
| Project expenses                                     | -                        | -   | -   | -  | -                           | -   |
| Allocation   | -                        | -   | -   | -  | -                           | -   |
| (Gain) loss on sale of assets                        | -                        | -   | -   | -  | -                           | -   |
| (Gain) loss on investment in limited partnership     | (393,214)                | -   | -   | -  | -                           | -   |
| <b>Total expenses and losses</b>                     | (340,741)                | 1,093,385   | 1,659,516   | 1,764,757  | 1,515,198                   | 1,254,312   |
| <b>Excess (deficiency) of revenues over expenses</b> | 340,741                  | (769,282)   | (1,111,459)   | (1,135,960)  | (1,110,063)                 | (832,162)   |
| Net assets at beginning of year                      | 1,498,522                | -   | 373,699   | 9,304,879  | 397,556                     | 1,282,738   |
| Other transfers to (from) net assets                 | (2,271,542)              | 802   | -   | -  | (5,000)                     | -   |
| <b>Net assets at end of year</b>                     | <u>\$ (432,279)</u>      | <u>\$ (768,480)</u>                                 | <u>\$ (737,760)</u>                                 | <u>\$ 8,168,919</u>  | <u>\$ (717,507)</u>         | <u>\$ 450,576</u>                                     |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing CalWest  
For the year ended December 31, 2011

|  | Mercy Housing<br>California XLIV<br>(1000 Fourth St.) | Third and LeConte<br>Housing LLC<br>(6600 Third Street) | Mercy Housing<br>California XLIII<br>(Caroline Severance<br>Manor) | Mercy Housing<br>California 47<br>(7th & H Street) | 7th & H GP, LLC      |
|--|---|---|--|--|----------------------|
| <b>Revenues</b>                                      |   |   |  |  |                      |
| Rent - net of vacancies                              | \$ -  | \$ -  | \$ -   | \$ -   | \$ -                 |
| Developer fees                                       | -   | -   | -  | -  | -                    |
| Services fees  | -   | -   | 4,875  | -  | -                    |
| Philanthropy   | -   | -   | -  | -  | -                    |
| Capital grants                                       | -   | -   | -  | 3,142,509  | 10,609,695           |
| Consulting   | -   | -   | -  | -  | -                    |
| Interest   | -   | -   | -  | 54   | -                    |
| Other  | -   | -   | -  | -  | -                    |
| <b>Total revenues</b>                                | -   | -   | 4,875  | 3,142,563  | 10,609,695           |
| <b>Expenses and losses</b>                           |   |   |  |  |                      |
| Compensation   | -   | -   | -  | -  | -                    |
| Administrative                                       | 192   | 30,246  | 3,615  | 13,139   | -                    |
| Professional services                                | 2,499   | 2,499   | 2,101  | -  | 1,561                |
| Depreciation and amortization                        | -   | -   | -  | -  | -                    |
| Grants   | -   | -   | -  | -  | -                    |
| Facility   | -   | -   | 24,050   | -  | -                    |
| Interest and fees                                    | -   | -   | -  | 43   | 13                   |
| Bad debts  | -   | -   | -  | -  | -                    |
| Provision for impaired assets                        | -   | -   | -  | -  | -                    |
| Project expenses                                     | -   | -   | -  | -  | -                    |
| Allocation   | -   | -   | -  | -  | -                    |
| (Gain) loss on sale of assets                        | -   | -   | -  | -  | -                    |
| (Gain) loss on investment in limited partnership     | -   | -   | -  | -  | 1                    |
| <b>Total expenses and losses</b>                     | 2,691   | 32,745  | 29,766   | 13,182   | 1,575                |
| <b>Excess (deficiency) of revenues over expenses</b> | (2,691)   | (32,745)  | (24,891)   | 3,129,381  | 10,608,120           |
| Net assets at beginning of year                      | (17,028)  | (22,421)  | 25,175   | -  | -                    |
| Other transfers to (from) net assets                 | -   | -   | -  | 8,014,695  | 3,142,352            |
| <b>Net assets at end of year</b>                     | <u>\$ (19,719)</u>                                    | <u>\$ (55,166)</u>                                      | <u>\$ 284</u>  | <u>\$ 11,144,076</u>                               | <u>\$ 13,750,472</u> |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing CalWest  
For the year ended December 31, 2011

|  | Mercy Housing<br>California 51, LP<br>(200 6th St/<br>Hugo Hotel) | Madonna Housing,<br>LLC | Mercy Housing<br>California 53, LP<br>(Madonna Residences) | Eliminations           | Consolidated<br>Mercy Housing<br>CalWest |
|--|---|-------------------------|--|------------------------|--|
| <b>Revenues</b>                                      |   |                         |  |                        |  |
| Rent - net of vacancies                              | \$ -  | \$ -                    | \$ 11,656  | \$ -                   | \$ 1,713,880                             |
| Developer fees                                       | -   | -                       | -  | -                      | -  |
| Services fees  | -   | -                       | -  | -                      | 4,875                                    |
| Philanthropy   | -   | -                       | -  | -                      | -  |
| Capital grants                                       | -   | -                       | -  | -                      | 14,287,891                               |
| Consulting   | -   | -                       | -  | -                      | -  |
| Interest   | -   | -                       | -  | -                      | 3,089                                    |
| Other  | -   | -                       | -  | -                      | 87,296                                   |
| <b>Total revenues</b>                                | -   | -                       | 11,656   | -                      | 16,097,031                               |
| <b>Expenses and losses</b>                           |   |                         |  |                        |  |
| Compensation   | -   | -                       | 11,998   | -                      | 919,709                                  |
| Administrative                                       | 24  | -                       | 12,065   | -                      | 1,309,072                                |
| Professional services                                | -   | -                       | 2,499  | -                      | 323,378                                  |
| Depreciation and amortization                        | -   | -                       | 7,331  | -                      | 3,189,601                                |
| Grants   | -   | -                       | -  | -                      | -  |
| Facility   | -   | -                       | 10,764   | -                      | 819,570                                  |
| Interest and fees                                    | -   | -                       | 9,095  | -                      | 904,538                                  |
| Bad debts  | -   | -                       | -  | -                      | 7,507                                    |
| Provision for impaired assets                        | -   | -                       | -  | -                      | -  |
| Project expenses                                     | -   | -                       | -  | -                      | -  |
| Allocation   | -   | -                       | -  | -                      | -  |
| (Gain) loss on sale of assets                        | -   | -                       | -  | -                      | -  |
| (Gain) loss on investment in limited partnership     | -   | 4                       | -  | 393,209                | -  |
| <b>Total expenses and losses</b>                     | 24  | 4                       | 53,752   | 393,209                | 7,473,375                                |
| <b>Excess (deficiency) of revenues over expenses</b> | (24)  | (4)                     | (42,096)   | (393,209)              | 8,623,656                                |
| Net assets at beginning of year                      | -   | -                       | -  | (2,787,675)            | 10,055,445                               |
| Other transfers to (from) net assets                 | -   | -                       | 228,134  | (6,860,595)            | 2,248,846                                |
| <b>Net assets at end of year</b>                     | <u>\$ (24)</u>  | <u>\$ (4)</u>           | <u>\$ 186,038</u>  | <u>\$ (10,041,479)</u> | <u>\$ 20,927,947</u>                     |



Consolidating Statement of Financial Position  
Mercy Properties California  
December 31, 2011

|  | Corporate<br>Operations | Foster<br>Youth   | The<br>Haven      | Leland<br>House     | Oscales<br>(McIntosh<br>Mobile Homes) | Richmond<br>Hills   | Sycamore<br>Center<br>(Red Bluff) |
|--|-------------------------|-------------------|-------------------|---------------------|---------------------------------------|---------------------|-----------------------------------|
| <b>Assets</b>  |                         |                   |                   |                     |                                       |                     |                                   |
| Current assets   |                         |                   |                   |                     |                                       |                     |                                   |
| Cash and cash equivalents                                    | \$ -                    | \$ 2,750          | \$ 32,979         | \$ 250,957          | \$ 57,337                             | \$ 6,353            | \$ 93,775                         |
| Cash, tenant security deposits                               | -                       | -                 | 11,587            | -                   | 23,813                                | -                   | 6,018                             |
| Cash, restricted   | -                       | -                 | -                 | -                   | 1,386                                 | -                   | -                                 |
| Investments  | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Investments, restricted                                      | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Accounts receivable, net                                     | -                       | -                 | 536               | 147,447             | 2,447                                 | -                   | -                                 |
| Due from affiliate, net                                      | 1,053,198               | -                 | -                 | -                   | -                                     | -                   | 262                               |
| Pledges receivable   | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Grants receivable  | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Current portion of notes and interest receivable             | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Current portion of notes and interest receivable, affiliates | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Prepaid expenses and other assets                            | -                       | 710               | 8,292             | -                   | 6,897                                 | 3,616               | 7,026                             |
| <b>Total current assets</b>                                  | <b>1,053,198</b>        | <b>3,460</b>      | <b>53,394</b>     | <b>398,404</b>      | <b>91,880</b>                         | <b>9,969</b>        | <b>107,081</b>                    |
| 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             | 105,508             | 11,660                                | 32,811              | 15,819                            |
| Predevelopment project costs                                 | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Construction in progress                                     | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Accumulated depreciation                                     | (45,819)                | (84,760)          | (256,365)         | (2,300,888)         | (1,577,612)                           | (1,224,470)         | (915,877)                         |
| <b>Net property and equipment</b>                            | <b>4,804,181</b>        | <b>201,105</b>    | <b>489,481</b>    | <b>2,660,342</b>    | <b>2,673,819</b>                      | <b>1,371,211</b>    | <b>1,709,346</b>                  |
| Other long-term assets                                       |                         |                   |                   |                     |                                       |                     |                                   |
| Restricted property reserves                                 | -                       | -                 | 75,253            | 98,291              | 99,228                                | 26,461              | 143,004                           |
| 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   | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| <b>Total other long-term assets</b>                          | <b>60,000</b>           | <b>-</b>          | <b>75,253</b>     | <b>98,291</b>       | <b>99,228</b>                         | <b>26,461</b>       | <b>143,004</b>                    |
| <b>Total assets</b>  | <b>\$ 5,917,379</b>     | <b>\$ 204,565</b> | <b>\$ 618,128</b> | <b>\$ 3,157,037</b> | <b>\$ 2,864,927</b>                   | <b>\$ 1,407,641</b> | <b>\$ 1,959,431</b>               |
| <b>Liabilities</b>   |                         |                   |                   |                     |                                       |                     |                                   |
| Current liabilities  |                         |                   |                   |                     |                                       |                     |                                   |
| Accounts payable and accrued expenses                        | \$ -                    | \$ 8,048          | \$ 26,077         | \$ 51,690           | \$ 24,399                             | \$ 2,122            | \$ 10,415                         |
| Due to affiliates  | -                       | -                 | 5,703             | -                   | -                                     | -                   | -                                 |
| Accrued interest   | -                       | -                 | -                 | 359,582             | 12,191                                | -                   | 2,260                             |
| Accrued interest, affiliates                                 | 185,000                 | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Current portion of notes payable                             | -                       | -                 | -                 | -                   | 33,970                                | -                   | 17,064                            |
| Current portion of notes payable, affiliates                 | -                       | -                 | -                 | -                   | -                                     | 133,674             | -                                 |
| Deferred revenue and other liabilities                       | -                       | -                 | 1,335             | -                   | 1,121                                 | -                   | -                                 |
| Tenant security deposits                                     | -                       | 41                | 11,583            | -                   | 23,276                                | 5,000               | 717                               |
| Miscellaneous current liabilities                            | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| <b>Total current liabilities</b>                             | <b>185,000</b>          | <b>8,089</b>      | <b>44,698</b>     | <b>411,272</b>      | <b>94,957</b>                         | <b>140,796</b>      | <b>30,456</b>                     |
| Long-term liabilities  |                         |                   |                   |                     |                                       |                     |                                   |
| Due to affiliates  | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Accrued interest   | 27,000                  | -                 | -                 | -                   | 444,336                               | -                   | -                                 |
| Accrued interest, affiliates - long-term                     | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Notes payable, less current portion                          | 963,959                 | 262,025           | -                 | 1,260,000           | 2,453,501                             | -                   | 543,190                           |
| Notes payable, less current portion, affiliates              | 3,563,212               | -                 | -                 | -                   | -                                     | -                   | -                                 |
| Deferred revenue and other liabilities                       | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| <b>Total long-term liabilities</b>                           | <b>4,554,171</b>        | <b>262,025</b>    | <b>-</b>          | <b>1,260,000</b>    | <b>2,897,837</b>                      | <b>-</b>            | <b>543,190</b>                    |
| <b>Total liabilities</b>                                     | <b>4,739,171</b>        | <b>270,114</b>    | <b>44,698</b>     | <b>1,671,272</b>    | <b>2,992,794</b>                      | <b>140,796</b>      | <b>573,646</b>                    |
| <b>Net assets</b>  |                         |                   |                   |                     |                                       |                     |                                   |
| Unrestricted net assets, controlling                         | 1,178,208               | (65,549)          | 285,329           | (1,107,489)         | (1,423,624)                           | (289,856)           | 1,385,785                         |
| Unrestricted net assets, noncontrolling                      | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| <b>Total unrestricted net assets</b>                         | <b>1,178,208</b>        | <b>(65,549)</b>   | <b>285,329</b>    | <b>(1,107,489)</b>  | <b>(1,423,624)</b>                    | <b>(289,856)</b>    | <b>1,385,785</b>                  |
| Temporarily restricted net assets                            | -                       | -                 | 288,101           | 2,593,254           | 1,295,757                             | 1,556,701           | -                                 |
| Permanently restricted net assets                            | -                       | -                 | -                 | -                   | -                                     | -                   | -                                 |
| <b>Total net assets</b>                                      | <b>1,178,208</b>        | <b>(65,549)</b>   | <b>573,430</b>    | <b>1,485,765</b>    | <b>(127,867)</b>                      | <b>1,266,845</b>    | <b>1,385,785</b>                  |
| <b>Total liabilities and net assets</b>                      | <b>\$ 5,917,379</b>     | <b>\$ 204,565</b> | <b>\$ 618,128</b> | <b>\$ 3,157,037</b> | <b>\$ 2,864,927</b>                   | <b>\$ 1,407,641</b> | <b>\$ 1,959,431</b>               |

Consolidating Statement of Financial Position  
Mercy Properties California  
December 31, 2011

|  | Sierra<br>Vista     | Walnut<br>Grove   | Santa<br>Monica Street | Mercy Oak<br>Forest LLC | Acacia<br>Meadows  | Eliminations | Mercy<br>Properties<br>California |
|--|---------------------|-------------------|------------------------|-------------------------|--------------------|--------------|-----------------------------------|
| <b>Assets</b>  |                     |                   |                        |                         |                    |              |                                   |
| Current assets   |                     |                   |                        |                         |                    |              |                                   |
| Cash and cash equivalents                                    | \$ -                | \$ -              | \$ -                   | \$ -                    | \$ -               | \$ -         | \$ 444,151                        |
| Cash, tenant security deposits                               | -                   | -                 | -                      | -                       | -                  | -            | 41,418                            |
| Cash, restricted   | 1,794               | 195,157           | 100                    | -                       | 11,634             | -            | 210,071                           |
| Investments  | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Investments, restricted                                      | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Accounts receivable, net                                     | -                   | -                 | -                      | -                       | -                  | -            | 150,430                           |
| Due from affiliate, net                                      | -                   | -                 | -                      | -                       | -                  | -            | 1,053,460                         |
| Pledges receivable   | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Grants receivable  | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Current portion of notes and interest receivable             | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Current portion of notes and interest receivable, affiliates | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Prepaid expenses and other assets                            | -                   | -                 | -                      | -                       | -                  | -            | 26,541                            |
| Total current assets   | 1,794               | 195,157           | 100                    | -                       | 11,634             | -            | 1,926,071                         |
| Property and equipment, net                                  |                     |                   |                        |                         |                    |              |                                   |
| Land and land improvements                                   | -                   | -                 | 482,530                | -                       | 214,975            | -            | 7,492,585                         |
| Buildings  | -                   | -                 | -                      | -                       | -                  | -            | 13,345,018                        |
| Furniture and equipment                                      | -                   | -                 | -                      | -                       | -                  | -            | 175,178                           |
| Predevelopment project costs                                 | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Construction in progress                                     | 2,093,875           | -                 | 689,112                | -                       | 310,288            | -            | 3,093,275                         |
| Accumulated depreciation                                     | -                   | -                 | -                      | -                       | -                  | -            | (6,405,791)                       |
| Net property and equipment                                   | 2,093,875           | -                 | 1,171,642              | -                       | 525,263            | -            | 17,700,265                        |
| Other long-term assets                                       |                     |                   |                        |                         |                    |              |                                   |
| Restricted property reserves                                 | -                   | -                 | -                      | -                       | -                  | -            | 442,237                           |
| 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             | -                 | 275                    | -                       | 72,607             | -            | 202,564                           |
| Total other long-term assets                                 | 579,682             | -                 | 275                    | -                       | 72,607             | -            | 1,154,801                         |
| <b>Total assets</b>  | <b>\$ 2,675,351</b> | <b>\$ 195,157</b> | <b>\$ 1,172,017</b>    | <b>\$ -</b>             | <b>\$ 609,504</b>  | <b>\$ -</b>  | <b>\$ 20,781,137</b>              |
| <b>Liabilities</b>   |                     |                   |                        |                         |                    |              |                                   |
| Current liabilities  |                     |                   |                        |                         |                    |              |                                   |
| Accounts payable and accrued expenses                        | \$ -                | \$ -              | \$ -                   | \$ -                    | \$ -               | \$ -         | \$ 122,751                        |
| Due to affiliates  | 1,704,840           | 1,855             | 2,733                  | -                       | 765,036            | -            | 2,480,167                         |
| Accrued interest   | 50,912              | 7,617             | -                      | -                       | 5,303              | -            | 437,865                           |
| Accrued interest, affiliates                                 | -                   | -                 | -                      | -                       | -                  | -            | 185,000                           |
| Current portion of notes payable                             | -                   | -                 | -                      | -                       | -                  | -            | 51,034                            |
| Current portion of notes payable, affiliates                 | 48,998              | -                 | 5,377                  | -                       | 788,225            | -            | 976,274                           |
| Deferred revenue and other liabilities                       | -                   | -                 | -                      | -                       | -                  | -            | 2,456                             |
| Tenant security deposits                                     | -                   | -                 | -                      | -                       | -                  | -            | 40,617                            |
| Miscellaneous current liabilities                            | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Total current liabilities                                    | 1,804,750           | 9,472             | 8,110                  | -                       | 1,558,564          | -            | 4,296,164                         |
| Long-term liabilities  |                     |                   |                        |                         |                    |              |                                   |
| Due to affiliates  | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Accrued interest   | -                   | -                 | -                      | -                       | -                  | -            | 471,336                           |
| Accrued interest, affiliates - long-term                     | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Notes payable, less current portion                          | 3,408,347           | 395,815           | 952,068                | -                       | 275,464            | -            | 10,514,369                        |
| Notes payable, less current portion, affiliates              | -                   | -                 | -                      | -                       | -                  | -            | 3,563,212                         |
| Deferred revenue and other liabilities                       | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Total long-term liabilities                                  | 3,408,347           | 395,815           | 952,068                | -                       | 275,464            | -            | 14,548,917                        |
| <b>Total liabilities</b>                                     | <b>5,213,097</b>    | <b>405,287</b>    | <b>960,178</b>         | <b>-</b>                | <b>1,834,028</b>   | <b>-</b>     | <b>18,845,081</b>                 |
| <b>Net assets</b>  |                     |                   |                        |                         |                    |              |                                   |
| Unrestricted net assets, controlling                         | (2,537,746)         | (210,130)         | 211,839                | -                       | (1,224,524)        | -            | (3,797,757)                       |
| Unrestricted net assets, noncontrolling                      | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| Total unrestricted net assets                                | (2,537,746)         | (210,130)         | 211,839                | -                       | (1,224,524)        | -            | (3,797,757)                       |
| Temporarily restricted net assets                            | -                   | -                 | -                      | -                       | -                  | -            | 5,733,813                         |
| Permanently restricted net assets                            | -                   | -                 | -                      | -                       | -                  | -            | -                                 |
| <b>Total net assets</b>                                      | <b>(2,537,746)</b>  | <b>(210,130)</b>  | <b>211,839</b>         | <b>-</b>                | <b>(1,224,524)</b> | <b>-</b>     | <b>1,936,056</b>                  |
| <b>Total liabilities and net assets</b>                      | <b>\$ 2,675,351</b> | <b>\$ 195,157</b> | <b>\$ 1,172,017</b>    | <b>\$ -</b>             | <b>\$ 609,504</b>  | <b>\$ -</b>  | <b>\$ 20,781,137</b>              |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties California  
For the year ended December 31, 2011

|  | Corporate<br>Operations | Foster<br>Youth    | The<br>Haven      | Leland<br>House     | Osacales<br>(McIntosh<br>Mobile Homes) | Richmond<br>Hills   | Sycamore<br>Center<br>(Red Bluff) |
|--|-------------------------|--------------------|-------------------|---------------------|--|---------------------|-----------------------------------|
| <b>Revenues</b>                                      |                         |                    |                   |                     |  |                     |                                   |
| Rent - net of vacancies                              | \$ 167,019              | \$ 14,300          | \$ 144,272        | \$ 20,577           | \$ 339,379                             | \$ 30,051           | \$ 120,327                        |
| Developer fees                                       | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Services fees  | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Philanthropy   | -                       | -                  | -                 | 158,340             | -                                      | -                   | -                                 |
| Capital grants                                       | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Consulting   | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Interest   | -                       | 4                  | 78                | 351                 | 90                                     | 2,743               | 123                               |
| Other  | -                       | -                  | 889               | -                   | 4,740                                  | -                   | 28,392                            |
| <b>Total revenues</b>                                | <u>167,019</u>          | <u>14,304</u>      | <u>145,239</u>    | <u>179,268</u>      | <u>344,209</u>                         | <u>32,794</u>       | <u>148,842</u>                    |
| <b>Expenses and losses</b>                           |                         |                    |                   |                     |  |                     |                                   |
| Compensation   | -                       | 90                 | 74,863            | -                   | 74,605                                 | -                   | 8,848                             |
| Administrative                                       | -                       | 10,084             | 9,324             | 12,905              | 27,721                                 | 678                 | 6,597                             |
| Professional services                                | -                       | 3,000              | 3,076             | 15,735              | 9,226                                  | 2,499               | 2,865                             |
| Depreciation and amortization                        | 15,273                  | 8,940              | 23,858            | 154,234             | 143,265                                | 59,328              | 96,639                            |
| Grants   | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Facility   | -                       | 3,905              | 45,286            | 30,333              | 76,540                                 | 13,463              | 58,223                            |
| Interest and fees                                    | 185,000                 | 10                 | 1                 | 37,800              | 135,541                                | 10,827              | 26,968                            |
| Bad debts  | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Provision for impaired assets                        | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Project expenses                                     | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| Allocation   | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| (Gain) loss on sale of assets                        | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| (Gain) loss on investment in limited partnership     | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| <b>Total expenses and losses</b>                     | <u>200,273</u>          | <u>26,029</u>      | <u>156,408</u>    | <u>251,007</u>      | <u>466,898</u>                         | <u>86,795</u>       | <u>200,140</u>                    |
| <b>Excess (deficiency) of revenues over expenses</b> | (33,254)                | (11,725)           | (11,169)          | (71,739)            | (122,689)                              | (54,001)            | (51,298)                          |
| Net assets at beginning of year                      | 1,211,462               | (53,824)           | 584,599           | 1,557,504           | (5,178)                                | 1,320,846           | 1,437,083                         |
| Other transfers to (from) net assets                 | -                       | -                  | -                 | -                   | -                                      | -                   | -                                 |
| <b>Net assets at end of year</b>                     | <u>\$ 1,178,208</u>     | <u>\$ (65,549)</u> | <u>\$ 573,430</u> | <u>\$ 1,485,765</u> | <u>\$ (127,867)</u>                    | <u>\$ 1,266,845</u> | <u>\$ 1,385,785</u>               |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties California  
For the year ended December 31, 2011

|  | Sierra<br>Vista       | Walnut<br>Grove     | Santa<br>Monica Street | Mercy Oak<br>Forest LLC | Acacia<br>Meadows     | Eliminations | Mercy<br>Properties<br>California |
|--|-----------------------|---------------------|------------------------|-------------------------|-----------------------|--------------|-----------------------------------|
| <b>Revenues</b>                                      |                       |                     |                        |                         |                       |              |                                   |
| Rent - net of vacancies                              | \$ -                  | \$ -                | \$ -                   | \$ -                    | \$ -                  | \$ -         | \$ 835,925                        |
| Developer fees                                       | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Services fees  | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Philanthropy   | -                     | -                   | -                      | -                       | -                     | -            | 158,340                           |
| Capital grants                                       | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Consulting   | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Interest   | -                     | -                   | -                      | 8                       | -                     | -            | 3,397                             |
| Other  | 315,416               | 188,879             | -                      | 146                     | 34,639                | -            | 573,101                           |
| <b>Total revenues</b>                                | <u>315,416</u>        | <u>188,879</u>      | <u>-</u>               | <u>154</u>              | <u>34,639</u>         | <u>-</u>     | <u>1,570,763</u>                  |
| <b>Expenses and losses</b>                           |                       |                     |                        |                         |                       |              |                                   |
| Compensation   | -                     | -                   | -                      | -                       | -                     | -            | 158,406                           |
| Administrative                                       | -                     | -                   | -                      | -                       | -                     | -            | 67,309                            |
| Professional services                                | 2,726                 | 2,723               | 2,726                  | -                       | 2,726                 | -            | 47,302                            |
| Depreciation and amortization                        | -                     | -                   | -                      | -                       | -                     | -            | 501,537                           |
| Grants   | -                     | -                   | -                      | 76,097                  | -                     | -            | 76,097                            |
| Facility   | -                     | -                   | -                      | -                       | -                     | -            | 227,750                           |
| Interest and fees                                    | -                     | 1,009               | -                      | -                       | -                     | -            | 397,156                           |
| Bad debts  | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Provision for impaired assets                        | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Project expenses                                     | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Allocation   | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| (Gain) loss on sale of assets                        | -                     | 43,486              | -                      | (34,050)                | -                     | -            | 9,436                             |
| (Gain) loss on investment in limited partnership     | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| <b>Total expenses and losses</b>                     | <u>2,726</u>          | <u>47,218</u>       | <u>2,726</u>           | <u>42,047</u>           | <u>2,726</u>          | <u>-</u>     | <u>1,484,993</u>                  |
| <b>Excess (deficiency) of revenues over expenses</b> | 312,690               | 141,661             | (2,726)                | (41,893)                | 31,913                | -            | 85,770                            |
| Net assets at beginning of year                      | (2,850,436)           | (351,791)           | 214,565                | 41,893                  | (1,256,437)           | -            | 1,850,286                         |
| Other transfers to (from) net assets                 | -                     | -                   | -                      | -                       | -                     | -            | -                                 |
| Net assets at end of year                            | <u>\$ (2,537,746)</u> | <u>\$ (210,130)</u> | <u>\$ 211,839</u>      | <u>\$ -</u>             | <u>\$ (1,224,524)</u> | <u>\$ -</u>  | <u>\$ 1,936,056</u>               |

Consolidating Statement of Financial Position  
Mercy Housing Northwest - Idaho, Inc.  
December 31, 2011

**Assets**

|  | Mercy<br>Housing<br>Northwest-Idaho,<br>Inc. | Eagle Senior<br>Village | Mercy<br>Southeast<br>Idaho, Inc.<br>(Hamilton Court) | Mercy<br>Moscow<br>Inc.<br>(Hawthorne) | Independence<br>Hill |
|--|--|-------------------------|---|--|----------------------|
| <b>Current assets</b>  |  |                         |   |  |                      |
| Cash and cash equivalents                                    | \$ 1,768                                     | \$ 3,640                | \$ 32,452   | \$ 8,402                               | \$ 1,989             |
| Cash, tenant security deposits                               | -  | 5,532                   | 9,763   | 16,699                                 | 3,153                |
| Cash, restricted   | 118,123                                      | 6,959                   | -   | -                                      | 5,200                |
| Investments  | -  | -                       | -   | -                                      | -                    |
| Investments, restricted                                      | -  | -                       | -   | -                                      | -                    |
| Accounts receivable, net                                     | 31,546                                       | 336                     | 2,566   | 23                                     | -                    |
| Due from affiliate, net                                      | 1,153,108                                    | -                       | 41  | -                                      | -                    |
| Pledges receivable   | 146  | -                       | -   | -                                      | -                    |
| Grants receivable  | 150,000                                      | -                       | -   | -                                      | -                    |
| Current portion of notes and interest receivable             | -  | -                       | -   | -                                      | -                    |
| Current portion of notes and interest receivable, affiliates | 31,539                                       | -                       | -   | -                                      | -                    |
| Prepaid expenses and other assets                            | 4,973  | 3,256                   | 6,202   | 10,204                                 | 2,789                |
| Inventory  | -  | -                       | -   | -                                      | -                    |
| <b>Total current assets</b>                                  | <b>1,491,203</b>                             | <b>19,723</b>           | <b>51,024</b>   | <b>35,328</b>                          | <b>13,131</b>        |
| <b>Property and equipment</b>                                |  |                         |   |  |                      |
| 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                                      | 27,074                                       | 12,033                  | 60,920  | 121,326                                | 7,610                |
| Predevelopment project costs                                 | 22,638                                       | -                       | -   | -                                      | -                    |
| Construction in progress                                     | -  | -                       | -   | -                                      | -                    |
| Accumulated depreciation                                     | (26,765)                                     | (402,047)               | (578,854)   | (1,005,391)                            | (314,607)            |
| <b>Net property and equipment</b>                            | <b>329,104</b>                               | <b>1,075,495</b>        | <b>549,362</b>  | <b>1,037,644</b>                       | <b>1,136,811</b>     |
| <b>Other long-term assets</b>                                |  |                         |   |  |                      |
| Restricted property reserves                                 | -  | 117,722                 | 90,792  | 158,144                                | 40,207               |
| 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                           | 162,049                                      | -                       | -   | -                                      | -                    |
| Notes and interest receivable, affiliates                    | 713,361                                      | -                       | -   | -                                      | -                    |
| Allowance for impaired assets                                | -  | -                       | -   | -                                      | -                    |
| Other assets   | -  | -                       | -   | -                                      | -                    |
| <b>Total other long-term assets</b>                          | <b>875,410</b>                               | <b>117,722</b>          | <b>90,792</b>   | <b>158,144</b>                         | <b>40,207</b>        |
| <b>Total assets</b>  | <b>\$ 2,695,717</b>                          | <b>\$ 1,212,940</b>     | <b>\$ 691,178</b>                                     | <b>\$ 1,231,116</b>                    | <b>\$ 1,190,149</b>  |
| <b>Liabilities</b>   |  |                         |   |  |                      |
| <b>Current liabilities</b>                                   |  |                         |   |  |                      |
| Accounts payable and accrued expenses                        | \$ 42,604                                    | \$ 16,850               | \$ 32,486   | \$ 38,288                              | \$ 17,435            |
| Due to affiliates  | 1,737,341                                    | 2,461                   | 19,264  | -                                      | 1,833                |
| Accrued interest   | -  | -                       | 573   | 183                                    | -                    |
| Accrued interest, affiliates                                 | -  | -                       | -   | -                                      | -                    |
| Current portion of notes payable                             | -  | -                       | 1,919   | 25,883                                 | -                    |
| Current portion of notes payable, affiliates                 | 26,677                                       | -                       | -   | -                                      | -                    |
| Deferred revenue and other liabilities                       | -  | 52                      | 1,297   | 1,902                                  | 168                  |
| Tenant security deposits                                     | -  | 5,300                   | 9,467   | 15,093                                 | 3,153                |
| Miscellaneous current liabilities                            | -  | -                       | -   | -                                      | -                    |
| <b>Total current liabilities</b>                             | <b>1,806,622</b>                             | <b>24,663</b>           | <b>65,006</b>   | <b>81,349</b>                          | <b>22,589</b>        |
| <b>Long-term liabilities</b>                                 |  |                         |   |  |                      |
| Due to affiliates  | -  | -                       | -   | -                                      | -                    |
| Accrued interest   | -  | -                       | 47,361  | -                                      | -                    |
| Accrued interest, affiliates                                 | -  | -                       | -   | -                                      | -                    |
| Notes payable, less current portion                          | -  | 260,000                 | 783,921   | -                                      | -                    |
| Notes payable, less current portion, affiliates              | -  | -                       | -   | -                                      | -                    |
| Deferred revenue and other liabilities                       | -  | -                       | -   | -                                      | -                    |
| <b>Total long-term liabilities</b>                           | <b>-</b>                                     | <b>260,000</b>          | <b>831,282</b>  | <b>-</b>                               | <b>-</b>             |
| <b>Total liabilities</b>                                     | <b>1,806,622</b>                             | <b>284,663</b>          | <b>896,288</b>  | <b>81,349</b>                          | <b>22,589</b>        |
| <b>Net assets</b>  |  |                         |   |  |                      |
| Unrestricted net assets, controlling                         | 208,884                                      | (118,843)               | (205,110)   | 1,149,767                              | (90,606)             |
| Unrestricted net assets, noncontrolling                      | -  | -                       | -   | -                                      | -                    |
| <b>Total unrestricted net assets</b>                         | <b>208,884</b>                               | <b>(118,843)</b>        | <b>(205,110)</b>                                      | <b>1,149,767</b>                       | <b>(90,606)</b>      |
| Temporarily restricted net assets                            | 680,211                                      | 1,047,120               | -   | -                                      | 1,258,166            |
| Permanently restricted net assets                            | -  | -                       | -   | -                                      | -                    |
| <b>Total net assets</b>                                      | <b>889,095</b>                               | <b>928,277</b>          | <b>(205,110)</b>                                      | <b>1,149,767</b>                       | <b>1,167,560</b>     |
| <b>Total liabilities and net assets</b>                      | <b>\$ 2,695,717</b>                          | <b>\$ 1,212,940</b>     | <b>\$ 691,178</b>                                     | <b>\$ 1,231,116</b>                    | <b>\$ 1,190,149</b>  |

Consolidating Statement of Financial Position  
Mercy Housing Northwest - Idaho, Inc.  
December 31, 2011

**Assets**

|  | Mercy<br>Twin Falls, Inc.<br>(Willswood) | Mercy<br>Housing<br>Idaho NSP, LLC | Boise Senior<br>202 Owner, LP<br>(12th Street Senior) | Boise Senior<br>202 GP, LLC | MHNW-ID GP, LLC   |
|--|--|------------------------------------|---|-----------------------------|-------------------|
| <b>Current assets</b>  |  |                                    |   |                             |                   |
| Cash and cash equivalents                                    | \$ 11,867                                | \$ 84,553                          | \$ 4,562  | \$ -                        | \$ -              |
| Cash, tenant security deposits                               | 9,136                                    | -                                  | -   | -                           | -                 |
| Cash, restricted   | -  | 1,000                              | 64,641  | -                           | -                 |
| Investments  | -  | -                                  | -   | -                           | -                 |
| Investments, restricted                                      | -  | -                                  | -   | -                           | -                 |
| Accounts receivable, net                                     | 5,334                                    | -                                  | -   | -                           | -                 |
| Due from affiliate, net                                      | -  | -                                  | -   | -                           | 119,554           |
| Pledges receivable   | -  | -                                  | -   | -                           | -                 |
| Grants receivable  | -  | -                                  | -   | 1,953,179                   | -                 |
| Current portion of notes and interest receivable             | -  | -                                  | -   | -                           | -                 |
| Current portion of notes and interest receivable, affiliates | -  | -                                  | -   | -                           | -                 |
| Prepaid expenses and other assets                            | 4,868                                    | -                                  | -   | -                           | -                 |
| Inventory  | -  | 857,401                            | -   | -                           | -                 |
| <b>Total current assets</b>                                  | <b>31,205</b>                            | <b>942,954</b>                     | <b>69,203</b>   | <b>1,953,179</b>            | <b>119,554</b>    |
| <b>Property and equipment</b>                                |  |                                    |   |                             |                   |
| Land and land improvements                                   | 80,800                                   | -                                  | 600,000   | -                           | -                 |
| Buildings  | 1,067,039                                | -                                  | -   | -                           | -                 |
| Furniture and equipment                                      | 71,034                                   | -                                  | -   | -                           | -                 |
| Predevelopment project costs                                 | -  | -                                  | -   | -                           | -                 |
| Construction in progress                                     | -  | -                                  | 4,218,278   | -                           | -                 |
| Accumulated depreciation                                     | (534,639)                                | -                                  | -   | -                           | -                 |
| <b>Net property and equipment</b>                            | <b>684,234</b>                           | <b>-</b>                           | <b>4,818,278</b>                                      | <b>-</b>                    | <b>-</b>          |
| <b>Other long-term assets</b>                                |  |                                    |   |                             |                   |
| Restricted property reserves                                 | 166,441                                  | -                                  | -   | -                           | -                 |
| Cash, restricted   | -  | -                                  | -   | -                           | -                 |
| Long-term investments  | -  | -                                  | -   | -                           | -                 |
| Long-term investments, restricted                            | -  | -                                  | -   | -                           | -                 |
| Due from affiliates  | -  | -                                  | -   | -                           | -                 |
| Pledges receivable, net                                      | -  | -                                  | -   | -                           | -                 |
| Grants receivable  | -  | -                                  | -   | -                           | -                 |
| Investments in limited partnerships                          | -  | -                                  | -   | 705                         | 45,778            |
| Notes and interest receivable, net                           | -  | -                                  | -   | -                           | -                 |
| Notes and interest receivable, affiliates                    | -  | -                                  | -   | -                           | -                 |
| Allowance for impaired assets                                | -  | -                                  | -   | -                           | -                 |
| Other assets   | -  | -                                  | 179,313   | -                           | -                 |
| <b>Total other long-term assets</b>                          | <b>166,441</b>                           | <b>-</b>                           | <b>179,313</b>  | <b>705</b>                  | <b>45,778</b>     |
| <b>Total assets</b>  | <b>\$ 881,880</b>                        | <b>\$ 942,954</b>                  | <b>\$ 5,066,794</b>                                   | <b>\$ 1,953,884</b>         | <b>\$ 165,332</b> |
| <b>Liabilities</b>   |  |                                    |   |                             |                   |
| <b>Current liabilities</b>                                   |  |                                    |   |                             |                   |
| Accounts payable and accrued expenses                        | \$ 44,081                                | \$ 88,580                          | \$ 871,351  | \$ -                        | \$ -              |
| Due to affiliates  | -  | 24,197                             | 272,744   | 311                         | -                 |
| Accrued interest   | 361                                      | -                                  | 3,617   | -                           | -                 |
| Accrued interest, affiliates                                 | -  | -                                  | -   | -                           | -                 |
| Current portion of notes payable                             | 29,852                                   | 757,464                            | -   | -                           | -                 |
| Current portion of notes payable, affiliates                 | -  | 32,012                             | 27  | -                           | -                 |
| Deferred revenue and other liabilities                       | 1,229                                    | -                                  | -   | -                           | -                 |
| Tenant security deposits                                     | 8,217                                    | -                                  | -   | -                           | -                 |
| Miscellaneous current liabilities                            | -  | -                                  | -   | -                           | -                 |
| <b>Total current liabilities</b>                             | <b>83,740</b>                            | <b>902,253</b>                     | <b>1,147,739</b>                                      | <b>311</b>                  | <b>-</b>          |
| <b>Long-term liabilities</b>                                 |  |                                    |   |                             |                   |
| Due to affiliates  | -  | -                                  | -   | -                           | -                 |
| Accrued interest   | 10,753                                   | -                                  | -   | -                           | -                 |
| Accrued interest, affiliates                                 | -  | -                                  | -   | -                           | -                 |
| Notes payable, less current portion                          | 593,059                                  | -                                  | 894,942   | -                           | -                 |
| Notes payable, less current portion, affiliates              | -  | -                                  | 2,344,521   | -                           | -                 |
| Deferred revenue and other liabilities                       | -  | 40,785                             | -   | -                           | -                 |
| <b>Total long-term liabilities</b>                           | <b>603,812</b>                           | <b>40,785</b>                      | <b>3,239,463</b>                                      | <b>-</b>                    | <b>-</b>          |
| <b>Total liabilities</b>                                     | <b>687,552</b>                           | <b>943,038</b>                     | <b>4,387,202</b>                                      | <b>311</b>                  | <b>-</b>          |
| <b>Net assets</b>  |  |                                    |   |                             |                   |
| Unrestricted net assets, controlling                         | 194,328                                  | (84)                               | 679,592   | (2,344,127)                 | 165,332           |
| Unrestricted net assets, noncontrolling                      | -  | -                                  | -   | -                           | -                 |
| <b>Total unrestricted net assets</b>                         | <b>194,328</b>                           | <b>(84)</b>                        | <b>679,592</b>  | <b>(2,344,127)</b>          | <b>165,332</b>    |
| Temporarily restricted net assets                            | -  | -                                  | -   | 4,297,700                   | -                 |
| Permanently restricted net assets                            | -  | -                                  | -   | -                           | -                 |
| <b>Total net assets</b>                                      | <b>194,328</b>                           | <b>(84)</b>                        | <b>679,592</b>  | <b>1,953,573</b>            | <b>165,332</b>    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 881,880</b>                        | <b>\$ 942,954</b>                  | <b>\$ 5,066,794</b>                                   | <b>\$ 1,953,884</b>         | <b>\$ 165,332</b> |

Consolidating Statement of Financial Position  
Mercy Housing Northwest - Idaho, Inc.  
December 31, 2011

|  | MHNW-ID, LLC          | Mercy Housing<br>Idaho II<br>(Comstock<br>Apartments) | Mercy Housing<br>Idaho I<br>(Northside Nampa) | Eliminations        | Consolidated<br>Mercy Housing<br>Northwest-Idaho,<br>Inc. |
|--|-----------------------|---|---|---------------------|---|
| <b>Assets</b>  |                       |   |   |                     |   |
| <b>Current assets</b>  |                       |   |   |                     |   |
| Cash and cash equivalents                                    | \$ -                  | \$ 17,475   | \$ -  | \$ -                | \$ 166,708  |
| Cash, tenant security deposits                               | -                     | 7,101   | -   | -                   | 51,384  |
| Cash, restricted   | -                     | 88,711  | -   | -                   | 284,634   |
| Investments  | -                     | -   | -   | -                   | -   |
| Investments, restricted                                      | -                     | -   | -   | -                   | -   |
| Accounts receivable, net                                     | -                     | 12  | -   | (4,919)             | 34,898  |
| Due from affiliate, net                                      | -                     | -   | -   | (439,518)           | 833,185   |
| Pledges receivable   | -                     | -   | -   | -                   | 146   |
| Grants receivable  | -                     | -   | -   | -                   | 2,103,179   |
| Current portion of notes and interest receivable             | -                     | -   | -   | -                   | -   |
| Current portion of notes and interest receivable, affiliates | -                     | -   | -   | (11,539)            | 20,000  |
| Prepaid expenses and other assets                            | -                     | 6,733   | -   | -                   | 39,025  |
| Inventory  | -                     | -   | -   | -                   | 857,401   |
| <b>Total current assets</b>                                  | <b>-</b>              | <b>120,032</b>  | <b>-</b>                                      | <b>(455,976)</b>    | <b>4,390,560</b>  |
| <b>Property and equipment</b>                                |                       |   |   |                     |   |
| Land and land improvements                                   | -                     | 103,800   | -   | -                   | 1,460,435   |
| Buildings  | -                     | 1,088,748   | -   | (162,262)           | 7,522,169   |
| Furniture and equipment                                      | -                     | 46,359  | -   | -                   | 346,356   |
| Predevelopment project costs                                 | -                     | -   | -   | -                   | 22,638  |
| Construction in progress                                     | -                     | -   | -   | -                   | 4,218,278   |
| Accumulated depreciation                                     | -                     | (807,753)   | -   | 62,159              | (3,607,897)   |
| <b>Net property and equipment</b>                            | <b>-</b>              | <b>431,154</b>  | <b>-</b>                                      | <b>(100,103)</b>    | <b>9,961,979</b>  |
| <b>Other long-term assets</b>                                |                       |   |   |                     |   |
| Restricted property reserves                                 | -                     | 1,523   | -   | -                   | 574,829   |
| Cash, restricted   | -                     | -   | -   | -                   | -   |
| Long-term investments  | -                     | -   | -   | -                   | -   |
| Long-term investments, restricted                            | -                     | -   | -   | -                   | -   |
| Due from affiliates  | -                     | -   | -   | -                   | -   |
| Pledges receivable, net                                      | -                     | -   | -   | -                   | -   |
| Grants receivable  | -                     | -   | -   | -                   | -   |
| Investments in limited partnerships                          | (1,691,095)           | -   | -   | 1,644,612           | -   |
| Notes and interest receivable, net                           | -                     | -   | -   | -                   | 162,049   |
| Notes and interest receivable, affiliates                    | -                     | -   | -   | (60,353)            | 653,008   |
| Allowance for impaired assets                                | -                     | -   | -   | -                   | -   |
| Other assets   | -                     | -   | -   | -                   | 179,313   |
| <b>Total other long-term assets</b>                          | <b>(1,691,095)</b>    | <b>1,523</b>  | <b>-</b>                                      | <b>1,584,259</b>    | <b>1,569,199</b>  |
| <b>Total assets</b>  | <b>\$ (1,691,095)</b> | <b>\$ 552,709</b>                                     | <b>\$ -</b>                                   | <b>\$ 1,028,180</b> | <b>\$ 15,921,738</b>                                      |
| <b>Liabilities</b>   |                       |   |   |                     |   |
| <b>Current liabilities</b>                                   |                       |   |   |                     |   |
| Accounts payable and accrued expenses                        | \$ -                  | \$ 31,042   | \$ -  | \$ (8,054)          | \$ 1,174,663  |
| Due to affiliates  | -                     | 88,809  | -   | (480,443)           | 1,666,517   |
| Accrued interest   | -                     | -   | -   | -                   | 4,734   |
| Accrued interest, affiliates                                 | -                     | 191,922   | -   | (190,020)           | 1,902   |
| Current portion of notes payable                             | -                     | -   | -   | -                   | 815,118   |
| Current portion of notes payable, affiliates                 | -                     | 72,866  | -   | (92,392)            | 39,190  |
| Deferred revenue and other liabilities                       | -                     | 1,099   | -   | -                   | 5,747   |
| Tenant security deposits                                     | -                     | 6,450   | -   | -                   | 47,680  |
| Miscellaneous current liabilities                            | -                     | -   | -   | -                   | -   |
| <b>Total current liabilities</b>                             | <b>-</b>              | <b>392,188</b>  | <b>-</b>                                      | <b>(770,909)</b>    | <b>3,755,551</b>  |
| <b>Long-term liabilities</b>                                 |                       |   |   |                     |   |
| Due to affiliates  | -                     | -   | -   | -                   | -   |
| Accrued interest   | -                     | -   | -   | -                   | 58,114  |
| Accrued interest, affiliates                                 | -                     | -   | -   | -                   | -   |
| Notes payable, less current portion                          | -                     | -   | -   | -                   | 2,531,922   |
| Notes payable, less current portion, affiliates              | -                     | 639,487   | -   | (2,344,521)         | 639,487   |
| Deferred revenue and other liabilities                       | -                     | -   | -   | -                   | 40,785  |
| <b>Total long-term liabilities</b>                           | <b>-</b>              | <b>639,487</b>  | <b>-</b>                                      | <b>(2,344,521)</b>  | <b>3,270,308</b>  |
| <b>Total liabilities</b>                                     | <b>-</b>              | <b>1,031,675</b>                                      | <b>-</b>                                      | <b>(3,115,430)</b>  | <b>7,025,859</b>  |
| <b>Net assets</b>  |                       |   |   |                     |   |
| Unrestricted net assets, controlling                         | (1,691,095)           | (478,966)   | -   | 4,143,610           | 1,612,682   |
| Unrestricted net assets, noncontrolling                      | -                     | -   | -   | -                   | -   |
| <b>Total unrestricted net assets</b>                         | <b>(1,691,095)</b>    | <b>(478,966)</b>                                      | <b>-</b>                                      | <b>4,143,610</b>    | <b>1,612,682</b>  |
| Temporarily restricted net assets                            | -                     | -   | -   | -                   | 7,283,197   |
| Permanently restricted net assets                            | -                     | -   | -   | -                   | -   |
| <b>Total net assets</b>                                      | <b>(1,691,095)</b>    | <b>(478,966)</b>                                      | <b>-</b>                                      | <b>4,143,610</b>    | <b>8,895,879</b>  |
| <b>Total liabilities and net assets</b>                      | <b>\$ (1,691,095)</b> | <b>\$ 552,709</b>                                     | <b>\$ -</b>                                   | <b>\$ 1,028,180</b> | <b>\$ 15,921,738</b>                                      |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Northwest - Idaho, Inc.  
For the year ended December 31, 2011

|  | Mercy<br>Housing<br>Northwest-Idaho,<br>Inc. | Eagle Senior<br>Village | Mercy<br>Southeast<br>Idaho, Inc.<br>(Hamilton Court) | Mercy<br>Moscow<br>Inc.<br>(Hawthorne) | Independence<br>Hill |
|--|--|-------------------------|---|--|----------------------|
| <b>Revenues</b>                                      |  |                         |   |  |                      |
| Rent - net of vacancies                              | \$ -   | \$ 85,205               | \$ 206,921  | \$ 280,828                             | \$ 80,919            |
| Developer fees                                       | 422,726                                      | -                       | -   | -                                      | -                    |
| Services fees  | 74,089                                       | -                       | -   | -                                      | -                    |
| Philanthropy   | 253,556                                      | -                       | -   | -                                      | -                    |
| Capital grants                                       | -  | -                       | -   | -                                      | -                    |
| Consulting   | 36,995                                       | -                       | -   | -                                      | -                    |
| Interest   | 56,546                                       | 62                      | 66  | 41,853                                 | 18                   |
| Other  | 8,345  | 800                     | 5,095   | 5,506                                  | 741                  |
| <b>Total revenues</b>                                | <u>852,257</u>                               | <u>86,067</u>           | <u>212,082</u>  | <u>328,187</u>                         | <u>81,678</u>        |
| <b>Expenses and losses</b>                           |  |                         |   |  |                      |
| Compensation   | 317,519                                      | 25,382                  | 56,350  | 85,491                                 | 27,816               |
| Administrative                                       | 61,591                                       | 16,805                  | 25,663  | 55,131                                 | 11,187               |
| Professional services                                | 243,856                                      | 10,028                  | 17,148  | 37,269                                 | 10,061               |
| Depreciation and amortization                        | 785  | 48,842                  | 41,031  | 64,882                                 | 53,939               |
| Grants   | 8,618  | -                       | -   | -                                      | -                    |
| Facility   | 9,934  | 34,827                  | 83,499  | 77,777                                 | 38,096               |
| Interest and fees                                    | 66,563                                       | 40                      | 12,247  | 4,174                                  | -                    |
| Bad debts  | 36,861                                       | -                       | 1,153   | -                                      | -                    |
| Provision for impaired assets                        | 67,369                                       | -                       | -   | -                                      | -                    |
| Project expenses                                     | 4,554  | -                       | -   | -                                      | -                    |
| Allocation   | 250,044                                      | -                       | -   | -                                      | -                    |
| (Gain) loss on sale of assets                        | -  | -                       | -   | -                                      | -                    |
| (Gain) loss on investment in limited partnership     | -  | -                       | -   | -                                      | -                    |
| <b>Total expenses and losses</b>                     | <u>1,067,694</u>                             | <u>135,924</u>          | <u>237,091</u>  | <u>324,724</u>                         | <u>141,099</u>       |
| <b>Excess (deficiency) of revenues over expenses</b> | (215,437)                                    | (49,857)                | (25,009)  | 3,463                                  | (59,421)             |
| Net assets at beginning of year                      | 1,104,532                                    | 978,134                 | (180,101)   | 1,146,304                              | 1,226,981            |
| Other transfers to (from) net assets                 | -  | -                       | -   | -                                      | -                    |
| <b>Net assets at end of year</b>                     | <u>\$ 889,095</u>                            | <u>\$ 928,277</u>       | <u>\$ (205,110)</u>                                   | <u>\$ 1,149,767</u>                    | <u>\$ 1,167,560</u>  |



Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Northwest - Idaho, Inc.  
For the year ended December 31, 2011

|  | Mercy<br>Twin Falls, Inc.<br>(Williswood) | Mercy<br>Housing<br>Idaho NSP, LLC | Boise Senior<br>202 Owner, LP<br>(12th Street Senior) | Boise Senior<br>202 GP, LLC | MHNP-ID GP LLC    |
|--|---|------------------------------------|---|-----------------------------|-------------------|
| <b>Revenues</b>                                      |   |                                    |   |                             |                   |
| Rent - net of vacancies                              | \$ 175,517                                | \$ -                               | \$ -  | \$ -                        | \$ -              |
| Developer fees                                       | -   | -                                  | -   | -                           | -                 |
| Services fees  | -   | -                                  | -   | -                           | -                 |
| Philanthropy   | -   | -                                  | -   | -                           | -                 |
| Capital grants                                       | -   | -                                  | -   | 4,297,700                   | -                 |
| Consulting   | -   | -                                  | -   | -                           | -                 |
| Interest   | 23,058                                    | -                                  | -   | -                           | -                 |
| Other  | 4,665                                     | -                                  | -   | 705                         | -                 |
| <b>Total revenues</b>                                | <b>203,240</b>                            | <b>-</b>                           | <b>-</b>  | <b>4,298,405</b>            | <b>-</b>          |
| <b>Expenses and losses</b>                           |   |                                    |   |                             |                   |
| Compensation   | 48,261                                    | -                                  | -   | -                           | -                 |
| Administrative                                       | 37,988                                    | -                                  | 18  | -                           | -                 |
| Professional services                                | 8,786                                     | -                                  | -   | 311                         | -                 |
| Depreciation and amortization                        | 40,649                                    | -                                  | -   | -                           | -                 |
| Grants   | -   | -                                  | -   | -                           | -                 |
| Facility   | 110,753                                   | -                                  | -   | -                           | -                 |
| Interest and fees                                    | 8,907                                     | 84                                 | 35  | -                           | -                 |
| Bad debts  | 1,990                                     | -                                  | -   | -                           | -                 |
| Provision for impaired assets                        | -   | -                                  | -   | 2,344,521                   | -                 |
| Project expenses                                     | -   | -                                  | -   | -                           | -                 |
| Allocation   | -   | -                                  | -   | -                           | -                 |
| (Gain) loss on sale of assets                        | -   | -                                  | -   | -                           | -                 |
| (Gain) loss on investment in limited partnership     | -   | -                                  | -   | -                           | -                 |
| <b>Total expenses and losses</b>                     | <b>257,334</b>                            | <b>84</b>                          | <b>53</b>   | <b>2,344,832</b>            | <b>-</b>          |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(54,094)</b>                           | <b>(84)</b>                        | <b>(53)</b>   | <b>1,953,573</b>            | <b>-</b>          |
| Net assets at beginning of year                      | 248,422                                   | -                                  | -   | -                           | -                 |
| Other transfers to (from) net assets                 | -   | -                                  | 679,645   | -                           | 165,332           |
| <b>Net assets at end of year</b>                     | <b>\$ 194,328</b>                         | <b>\$ (84)</b>                     | <b>\$ 679,592</b>                                     | <b>\$ 1,953,573</b>         | <b>\$ 165,332</b> |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Northwest - Idaho, Inc.  
For the year ended December 31, 2011

|  | MHNW-ID, LLC          | Mercy Housing<br>Idaho II<br>(Comstock<br>Apartments) | Mercy Housing<br>Idaho I<br>(Northside Nampa) | Eliminations        | Consolidated<br>Mercy Housing<br>Northwest-Idaho,<br>Inc. |
|--|-----------------------|---|---|---------------------|---|
| <b>Revenues</b>                                      |                       |   |   |                     |   |
| Rent - net of vacancies                              | \$ -                  | \$ -  | \$ -  | \$ -                | \$ 829,390  |
| Developer fees                                       | -                     | -   | -   | -                   | 422,726   |
| Services fees  | -                     | -   | -   | (27,240)            | 46,849  |
| Philanthropy   | -                     | -   | -   | -                   | 253,556   |
| Capital grants                                       | -                     | -   | -   | -                   | 4,297,700   |
| Consulting   | -                     | -   | -   | -                   | 36,995  |
| Interest   | -                     | -   | -   | -                   | 121,603   |
| Other  | -                     | -   | -   | (705)               | 25,152  |
| <b>Total revenues</b>                                | -                     | -   | -   | (27,945)            | 6,033,971   |
| <b>Expenses and losses</b>                           |                       |   |   |                     |   |
| Compensation   | -                     | -   | -   | -                   | 560,819   |
| Administrative                                       | -                     | -   | -   | -                   | 208,383   |
| Professional services                                | -                     | -   | -   | (27,240)            | 300,219   |
| Depreciation and amortization                        | -                     | -   | -   | (5,900)             | 244,228   |
| Grants   | -                     | -   | -   | (705)               | 7,913   |
| Facility   | -                     | -   | -   | -                   | 354,886   |
| Interest and fees                                    | -                     | -   | -   | -                   | 92,050  |
| Bad debts  | -                     | -   | -   | (13,729)            | 26,275  |
| Provision for impaired assets                        | -                     | -   | -   | (2,344,521)         | 67,369  |
| Project expenses                                     | -                     | -   | -   | -                   | 4,554   |
| Allocation   | -                     | -   | -   | -                   | 250,044   |
| (Gain) loss on sale of assets                        | -                     | -   | -   | -                   | -   |
| (Gain) loss on investment in limited partnership     | -                     | -   | -   | -                   | -   |
| <b>Total expenses and losses</b>                     | -                     | -   | -   | (2,392,095)         | 2,116,740   |
| <b>Excess (deficiency) of revenues over expenses</b> | -                     | -   | -   | 2,364,150           | 3,917,231   |
| Net assets at beginning of year                      | -                     | -   | -   | (96,174)            | 4,428,098   |
| Other transfers to (from) net assets                 | (1,691,095)           | (478,966)   | (1,166,350)                                   | 1,875,634           | (615,800)   |
| <b>Net assets at end of year</b>                     | <b>\$ (1,691,095)</b> | <b>\$ (478,966)</b>                                   | <b>\$ (1,166,350)</b>                         | <b>\$ 4,143,610</b> | <b>\$ 7,729,529</b>                                       |

Consolidating Statement of Financial Position  
Mercy Housing Lakefront  
December 31, 2011

|  | Mercy Housing<br>Lakefront | Lavergne<br>Courts, LLC | Washington<br>Courts, LLC | Whitmore<br>Apartments LLC | 111 & Wentworth<br>Apartments<br>Corporation | Wentworth<br>Commons |
|--|----------------------------|-------------------------|---------------------------|----------------------------|--|----------------------|
| <b>Assets</b>  |                            |                         |                           |                            |  |                      |
| Current assets   |                            |                         |                           |                            |  |                      |
| Cash and cash equivalents                                    | \$ 3,845,578               | \$ 224,127              | \$ 210,485                | \$ 144,185                 | \$ -   | \$ 17,265            |
| Cash, tenant security deposits                               | -                          | 25,390                  | 20,099                    | 8,655                      | -  | 14,667               |
| Cash, restricted   | 1,314,750                  | 250                     | 250                       | -                          | -  | -                    |
| Investments  | -                          | -                       | -                         | -                          | -  | -                    |
| Investments, restricted                                      | -                          | -                       | -                         | -                          | -  | -                    |
| Accounts receivable, net                                     | 620,344                    | 35,809                  | 6,393                     | 600                        | -  | 33,776               |
| Due from affiliate, net                                      | 2,946,200                  | 48                      | -                         | 2,203                      | -  | -                    |
| Pledges receivable   | 186,714                    | -                       | -                         | -                          | -  | -                    |
| Grants receivable  | 793,719                    | -                       | -                         | -                          | -  | -                    |
| Current portion of notes and interest receivable             | -                          | -                       | -                         | -                          | -  | -                    |
| Current portion of notes and interest receivable, affiliates | 2,138,378                  | -                       | -                         | -                          | -  | -                    |
| Prepaid expenses and other assets                            | 43,878                     | 42,403                  | 29,300                    | 16,562                     | -  | 15,703               |
|  | -                          | -                       | -                         | -                          | -  | -                    |
| Total current assets   | 11,889,561                 | 328,027                 | 266,527                   | 172,205                    | -  | 81,411               |
| Property and equipment                                       |                            |                         |                           |                            |  |                      |
| Land and land improvements                                   | 174,915                    | 179,452                 | 77,099                    | 30,893                     | -  | 823,255              |
| Buildings  | 516,847                    | 6,929,020               | 4,596,183                 | 1,562,176                  | -  | 8,228,852            |
| Furniture and equipment                                      | 365,086                    | 390,528                 | 213,723                   | 10,565                     | -  | 511,830              |
| Predevelopment project costs                                 | 1,792,260                  | -                       | -                         | -                          | -  | -                    |
| Construction in progress                                     | -                          | -                       | -                         | -                          | -  | 51,028               |
| Accumulated depreciation                                     | (512,633)                  | (1,253,732)             | (903,894)                 | (356,485)                  | -  | (2,998,895)          |
| Net property and equipment                                   | 2,336,475                  | 6,245,268               | 3,983,111                 | 1,247,149                  | -  | 6,616,070            |
| Other long-term assets                                       |                            |                         |                           |                            |  |                      |
| Restricted property reserves                                 | -                          | 1,015,772               | 961,727                   | 415,512                    | -  | 241,910              |
| Cash, restricted   | -                          | -                       | -                         | -                          | -  | -                    |
| Long-term investments  | -                          | -                       | -                         | -                          | -  | -                    |
| Long-term investments, restricted                            | -                          | -                       | -                         | -                          | -  | -                    |
| Due from affiliates  | 3,448,794                  | -                       | -                         | -                          | -  | -                    |
| Pledges receivable, net                                      | 102,971                    | -                       | -                         | -                          | -  | -                    |
| Grants receivable  | -                          | -                       | -                         | -                          | -  | -                    |
| Investments in limited partnerships                          | 866,350                    | -                       | -                         | -                          | 981,915                                      | -                    |
| Notes and interest receivable, net                           | 56,072                     | -                       | -                         | -                          | -  | -                    |
| Notes and interest receivable, affiliates                    | 11,462,260                 | -                       | -                         | -                          | -  | -                    |
| Allowance for impaired assets                                | -                          | -                       | -                         | -                          | -  | -                    |
| Other assets   | -                          | 3,035                   | -                         | 129,607                    | -  | 38,400               |
| Total other long-term assets                                 | 15,936,447                 | 1,018,807               | 961,727                   | 545,119                    | 981,915                                      | 280,310              |
| <b>Total assets</b>  | <b>\$ 30,162,483</b>       | <b>\$ 7,592,102</b>     | <b>\$ 5,211,365</b>       | <b>\$ 1,964,473</b>        | <b>\$ 981,915</b>                            | <b>\$ 6,977,791</b>  |
| <b>Liabilities</b>   |                            |                         |                           |                            |  |                      |
| Current liabilities  |                            |                         |                           |                            |  |                      |
| Accounts payable and accrued expenses                        | \$ 1,192,983               | \$ 494,706              | \$ 354,274                | \$ 83,339                  | \$ -   | \$ 49,306            |
| Due to affiliates  | 169,275                    | -                       | -                         | 14,027                     | 48,632                                       | 101,425              |
| Accrued interest   | -                          | 15,901                  | 9,594                     | 5,088                      | -  | -                    |
| Accrued interest, affiliates                                 | -                          | -                       | -                         | -                          | -  | -                    |
| Current portion of notes payable                             | 650,000                    | 118,863                 | 46,229                    | 21,772                     | -  | -                    |
| Current portion of notes payable, affiliates                 | 2,568,838                  | 24,671                  | -                         | 22,320                     | -  | -                    |
| Deferred revenue and other liabilities                       | 153,093                    | 4,367                   | 8,363                     | 2,841                      | -  | 2,230                |
| Tenant security deposits                                     | -                          | 22,742                  | 19,636                    | 8,581                      | -  | 14,009               |
| Miscellaneous current liabilities                            | -                          | -                       | -                         | -                          | -  | -                    |
| Total current liabilities                                    | 4,734,189                  | 681,250                 | 438,096                   | 157,968                    | 48,632                                       | 166,970              |
| Long-term liabilities  |                            |                         |                           |                            |  |                      |
| Due to affiliates  | -                          | -                       | -                         | -                          | 982,369                                      | -                    |
| Accrued interest   | -                          | 32,170                  | 20,943                    | -                          | -  | -                    |
| Accrued interest, affiliates                                 | -                          | 444,373                 | 150,013                   | 42,533                     | -  | -                    |
| Notes payable, less current portion                          | 11,044,523                 | 5,500,294               | 3,734,179                 | 995,923                    | -  | -                    |
| Notes payable, less current portion, affiliates              | -                          | 720,210                 | 473,012                   | 503,091                    | -  | 6,488,642            |
| Deferred revenue and other liabilities                       | 596,580                    | 8,523                   | -                         | -                          | -  | -                    |
| Total long-term liabilities                                  | 11,641,103                 | 6,705,570               | 4,378,147                 | 1,541,547                  | 982,369                                      | 6,488,642            |
| <b>Total liabilities</b>                                     | <b>16,375,292</b>          | <b>7,386,820</b>        | <b>4,816,243</b>          | <b>1,699,515</b>           | <b>1,031,001</b>                             | <b>6,655,612</b>     |
| <b>Net assets</b>  |                            |                         |                           |                            |  |                      |
| Unrestricted net assets, controlling                         | 7,276,920                  | 205,282                 | 395,122                   | 264,958                    | (49,086)                                     | 322,179              |
| Unrestricted net assets, noncontrolling                      | -                          | -                       | -                         | -                          | -  | -                    |
| Total unrestricted net assets                                | 7,276,920                  | 205,282                 | 395,122                   | 264,958                    | (49,086)                                     | 322,179              |
| Temporarily restricted net assets                            | 6,135,271                  | -                       | -                         | -                          | -  | -                    |
| Permanently restricted net assets                            | 375,000                    | -                       | -                         | -                          | -  | -                    |
| <b>Total net assets</b>                                      | <b>13,787,191</b>          | <b>205,282</b>          | <b>395,122</b>            | <b>264,958</b>             | <b>(49,086)</b>                              | <b>322,179</b>       |
| <b>Total liabilities and net assets</b>                      | <b>\$ 30,162,483</b>       | <b>\$ 7,592,102</b>     | <b>\$ 5,211,365</b>       | <b>\$ 1,964,473</b>        | <b>\$ 981,915</b>                            | <b>\$ 6,977,791</b>  |

Consolidating Statement of Financial Position  
Mercy Housing Lakefront  
December 31, 2011

|  | Belray Apartments<br>Corporation | Belray<br>Apartments | Harold Washington<br>Apartments<br>Corporation | Harold Washington<br>Apartments | Magnolia LP<br>( Carlton Apartments ) | Red Door LP<br>(Major Jenkins<br>Apartments ) |
|--|----------------------------------|----------------------|--|---------------------------------|---------------------------------------|---|
| <b>Assets</b>  |                                  |                      |  |                                 |                                       |   |
| <b>Current assets</b>  |                                  |                      |  |                                 |                                       |   |
| Cash and cash equivalents                                    | \$ -                             | \$ 66,755            | \$ 607   | \$ -                            | \$ 48,949                             | \$ 423,148                                    |
| Cash, tenant security deposits                               | -                                | 10,121               | -  | -                               | 6,216                                 | 19,219  |
| Cash, restricted   | -                                | 352,883              | -  | -                               | -                                     | -   |
| Investments  | -                                | -                    | -  | -                               | -                                     | -   |
| Investments, restricted                                      | -                                | -                    | -  | -                               | -                                     | -   |
| Accounts receivable, net                                     | -                                | 2,904                | -  | -                               | 6,276                                 | 12,824  |
| Due from affiliate, net                                      | 12,572                           | 6,757                | 17,664   | -                               | -                                     | -   |
| Pledges receivable   | -                                | -                    | -  | -                               | -                                     | -   |
| Grants receivable  | -                                | -                    | -  | -                               | -                                     | -   |
| Current portion of notes and interest receivable             | -                                | -                    | -  | -                               | -                                     | -   |
| Current portion of notes and interest receivable, affiliates | -                                | -                    | -  | -                               | -                                     | -   |
| Prepaid expenses and other assets                            | -                                | 19,065               | -  | -                               | 29,791                                | 36,058  |
|  | -                                | -                    | -  | -                               | -                                     | -   |
| <b>Total current assets</b>                                  | <b>12,572</b>                    | <b>458,485</b>       | <b>18,271</b>                                  | <b>-</b>                        | <b>91,232</b>                         | <b>491,249</b>                                |
| <b>Property and equipment</b>                                |                                  |                      |  |                                 |                                       |   |
| Land and land improvements                                   | -                                | 160,000              | -  | -                               | 65,063                                | 103,750                                       |
| Buildings  | -                                | 3,356,086            | -  | -                               | 2,527,053                             | 6,022,237                                     |
| Furniture and equipment                                      | -                                | 149,620              | -  | -                               | 137,546                               | 255,442                                       |
| Predevelopment project costs                                 | -                                | -                    | -  | -                               | -                                     | -   |
| Construction in progress                                     | -                                | -                    | -  | -                               | -                                     | -   |
| Accumulated depreciation                                     | -                                | (2,122,730)          | -  | -                               | (1,787,112)                           | (3,912,780)                                   |
| <b>Net property and equipment</b>                            | <b>-</b>                         | <b>1,542,976</b>     | <b>-</b>                                       | <b>-</b>                        | <b>942,550</b>                        | <b>2,468,649</b>                              |
| <b>Other long-term assets</b>                                |                                  |                      |  |                                 |                                       |   |
| Restricted property reserves                                 | -                                | 713,044              | -  | -                               | 333,639                               | 1,113,517                                     |
| Cash, restricted   | -                                | -                    | -  | -                               | -                                     | -   |
| Long-term investments  | -                                | -                    | -  | -                               | -                                     | -   |
| Long-term investments, restricted                            | -                                | -                    | -  | -                               | -                                     | -   |
| Due from affiliates  | -                                | -                    | -  | -                               | -                                     | -   |
| Pledges receivable, net                                      | -                                | -                    | -  | -                               | -                                     | -   |
| Grants receivable  | -                                | -                    | -  | -                               | -                                     | -   |
| Investments in limited partnerships                          | 289,653                          | -                    | 427,623  | -                               | -                                     | -   |
| Notes and interest receivable, net                           | -                                | -                    | -  | -                               | -                                     | -   |
| Notes and interest receivable, affiliates                    | -                                | -                    | -  | -                               | -                                     | -   |
| Allowance for impaired assets                                | -                                | -                    | -  | -                               | -                                     | -   |
| Other assets   | -                                | 243                  | -  | -                               | 4,113                                 | 10,653  |
| <b>Total other long-term assets</b>                          | <b>289,653</b>                   | <b>713,287</b>       | <b>427,623</b>                                 | <b>-</b>                        | <b>337,752</b>                        | <b>1,124,170</b>                              |
| <b>Total assets</b>  | <b>\$ 302,225</b>                | <b>\$ 2,714,748</b>  | <b>\$ 445,894</b>                              | <b>\$ -</b>                     | <b>\$ 1,371,534</b>                   | <b>\$ 4,084,068</b>                           |
| <b>Liabilities</b>   |                                  |                      |  |                                 |                                       |   |
| <b>Current liabilities</b>                                   |                                  |                      |  |                                 |                                       |   |
| Accounts payable and accrued expenses                        | \$ -                             | \$ 40,770            | \$ 155   | \$ -                            | \$ 57,201                             | \$ 54,490                                     |
| Due to affiliates  | 63,350                           | 12,572               | 266,160  | -                               | -                                     | 17,664  |
| Accrued interest   | -                                | -                    | -  | -                               | -                                     | -   |
| Accrued interest, affiliates                                 | -                                | -                    | -  | -                               | -                                     | -   |
| Current portion of notes payable                             | -                                | 6,000                | -  | -                               | 55,152                                | 98,772  |
| Current portion of notes payable, affiliates                 | -                                | -                    | -  | -                               | -                                     | -   |
| Deferred revenue and other liabilities                       | -                                | 1,314                | -  | -                               | 1,662                                 | 6,317   |
| Tenant security deposits                                     | -                                | 9,697                | -  | -                               | 6,032                                 | 19,150  |
| Miscellaneous current liabilities                            | -                                | -                    | -  | -                               | -                                     | -   |
| <b>Total current liabilities</b>                             | <b>63,350</b>                    | <b>70,353</b>        | <b>266,315</b>                                 | <b>-</b>                        | <b>120,047</b>                        | <b>196,393</b>                                |
| <b>Long-term liabilities</b>                                 |                                  |                      |  |                                 |                                       |   |
| Due to affiliates  | 300,250                          | -                    | 504,204  | -                               | -                                     | -   |
| Accrued interest   | -                                | -                    | -  | -                               | -                                     | -   |
| Accrued interest, affiliates                                 | -                                | -                    | -  | -                               | -                                     | -   |
| Notes payable, less current portion                          | -                                | 3,279,880            | -  | -                               | 799,557                               | 2,471,600                                     |
| Notes payable, less current portion, affiliates              | -                                | -                    | -  | -                               | -                                     | -   |
| Deferred revenue and other liabilities                       | -                                | -                    | -  | -                               | -                                     | -   |
| <b>Total long-term liabilities</b>                           | <b>300,250</b>                   | <b>3,279,880</b>     | <b>504,204</b>                                 | <b>-</b>                        | <b>799,557</b>                        | <b>2,471,600</b>                              |
| <b>Total liabilities</b>                                     | <b>363,600</b>                   | <b>3,350,233</b>     | <b>770,519</b>                                 | <b>-</b>                        | <b>919,604</b>                        | <b>2,667,993</b>                              |
| <b>Net assets</b>  |                                  |                      |  |                                 |                                       |   |
| Unrestricted net assets, controlling                         | (61,375)                         | (635,485)            | (324,625)                                      | -                               | 451,930                               | 1,416,075                                     |
| Unrestricted net assets, noncontrolling                      | -                                | -                    | -  | -                               | -                                     | -   |
| <b>Total unrestricted net assets</b>                         | <b>(61,375)</b>                  | <b>(635,485)</b>     | <b>(324,625)</b>                               | <b>-</b>                        | <b>451,930</b>                        | <b>1,416,075</b>                              |
| Temporarily restricted net assets                            | -                                | -                    | -  | -                               | -                                     | -   |
| Permanently restricted net assets                            | -                                | -                    | -  | -                               | -                                     | -   |
| <b>Total net assets</b>                                      | <b>(61,375)</b>                  | <b>(635,485)</b>     | <b>(324,625)</b>                               | <b>-</b>                        | <b>451,930</b>                        | <b>1,416,075</b>                              |
| <b>Total liabilities and net assets</b>                      | <b>\$ 302,225</b>                | <b>\$ 2,714,748</b>  | <b>\$ 445,894</b>                              | <b>\$ -</b>                     | <b>\$ 1,371,534</b>                   | <b>\$ 4,084,068</b>                           |

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|  | 4707 Malden LP<br>(Miriam Apartments) | Roseland<br>Apartment<br>Corporation | Roseland LP<br>(Holland<br>Apartments) | South Loop<br>Apartments<br>Corporation | South Loop<br>Apartments | Winthrop<br>Apartments<br>Corporation |
|--|---------------------------------------|--------------------------------------|--|---|--------------------------|---------------------------------------|
| <b>Assets</b>  |                                       |                                      |  |   |                          |                                       |
| <b>Current assets</b>  |                                       |                                      |  |   |                          |                                       |
| Cash and cash equivalents                                    | \$ 1,777                              | \$ -                                 | \$ 55,352                              | \$ -                                    | \$ 882,769               | \$ -                                  |
| Cash, tenant security deposits                               | 5,638                                 | -                                    | 8,352                                  | -                                       | 48,996                   | -                                     |
| Cash, restricted   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Investments  | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Investments, restricted                                      | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Accounts receivable, net                                     | 5,395                                 | -                                    | 2,611                                  | -                                       | 17,118                   | -                                     |
| Due from affiliate, net                                      | -                                     | -                                    | -                                      | 86,412                                  | -                        | 14,323                                |
| Pledges receivable   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Grants receivable  | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Current portion of notes and interest receivable             | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Current portion of notes and interest receivable, affiliates | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Prepaid expenses and other assets                            | 18,108                                | -                                    | 22,447                                 | -                                       | 42,398                   | -                                     |
|  | <u>-</u>                              | <u>-</u>                             | <u>-</u>                               | <u>-</u>                                | <u>-</u>                 | <u>-</u>                              |
| Total current assets   | <u>30,918</u>                         | <u>-</u>                             | <u>88,762</u>                          | <u>86,412</u>                           | <u>991,281</u>           | <u>14,323</u>                         |
| <b>Property and equipment</b>                                |                                       |                                      |  |   |                          |                                       |
| Land and land improvements                                   | 65,000                                | -                                    | 280,973                                | -                                       | 881,175                  | -                                     |
| Buildings  | 2,362,888                             | -                                    | 8,362,566                              | -                                       | 14,561,937               | -                                     |
| Furniture and equipment                                      | 78,907                                | -                                    | 393,896                                | -                                       | 514,770                  | -                                     |
| Predevelopment project costs                                 | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Construction in progress                                     | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Accumulated depreciation                                     | (1,394,985)                           | -                                    | (3,599,403)                            | -                                       | (6,554,630)              | -                                     |
|  | <u>1,111,810</u>                      | <u>-</u>                             | <u>5,438,032</u>                       | <u>-</u>                                | <u>9,403,252</u>         | <u>-</u>                              |
| Net property and equipment                                   | <u>1,111,810</u>                      | <u>-</u>                             | <u>5,438,032</u>                       | <u>-</u>                                | <u>9,403,252</u>         | <u>-</u>                              |
| <b>Other long-term assets</b>                                |                                       |                                      |  |   |                          |                                       |
| Restricted property reserves                                 | 107,791                               | -                                    | 999,132                                | -                                       | 3,998,234                | -                                     |
| Cash, restricted   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Long-term investments  | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Long-term investments, restricted                            | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Due from affiliates  | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Pledges receivable, net                                      | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Grants receivable  | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Investments in limited partnerships                          | -                                     | 356,406                              | -                                      | 263,290                                 | -                        | (39,523)                              |
| Notes and interest receivable, net                           | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Notes and interest receivable, affiliates                    | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Allowance for impaired assets                                | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Other assets   | 253                                   | -                                    | 18,025                                 | -                                       | 25,525                   | -                                     |
|  | <u>108,044</u>                        | <u>356,406</u>                       | <u>1,017,157</u>                       | <u>263,290</u>                          | <u>4,023,759</u>         | <u>(39,523)</u>                       |
| Total other long-term assets                                 | <u>108,044</u>                        | <u>356,406</u>                       | <u>1,017,157</u>                       | <u>263,290</u>                          | <u>4,023,759</u>         | <u>(39,523)</u>                       |
| <b>Total assets</b>  | <u>\$ 1,250,772</u>                   | <u>\$ 356,406</u>                    | <u>\$ 6,543,951</u>                    | <u>\$ 349,702</u>                       | <u>\$ 14,418,292</u>     | <u>\$ (25,200)</u>                    |
| <b>Liabilities</b>   |                                       |                                      |  |   |                          |                                       |
| <b>Current liabilities</b>                                   |                                       |                                      |  |   |                          |                                       |
| Accounts payable and accrued expenses                        | \$ 74,943                             | \$ -                                 | \$ 68,293                              | \$ -                                    | \$ 128,305               | \$ -                                  |
| Due to affiliates  | -                                     | 72,715                               | 2,598                                  | 148,310                                 | 86,412                   | 117,952                               |
| Accrued interest   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Accrued interest, affiliates                                 | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Current portion of notes payable                             | 23,881                                | -                                    | 2,400                                  | -                                       | 1,200                    | -                                     |
| Current portion of notes payable, affiliates                 | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Deferred revenue and other liabilities                       | 832                                   | -                                    | 1,592                                  | -                                       | 15,300                   | -                                     |
| Tenant security deposits                                     | 5,372                                 | -                                    | 8,352                                  | -                                       | 48,996                   | -                                     |
| Miscellaneous current liabilities                            | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
|  | <u>105,028</u>                        | <u>72,715</u>                        | <u>83,235</u>                          | <u>148,310</u>                          | <u>280,213</u>           | <u>117,952</u>                        |
| Total current liabilities                                    | <u>105,028</u>                        | <u>72,715</u>                        | <u>83,235</u>                          | <u>148,310</u>                          | <u>280,213</u>           | <u>117,952</u>                        |
| <b>Long-term liabilities</b>                                 |                                       |                                      |  |   |                          |                                       |
| Due to affiliates  | -                                     | 354,265                              | -                                      | 263,620                                 | 461,302                  | -                                     |
| Accrued interest   | -                                     | -                                    | -                                      | -                                       | 2,097,619                | -                                     |
| Accrued interest, affiliates                                 | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Notes payable, less current portion                          | 353,159                               | -                                    | 4,352,442                              | -                                       | 8,383,006                | -                                     |
| Notes payable, less current portion, affiliates              | -                                     | -                                    | -                                      | -                                       | 1,080,500                | -                                     |
| Deferred revenue and other liabilities                       | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
|  | <u>353,159</u>                        | <u>354,265</u>                       | <u>4,352,442</u>                       | <u>263,620</u>                          | <u>12,022,427</u>        | <u>-</u>                              |
| Total long-term liabilities                                  | <u>353,159</u>                        | <u>354,265</u>                       | <u>4,352,442</u>                       | <u>263,620</u>                          | <u>12,022,427</u>        | <u>-</u>                              |
| <b>Total liabilities</b>                                     | <u>458,187</u>                        | <u>426,980</u>                       | <u>4,435,677</u>                       | <u>411,930</u>                          | <u>12,302,640</u>        | <u>117,952</u>                        |
| <b>Net assets</b>  |                                       |                                      |  |   |                          |                                       |
| Unrestricted net assets, controlling                         | 792,585                               | (70,574)                             | 2,108,274                              | (62,228)                                | 2,115,652                | (143,152)                             |
| Unrestricted net assets, noncontrolling                      | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Total unrestricted net assets                                | <u>792,585</u>                        | <u>(70,574)</u>                      | <u>2,108,274</u>                       | <u>(62,228)</u>                         | <u>2,115,652</u>         | <u>(143,152)</u>                      |
| Temporarily restricted net assets                            | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Permanently restricted net assets                            | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
|  | <u>792,585</u>                        | <u>(70,574)</u>                      | <u>2,108,274</u>                       | <u>(62,228)</u>                         | <u>2,115,652</u>         | <u>(143,152)</u>                      |
| <b>Total net assets</b>                                      | <u>792,585</u>                        | <u>(70,574)</u>                      | <u>2,108,274</u>                       | <u>(62,228)</u>                         | <u>2,115,652</u>         | <u>(143,152)</u>                      |
| <b>Total liabilities and net assets</b>                      | <u>\$ 1,250,772</u>                   | <u>\$ 356,406</u>                    | <u>\$ 6,543,951</u>                    | <u>\$ 349,702</u>                       | <u>\$ 14,418,292</u>     | <u>\$ (25,200)</u>                    |

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|  | 5042 Winthrop<br>Apartments LP<br>(Delmar Apartments) | Near North<br>Apartment<br>Corporation NFP | Near North LP<br>(Schiff Residences) | Malden Arms<br>Corp II NFP | Malden Limited<br>Partnership II | Englewood<br>Apartments NFP |
|--|---|--|--------------------------------------|----------------------------|----------------------------------|-----------------------------|
| <b>Assets</b>  |   |  |                                      |                            |                                  |                             |
| <b>Current assets</b>  |   |  |                                      |                            |                                  |                             |
| Cash and cash equivalents                                    | \$ 179,302  | \$ -                                       | \$ 226,135                           | \$ -                       | \$ 70,323                        | \$ -                        |
| Cash, tenant security deposits                               | 30,005  | -  | 15,478                               | -                          | 19,217                           | -                           |
| Cash, restricted   | -   | -  | -                                    | -                          | -                                | -                           |
| Investments  | -   | -  | -                                    | -                          | -                                | -                           |
| Investments, restricted                                      | -   | -  | -                                    | -                          | -                                | -                           |
| Accounts receivable, net                                     | 16,193  | -  | 58,940                               | 17,000                     | 85,197                           | -                           |
| Due from affiliate, net                                      | -   | 5,478                                      | -                                    | 90,167                     | -                                | -                           |
| Pledges receivable   | -   | -  | -                                    | -                          | -                                | -                           |
| Grants receivable  | -   | -  | -                                    | -                          | -                                | -                           |
| Current portion of notes and interest receivable             | -   | -  | -                                    | -                          | -                                | -                           |
| Current portion of notes and interest receivable, affiliates | -   | -  | -                                    | -                          | -                                | -                           |
| Prepaid expenses and other assets                            | 35,727  | -  | 25,554                               | -                          | 20,734                           | -                           |
|  | <u>-</u>  | <u>-</u>                                   | <u>-</u>                             | <u>-</u>                   | <u>-</u>                         | <u>-</u>                    |
| Total current assets   | <u>261,227</u>  | <u>5,478</u>                               | <u>326,107</u>                       | <u>107,167</u>             | <u>195,471</u>                   | <u>-</u>                    |
| <b>Property and equipment</b>                                |   |  |                                      |                            |                                  |                             |
| 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                                     | (4,025,842)   | -  | (2,777,475)                          | -                          | (552,685)                        | -                           |
|  | <u>-</u>  | <u>-</u>                                   | <u>-</u>                             | <u>-</u>                   | <u>-</u>                         | <u>-</u>                    |
| Net property and equipment                                   | <u>2,225,666</u>                                      | <u>-</u>                                   | <u>14,563,828</u>                    | <u>-</u>                   | <u>4,687,679</u>                 | <u>-</u>                    |
| <b>Other long-term assets</b>                                |   |  |                                      |                            |                                  |                             |
| Restricted property reserves                                 | 411,049   | -  | 803,162                              | -                          | 2,827,846                        | -                           |
| Cash, restricted   | -   | -  | -                                    | -                          | -                                | -                           |
| Long-term investments  | -   | -  | -                                    | -                          | -                                | -                           |
| Long-term investments, restricted                            | -   | -  | -                                    | -                          | -                                | -                           |
| Due from affiliates  | -   | -  | -                                    | -                          | -                                | -                           |
| Pledges receivable, net                                      | -   | -  | -                                    | -                          | -                                | -                           |
| Grants receivable  | -   | -  | -                                    | -                          | -                                | -                           |
| Investments in limited partnerships                          | -   | 5,379,275                                  | -                                    | 512,936                    | -                                | 2,599,872                   |
| Notes and interest receivable, net                           | -   | -  | -                                    | -                          | -                                | -                           |
| Notes and interest receivable, affiliates                    | -   | -  | -                                    | -                          | -                                | -                           |
| Allowance for impaired assets                                | -   | -  | -                                    | -                          | -                                | -                           |
| Other assets   | 3,810   | -  | 48,278                               | -                          | 40,611                           | -                           |
|  | <u>-</u>  | <u>-</u>                                   | <u>-</u>                             | <u>-</u>                   | <u>-</u>                         | <u>-</u>                    |
| Total other long-term assets                                 | <u>414,859</u>  | <u>5,379,275</u>                           | <u>851,440</u>                       | <u>512,936</u>             | <u>2,868,457</u>                 | <u>2,599,872</u>            |
| <b>Total assets</b>  | <u>\$ 2,901,752</u>                                   | <u>\$ 5,384,753</u>                        | <u>\$ 15,741,375</u>                 | <u>\$ 620,103</u>          | <u>\$ 7,751,607</u>              | <u>\$ 2,599,872</u>         |
| <b>Liabilities</b>   |   |  |                                      |                            |                                  |                             |
| <b>Current liabilities</b>                                   |   |  |                                      |                            |                                  |                             |
| Accounts payable and accrued expenses                        | \$ 47,801   | \$ -                                       | \$ 49,464                            | \$ -                       | \$ 60,816                        | \$ -                        |
| Due to affiliates  | 22,020  | 26,762                                     | 21,103                               | 72,047                     | 90,407                           | 6,913                       |
| Accrued interest   | -   | -  | -                                    | -                          | -                                | -                           |
| Accrued interest, affiliates                                 | -   | -  | -                                    | -                          | -                                | -                           |
| Current portion of notes payable                             | -   | -  | 1,200                                | -                          | 1,200                            | -                           |
| Current portion of notes payable, affiliates                 | -   | -  | -                                    | -                          | -                                | -                           |
| Deferred revenue and other liabilities                       | 3,702   | -  | 3,249                                | -                          | 1,884                            | -                           |
| Tenant security deposits                                     | 29,928  | -  | 14,042                               | -                          | 19,229                           | -                           |
| Miscellaneous current liabilities                            | -   | -  | -                                    | -                          | -                                | -                           |
|  | <u>-</u>  | <u>-</u>                                   | <u>-</u>                             | <u>-</u>                   | <u>-</u>                         | <u>-</u>                    |
| Total current liabilities                                    | <u>103,451</u>  | <u>26,762</u>                              | <u>89,058</u>                        | <u>72,047</u>              | <u>173,536</u>                   | <u>6,913</u>                |
| <b>Long-term liabilities</b>                                 |   |  |                                      |                            |                                  |                             |
| Due to affiliates  | -   | -  | -                                    | -                          | -                                | -                           |
| Accrued interest   | -   | -  | -                                    | -                          | 116,982                          | -                           |
| Accrued interest, affiliates                                 | -   | -  | 341,300                              | 8,689                      | 44,726                           | -                           |
| Notes payable, less current portion                          | 4,712,865   | -  | 3,243,400                            | -                          | 2,432,013                        | -                           |
| Notes payable, less current portion, affiliates              | -   | -  | 2,922,000                            | 27,025                     | 576,000                          | 2,000,000                   |
| Deferred revenue and other liabilities                       | -   | -  | -                                    | -                          | 1,654,111                        | -                           |
|  | <u>-</u>  | <u>-</u>                                   | <u>-</u>                             | <u>-</u>                   | <u>-</u>                         | <u>-</u>                    |
| Total long-term liabilities                                  | <u>4,712,865</u>                                      | <u>-</u>                                   | <u>6,506,700</u>                     | <u>35,714</u>              | <u>4,823,832</u>                 | <u>2,000,000</u>            |
| <b>Total liabilities</b>                                     | <u>4,816,316</u>                                      | <u>26,762</u>                              | <u>6,595,758</u>                     | <u>107,761</u>             | <u>4,997,368</u>                 | <u>2,006,913</u>            |
| <b>Net assets</b>  |   |  |                                      |                            |                                  |                             |
| Unrestricted net assets, controlling                         | (1,914,564)   | 5,357,991                                  | 9,145,617                            | 512,342                    | 2,754,239                        | 592,959                     |
| Unrestricted net assets, noncontrolling                      | -   | -  | -                                    | -                          | -                                | -                           |
| Total unrestricted net assets                                | <u>(1,914,564)</u>                                    | <u>5,357,991</u>                           | <u>9,145,617</u>                     | <u>512,342</u>             | <u>2,754,239</u>                 | <u>592,959</u>              |
| Temporarily restricted net assets                            | -   | -  | -                                    | -                          | -                                | -                           |
| Permanently restricted net assets                            | -   | -  | -                                    | -                          | -                                | -                           |
|  | <u>-</u>  | <u>-</u>                                   | <u>-</u>                             | <u>-</u>                   | <u>-</u>                         | <u>-</u>                    |
| <b>Total net assets</b>                                      | <u>(1,914,564)</u>                                    | <u>5,357,991</u>                           | <u>9,145,617</u>                     | <u>512,342</u>             | <u>2,754,239</u>                 | <u>592,959</u>              |
| <b>Total liabilities and net assets</b>                      | <u>\$ 2,901,752</u>                                   | <u>\$ 5,384,753</u>                        | <u>\$ 15,741,375</u>                 | <u>\$ 620,103</u>          | <u>\$ 7,751,607</u>              | <u>\$ 2,599,872</u>         |

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|  | 901 West 63rd LP<br>(Englewood Apts.) | Countryside<br>Seniors LLC | Countryside<br>Senior Apts LP | Johnston Center<br>MM LLC | Johnston Center<br>Residences, LLC | HWA-850 Eastwood<br>GP Corp NFP |
|--|---------------------------------------|----------------------------|-------------------------------|---------------------------|------------------------------------|---------------------------------|
| <b>Assets</b>  |                                       |                            |                               |                           |                                    |                                 |
| <b>Current assets</b>  |                                       |                            |                               |                           |                                    |                                 |
| Cash and cash equivalents                                    | \$ 255,570                            | \$ -                       | \$ 29,670                     | \$ -                      | \$ 151,468                         | \$ -                            |
| Cash, tenant security deposits                               | 12,768                                | -                          | 46,626                        | -                         | 23,254                             | -                               |
| Cash, restricted   | 189,482                               | -                          | 25,818                        | -                         | 31,457                             | -                               |
| Investments  | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Investments, restricted                                      | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Accounts receivable, net                                     | 89,077                                | -                          | 20,671                        | -                         | 20,275                             | -                               |
| Due from affiliate, net                                      | -                                     | -                          | 6,218                         | 4,550                     | 5,000                              | -                               |
| Pledges receivable   | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Grants receivable  | -                                     | -                          | -                             | -                         | -                                  | 500,000                         |
| Current portion of notes and interest receivable             | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Current portion of notes and interest receivable, affiliates | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Prepaid expenses and other assets                            | 21,233                                | -                          | 29,214                        | -                         | 37,899                             | -                               |
|  | -                                     | -                          | -                             | -                         | -                                  | -                               |
| <b>Total current assets</b>                                  | <b>568,130</b>                        | <b>-</b>                   | <b>158,217</b>                | <b>4,550</b>              | <b>269,353</b>                     | <b>500,000</b>                  |
| <b>Property and equipment</b>                                |                                       |                            |                               |                           |                                    |                                 |
| Land and land improvements                                   | 1,432,081                             | -                          | 2,599,688                     | -                         | 478,583                            | -                               |
| Buildings  | 15,697,619                            | -                          | 11,927,568                    | -                         | 11,679,217                         | -                               |
| Furniture and equipment                                      | 352,871                               | -                          | 238,981                       | -                         | 328,254                            | -                               |
| Predevelopment project costs                                 | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Construction in progress                                     | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Accumulated depreciation                                     | (853,928)                             | -                          | (684,118)                     | -                         | (630,446)                          | -                               |
| <b>Net property and equipment</b>                            | <b>16,628,643</b>                     | <b>-</b>                   | <b>14,082,119</b>             | <b>-</b>                  | <b>11,855,608</b>                  | <b>-</b>                        |
| <b>Other long-term assets</b>                                |                                       |                            |                               |                           |                                    |                                 |
| Restricted property reserves                                 | 1,321,402                             | -                          | 437,942                       | -                         | 336,055                            | -                               |
| Cash, restricted   | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Long-term investments  | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Long-term investments, restricted                            | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Due from affiliates  | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Pledges receivable, net                                      | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Grants receivable  | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Investments in limited partnerships                          | -                                     | 2,516,031                  | -                             | 16                        | -                                  | 6,729,011                       |
| Notes and interest receivable, net                           | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Notes and interest receivable, affiliates                    | -                                     | 490,406                    | -                             | -                         | -                                  | -                               |
| Allowance for impaired assets                                | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Other assets   | 72,181                                | -                          | 110,461                       | -                         | 160,102                            | -                               |
| <b>Total other long-term assets</b>                          | <b>1,393,583</b>                      | <b>3,006,437</b>           | <b>548,403</b>                | <b>16</b>                 | <b>496,157</b>                     | <b>6,729,011</b>                |
| <b>Total assets</b>  | <b>\$ 18,590,356</b>                  | <b>\$ 3,006,437</b>        | <b>\$ 14,788,739</b>          | <b>\$ 4,566</b>           | <b>\$ 12,621,118</b>               | <b>\$ 7,229,011</b>             |
| <b>Liabilities</b>   |                                       |                            |                               |                           |                                    |                                 |
| <b>Current liabilities</b>                                   |                                       |                            |                               |                           |                                    |                                 |
| Accounts payable and accrued expenses                        | \$ 941,460                            | \$ -                       | \$ 114,872                    | \$ -                      | \$ 376,856                         | \$ -                            |
| Due to affiliates  | 471,683                               | 6,526                      | 449,651                       | 2,602                     | 335,302                            | 1,453                           |
| Accrued interest   | 1,650                                 | -                          | 4,722                         | -                         | -                                  | -                               |
| Accrued interest, affiliates                                 | 24,256                                | -                          | -                             | -                         | 10,242                             | -                               |
| Current portion of notes payable                             | 41,077                                | -                          | 11,781                        | -                         | -                                  | -                               |
| Current portion of notes payable, affiliates                 | 270,450                               | -                          | 33,675                        | -                         | -                                  | -                               |
| Deferred revenue and other liabilities                       | 1,516                                 | -                          | 11,121                        | -                         | 1,039                              | -                               |
| Tenant security deposits                                     | 12,768                                | -                          | 46,159                        | -                         | 23,410                             | -                               |
| Miscellaneous current liabilities                            | -                                     | -                          | -                             | -                         | -                                  | -                               |
| <b>Total current liabilities</b>                             | <b>1,764,860</b>                      | <b>6,526</b>               | <b>671,981</b>                | <b>2,602</b>              | <b>746,849</b>                     | <b>1,453</b>                    |
| <b>Long-term liabilities</b>                                 |                                       |                            |                               |                           |                                    |                                 |
| Due to affiliates  | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Accrued interest   | -                                     | -                          | 34,538                        | -                         | -                                  | -                               |
| Accrued interest, affiliates                                 | -                                     | -                          | 10,899                        | -                         | 115,385                            | 12,456                          |
| Notes payable, less current portion                          | 1,938,538                             | -                          | 4,581,042                     | -                         | 1,825,586                          | -                               |
| Notes payable, less current portion, affiliates              | 986,647                               | -                          | 590,326                       | -                         | 2,403,500                          | 4,461,003                       |
| Deferred revenue and other liabilities                       | 640,000                               | -                          | -                             | -                         | 45,698                             | -                               |
| <b>Total long-term liabilities</b>                           | <b>3,565,185</b>                      | <b>-</b>                   | <b>5,216,805</b>              | <b>-</b>                  | <b>4,390,169</b>                   | <b>4,473,459</b>                |
| <b>Total liabilities</b>                                     | <b>5,330,045</b>                      | <b>6,526</b>               | <b>5,888,786</b>              | <b>2,602</b>              | <b>5,137,018</b>                   | <b>4,474,912</b>                |
| <b>Net assets</b>  |                                       |                            |                               |                           |                                    |                                 |
| Unrestricted net assets, controlling                         | 13,260,311                            | 2,999,911                  | 8,899,953                     | 1,964                     | 7,484,100                          | (245,901)                       |
| Unrestricted net assets, noncontrolling                      | -                                     | -                          | -                             | -                         | -                                  | -                               |
| <b>Total unrestricted net assets</b>                         | <b>13,260,311</b>                     | <b>2,999,911</b>           | <b>8,899,953</b>              | <b>1,964</b>              | <b>7,484,100</b>                   | <b>(245,901)</b>                |
| Temporarily restricted net assets                            | -                                     | -                          | -                             | -                         | -                                  | 3,000,000                       |
| Permanently restricted net assets                            | -                                     | -                          | -                             | -                         | -                                  | -                               |
| <b>Total net assets</b>                                      | <b>13,260,311</b>                     | <b>2,999,911</b>           | <b>8,899,953</b>              | <b>1,964</b>              | <b>7,484,100</b>                   | <b>2,754,099</b>                |
| <b>Total liabilities and net assets</b>                      | <b>\$ 18,590,356</b>                  | <b>\$ 3,006,437</b>        | <b>\$ 14,788,739</b>          | <b>\$ 4,566</b>           | <b>\$ 12,621,118</b>               | <b>\$ 7,229,011</b>             |

Consolidating Statement of Financial Position  
Mercy Housing Lakefront  
December 31, 2011

|  | HWA-850 Eastwood LP<br>(Harold Washington<br>Apartments) | Belvidere Place<br>Corp I NFP GP | Grayslake Senior<br>Housing | 104th Street MM, LLC | 104th Street LP<br>(Pullman Wheelworks) | Eliminations           | Consolidated<br>Mercy Housing<br>Lakefront |
|--|--|----------------------------------|-----------------------------|----------------------|---|------------------------|--|
| <b>Assets</b>  |  |                                  |                             |                      |   |                        |  |
| Current assets   |  |                                  |                             |                      |   |                        |  |
| Cash and cash equivalents                                    | \$ 602,916   | \$ -                             | \$ -                        | \$ 67                | \$ 30,562                               | \$ -                   | \$ 7,467,010                               |
| Cash, tenant security deposits                               | 72,355   | -                                | -                           | -                    | 40,200                                  | -                      | 427,256                                    |
| Cash, restricted   | 205,283  | -                                | 6,607                       | -                    | -                                       | -                      | 2,126,780                                  |
| Investments  | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Investments, restricted                                      | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Accounts receivable, net                                     | 146,750  | -                                | 2,033                       | -                    | 20,370                                  | (160,186)              | 1,060,370                                  |
| Due from affiliate, net                                      | 10,132   | -                                | -                           | -                    | -                                       | (3,184,796)            | 22,928                                     |
| Pledges receivable   | -  | -                                | -                           | -                    | -                                       | -                      | 186,714                                    |
| Grants receivable  | -  | -                                | -                           | -                    | -                                       | -                      | 1,293,719                                  |
| Current portion of notes and interest receivable             | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Current portion of notes and interest receivable, affiliates | -  | -                                | -                           | -                    | -                                       | (2,098,378)            | 40,000                                     |
| Prepaid expenses and other assets                            | 36,512   | -                                | -                           | -                    | 43,065                                  | -                      | 565,651                                    |
|  | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Total current assets   | 1,073,948  | -                                | 8,640                       | 67                   | 134,197                                 | (5,443,360)            | 13,190,428                                 |
| Property and equipment                                       |  |                                  |                             |                      |   |                        |  |
| Land and land improvements                                   | 4,582,418  | -                                | 550,000                     | -                    | 1,664,102                               | (1,202,791)            | 18,017,882                                 |
| Buildings  | 48,936,009   | -                                | -                           | -                    | 6,412,419                               | (7,428,925)            | 168,936,247                                |
| Furniture and equipment                                      | 172,389  | -                                | -                           | -                    | -                                       | -                      | 5,188,862                                  |
| Predevelopment project costs                                 | -  | -                                | -                           | -                    | -                                       | -                      | 1,792,260                                  |
| Construction in progress                                     | 4,188,822  | -                                | 4,064,159                   | -                    | 1,851,625                               | (4,783,221)            | 5,372,413                                  |
| Accumulated depreciation                                     | (1,582,726)  | -                                | -                           | -                    | (13,222)                                | 98,119                 | (36,419,602)                               |
| Net property and equipment                                   | 56,296,912   | -                                | 4,614,159                   | -                    | 9,914,924                               | (13,316,818)           | 162,888,062                                |
| Other long-term assets                                       |  |                                  |                             |                      |   |                        |  |
| Restricted property reserves                                 | 6,910,470  | -                                | -                           | -                    | 6,526,372                               | -                      | 29,474,576                                 |
| Cash, restricted   | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Long-term investments  | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Long-term investments, restricted                            | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Due from affiliates  | -  | -                                | -                           | -                    | -                                       | (3,448,794)            | -  |
| Pledges receivable, net                                      | -  | -                                | -                           | -                    | -                                       | -                      | 102,971                                    |
| Grants receivable  | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Investments in limited partnerships                          | -  | 83                               | -                           | (1)                  | -                                       | (20,882,936)           | 1  |
| Notes and interest receivable, net                           | -  | -                                | -                           | -                    | -                                       | -                      | 56,072                                     |
| Notes and interest receivable, affiliates                    | -  | -                                | -                           | -                    | -                                       | (11,952,666)           | -  |
| Allowance for impaired assets                                | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Other assets   | 2,390,154  | -                                | 392,039                     | -                    | 1,076,996                               | -                      | 4,524,486                                  |
| Total other long-term assets                                 | 9,300,624  | 83                               | 392,039                     | (1)                  | 7,603,368                               | (36,284,396)           | 34,158,106                                 |
| <b>Total assets</b>  | <b>\$ 66,671,484</b>                                     | <b>\$ 83</b>                     | <b>\$ 5,014,838</b>         | <b>\$ 66</b>         | <b>\$ 17,652,489</b>                    | <b>\$ (55,044,574)</b> | <b>\$ 210,236,596</b>                      |
| <b>Liabilities</b>   |  |                                  |                             |                      |   |                        |  |
| Current liabilities  |  |                                  |                             |                      |   |                        |  |
| Accounts payable and accrued expenses                        | \$ 4,054,274   | \$ -                             | \$ 979,901                  | \$ -                 | \$ 86,870                               | \$ (19,999)            | \$ 9,291,080                               |
| Due to affiliates  | 1,271,566  | 411                              | 109,082                     | -                    | 36,850                                  | (3,959,956)            | 85,514                                     |
| Accrued interest   | 536,164  | -                                | 2,875                       | -                    | 4,852                                   | -                      | 580,846                                    |
| Accrued interest, affiliates                                 | -  | -                                | -                           | -                    | -                                       | (34,498)               | -  |
| Current portion of notes payable                             | -  | -                                | -                           | -                    | 137,651                                 | -                      | 1,217,178                                  |
| Current portion of notes payable, affiliates                 | 940,672  | -                                | 570,617                     | -                    | 834,524                                 | (2,696,929)            | 2,568,838                                  |
| Deferred revenue and other liabilities                       | 13,798   | -                                | -                           | -                    | 3,194                                   | -                      | 237,414                                    |
| Tenant security deposits                                     | 68,367   | -                                | -                           | -                    | 39,072                                  | -                      | 415,542                                    |
| Miscellaneous current liabilities                            | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Total current liabilities                                    | 6,884,841  | 411                              | 1,662,475                   | -                    | 1,143,013                               | (6,711,382)            | 14,396,412                                 |
| Long-term liabilities  |  |                                  |                             |                      |   |                        |  |
| Due to affiliates  | -  | -                                | -                           | -                    | -                                       | (2,866,010)            | -  |
| Accrued interest   | -  | -                                | -                           | -                    | 8,538                                   | -                      | 2,310,790                                  |
| Accrued interest, affiliates                                 | 280,375  | -                                | -                           | -                    | 2,561                                   | (1,453,310)            | -  |
| Notes payable, less current portion                          | 41,912,753   | -                                | 1,258,930                   | -                    | 10,033,690                              | -                      | 112,853,380                                |
| Notes payable, less current portion, affiliates              | 4,263,520  | -                                | -                           | -                    | 4,336,844                               | (31,416,521)           | 415,799                                    |
| Deferred revenue and other liabilities                       | 5,658,157  | -                                | 184,928                     | -                    | 562,886                                 | (6,862,001)            | 2,488,882                                  |
| Total long-term liabilities                                  | 52,114,805   | -                                | 1,443,858                   | -                    | 14,944,519                              | (42,597,842)           | 118,068,851                                |
| <b>Total liabilities</b>                                     | <b>58,999,646</b>  | <b>411</b>                       | <b>3,106,333</b>            | <b>-</b>             | <b>16,087,532</b>                       | <b>(49,309,224)</b>    | <b>132,465,263</b>                         |
| <b>Net assets</b>  |  |                                  |                             |                      |   |                        |  |
| Unrestricted net assets, controlling                         | 7,671,838  | (328)                            | 1,908,505                   | 66                   | 1,564,957                               | (5,735,350)            | 68,261,062                                 |
| Unrestricted net assets, noncontrolling                      | -  | -                                | -                           | -                    | -                                       | -                      | -  |
| Total unrestricted net assets                                | 7,671,838  | (328)                            | 1,908,505                   | 66                   | 1,564,957                               | (5,735,350)            | 68,261,062                                 |
| Temporarily restricted net assets                            | -  | -                                | -                           | -                    | -                                       | -                      | 9,135,271                                  |
| Permanently restricted net assets                            | -  | -                                | -                           | -                    | -                                       | -                      | 375,000                                    |
| <b>Total net assets</b>                                      | <b>7,671,838</b>   | <b>(328)</b>                     | <b>1,908,505</b>            | <b>66</b>            | <b>1,564,957</b>                        | <b>(5,735,350)</b>     | <b>77,771,333</b>                          |
| <b>Total liabilities and net assets</b>                      | <b>\$ 66,671,484</b>                                     | <b>\$ 83</b>                     | <b>\$ 5,014,838</b>         | <b>\$ 66</b>         | <b>\$ 17,652,489</b>                    | <b>\$ (55,044,574)</b> | <b>\$ 210,236,596</b>                      |



Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Lakefront  
For the year ended December 31, 2011

|  | Mercy Housing<br>Lakefront | Laverne<br>Courts, LLC | Washington<br>Courts, LLC | Whitmore<br>Apartments LLC | 111 & Wentworth<br>Apartments<br>Corporation | Wentworth<br>Commons |
|--|----------------------------|------------------------|---------------------------|----------------------------|--|----------------------|
| <b>Revenues</b>                                      |                            |                        |                           |                            |  |                      |
| Rent - net of vacancies                              | \$ -                       | \$ 1,848,186           | \$ 1,362,352              | \$ 767,961                 | \$ -   | \$ 486,949           |
| Developer fees                                       | 5,067,555                  | -                      | -                         | -                          | -  | -                    |
| Services fees  | 848,488                    | -                      | -                         | -                          | -  | -                    |
| Philanthropy   | 7,059,848                  | -                      | -                         | -                          | -  | -                    |
| Capital grants                                       | 1,328,500                  | -                      | -                         | -                          | -  | -                    |
| Consulting   | 116,550                    | -                      | -                         | -                          | -  | -                    |
| Interest   | 623,074                    | 630                    | 1,030                     | 182                        | -  | 1,678                |
| Other  | 703,492                    | 18,608                 | 6,249                     | 729                        | -  | 24,881               |
| <b>Total revenues</b>                                | <u>15,747,507</u>          | <u>1,867,424</u>       | <u>1,369,631</u>          | <u>768,872</u>             | <u>-</u>                                     | <u>513,508</u>       |
| <b>Expenses and losses</b>                           |                            |                        |                           |                            |  |                      |
| Compensation   | 4,473,823                  | 339,155                | 221,837                   | 116,811                    | -  | 212,458              |
| Administrative                                       | 569,738                    | 233,446                | 145,911                   | 76,322                     | 10,200                                       | 66,625               |
| Professional services                                | 386,025                    | 99,367                 | 123,319                   | 44,883                     | 1,067  | 18,319               |
| Depreciation and amortization                        | 34,948                     | 225,742                | 128,312                   | 63,358                     | -  | 309,398              |
| Grants   | 2,215,417                  | -                      | -                         | -                          | -  | -                    |
| Facility   | 197,587                    | 642,459                | 484,970                   | 257,554                    | -  | 199,385              |
| Interest and fees                                    | 20,871                     | 279,667                | 207,726                   | 120,394                    | 341  | 3,068                |
| Bad debts  | 85,117                     | 25,152                 | 12,353                    | 2,194                      | -  | 3                    |
| Provision for impaired assets                        | 3,994,657                  | -                      | -                         | -                          | -  | -                    |
| Project expenses                                     | -                          | -                      | -                         | -                          | -  | -                    |
| Allocation   | 1,539,064                  | -                      | -                         | -                          | -  | -                    |
| (Gain) loss on sale of assets                        | (2,543,470)                | -                      | -                         | -                          | -  | -                    |
| (Gain) loss on investment in limited partnership     | 376,703                    | -                      | -                         | -                          | 30   | -                    |
| <b>Total expenses and losses</b>                     | <u>11,350,480</u>          | <u>1,844,988</u>       | <u>1,324,428</u>          | <u>681,516</u>             | <u>11,638</u>                                | <u>809,256</u>       |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>4,397,027</u>           | <u>22,436</u>          | <u>45,203</u>             | <u>87,356</u>              | <u>(11,638)</u>                              | <u>(295,748)</u>     |
| Net assets at beginning of year                      | 9,390,164                  | 182,846                | 353,665                   | 222,712                    | (37,448)                                     | 617,927              |
| Other transfers to (from) net assets                 | -                          | -                      | (3,746)                   | (45,110)                   | -  | -                    |
| <b>Net assets at end of year</b>                     | <u>\$ 13,787,191</u>       | <u>\$ 205,282</u>      | <u>\$ 395,122</u>         | <u>\$ 264,958</u>          | <u>\$ (49,086)</u>                           | <u>\$ 322,179</u>    |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Lakefront  
For the year ended December 31, 2011

|  | Belray Apartments<br>Corporation | Belray<br>Apartments | Harold Washington<br>Apartments<br>Corporation | Harold Washington<br>Apartments | Magnolia LP<br>( Carlton Apartments ) | Red Door LP<br>(Major Jenkins<br>Apartments ) |
|--|----------------------------------|----------------------|--|---------------------------------|---------------------------------------|---|
| <b>Revenues</b>                                      |                                  |                      |  |                                 |                                       |   |
| Rent - net of vacancies                              | \$ -                             | \$ 480,207           | \$ -   | \$ -                            | \$ 487,520                            | \$ 1,077,338                                  |
| Developer fees                                       | -                                | -                    | -  | -                               | -                                     | -   |
| Services fees  | 3,330                            | -                    | 9,006  | -                               | -                                     | -   |
| Philanthropy   | -                                | -                    | -  | -                               | -                                     | -   |
| Capital grants                                       | -                                | -                    | -  | -                               | -                                     | -   |
| Consulting   | -                                | -                    | -  | -                               | -                                     | -   |
| Interest   | -                                | 13,068               | -  | -                               | 1,320                                 | 3,423   |
| Other  | -                                | 8,564                | -  | 254,024                         | 19,184                                | 10,799  |
| <b>Total revenues</b>                                | <u>3,330</u>                     | <u>501,839</u>       | <u>9,006</u>                                   | <u>254,024</u>                  | <u>508,024</u>                        | <u>1,091,560</u>                              |
| <b>Expenses and losses</b>                           |                                  |                      |  |                                 |                                       |   |
| Compensation   | -                                | 248,498              | -  | -                               | 242,252                               | 346,543                                       |
| Administrative                                       | 14,004                           | 83,688               | 73,212   | -                               | 77,787                                | 229,173                                       |
| Professional services                                | 1,162                            | 21,497               | 696  | -                               | 24,905                                | 128,477                                       |
| Depreciation and amortization                        | -                                | 111,081              | -  | -                               | 92,240                                | 222,201                                       |
| Grants   | -                                | -                    | -  | -                               | -                                     | -   |
| Facility   | -                                | 111,084              | -  | -                               | 139,311                               | 188,172                                       |
| Interest and fees                                    | 348                              | 35                   | 348  | 11,851                          | 39                                    | 128   |
| Bad debts  | -                                | 485                  | -  | -                               | 3,797                                 | 3,280   |
| Provision for impaired assets                        | -                                | -                    | -  | -                               | -                                     | -   |
| Project expenses                                     | -                                | -                    | -  | -                               | -                                     | -   |
| Allocation   | -                                | -                    | -  | -                               | -                                     | -   |
| (Gain) loss on sale of assets                        | -                                | -                    | -  | -                               | -                                     | -   |
| (Gain) loss on investment in limited partnership     | 745                              | -                    | (353)  | -                               | -                                     | -   |
| <b>Total expenses and losses</b>                     | <u>16,259</u>                    | <u>576,368</u>       | <u>73,903</u>                                  | <u>11,851</u>                   | <u>580,331</u>                        | <u>1,117,974</u>                              |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>(12,929)</u>                  | <u>(74,529)</u>      | <u>(64,897)</u>                                | <u>242,173</u>                  | <u>(72,307)</u>                       | <u>(26,414)</u>                               |
| Net assets at beginning of year                      | (48,446)                         | (560,956)            | (259,728)                                      | (242,173)                       | 524,237                               | 1,442,489                                     |
| Other transfers to (from) net assets                 | -                                | -                    | -  | -                               | -                                     | -   |
| <b>Net assets at end of year</b>                     | <u>\$ (61,375)</u>               | <u>\$ (635,485)</u>  | <u>\$ (324,625)</u>                            | <u>\$ -</u>                     | <u>\$ 451,930</u>                     | <u>\$ 1,416,075</u>                           |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Lakefront  
For the year ended December 31, 2011

|  | 4707 Malden LP<br>(Miriam Apartments) | Roseland<br>Apartment<br>Corporation | Roseland LP<br>(Holland<br>Apartments) | South Loop<br>Apartments<br>Corporation | South Loop<br>Apartments | Winthrop<br>Apartments<br>Corporation |
|--|---------------------------------------|--------------------------------------|--|---|--------------------------|---------------------------------------|
| <b>Revenues</b>                                      |                                       |                                      |  |   |                          |                                       |
| Rent - net of vacancies                              | \$ 408,792                            | \$ -                                 | \$ 425,260                             | \$ -                                    | \$ 733,965               | \$ -                                  |
| Developer fees                                       | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Services fees  | -                                     | -                                    | -                                      | 29,605                                  | -                        | 9,365                                 |
| Philanthropy   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Capital grants                                       | 15,477                                | -                                    | -                                      | -                                       | -                        | -                                     |
| Consulting   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Interest   | 1,018                                 | -                                    | 39                                     | -                                       | 1,578                    | -                                     |
| Other  | 5,083                                 | -                                    | 89,938                                 | -                                       | 265,243                  | -                                     |
| <b>Total revenues</b>                                | <u>430,370</u>                        | <u>-</u>                             | <u>515,237</u>                         | <u>29,605</u>                           | <u>1,000,786</u>         | <u>9,365</u>                          |
| <b>Expenses and losses</b>                           |                                       |                                      |  |   |                          |                                       |
| Compensation   | 250,941                               | -                                    | 206,604                                | -                                       | 335,023                  | -                                     |
| Administrative                                       | 59,940                                | 16,200                               | 75,571                                 | 41,400                                  | 164,233                  | 32,604                                |
| Professional services                                | 22,239                                | 1,008                                | 27,720                                 | 1,162                                   | 40,108                   | 934                                   |
| Depreciation and amortization                        | 84,614                                | -                                    | 320,115                                | -                                       | 513,155                  | -                                     |
| Grants   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Facility   | 113,489                               | -                                    | 194,846                                | -                                       | 323,996                  | -                                     |
| Interest and fees                                    | 3,497                                 | 346                                  | -                                      | 350                                     | 161,752                  | 379                                   |
| Bad debts  | 3,773                                 | -                                    | (2,264)                                | -                                       | 37,316                   | -                                     |
| Provision for impaired assets                        | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Project expenses                                     | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| Allocation   | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| (Gain) loss on sale of assets                        | -                                     | -                                    | -                                      | -                                       | -                        | -                                     |
| (Gain) loss on investment in limited partnership     | -                                     | 329                                  | -                                      | 57                                      | -                        | 2,378                                 |
| <b>Total expenses and losses</b>                     | <u>538,493</u>                        | <u>17,883</u>                        | <u>822,592</u>                         | <u>42,969</u>                           | <u>1,575,583</u>         | <u>36,295</u>                         |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>(108,123)</u>                      | <u>(17,883)</u>                      | <u>(307,355)</u>                       | <u>(13,364)</u>                         | <u>(574,797)</u>         | <u>(26,930)</u>                       |
| Net assets at beginning of year                      | 900,708                               | (52,691)                             | 2,415,629                              | (48,864)                                | 2,350,449                | (116,222)                             |
| Other transfers to (from) net assets                 | -                                     | -                                    | -                                      | -                                       | 340,000                  | -                                     |
| <b>Net assets at end of year</b>                     | <u>\$ 792,585</u>                     | <u>\$ (70,574)</u>                   | <u>\$ 2,108,274</u>                    | <u>\$ (62,228)</u>                      | <u>\$ 2,115,652</u>      | <u>\$ (143,152)</u>                   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Lakefront  
For the year ended December 31, 2011

|  | 5042 Winthrop<br>Apartments LP<br>(Delmar Apartments) | Near North<br>Apartment<br>Corporation NFP | Near North LP<br>(Schiff Residences) | Malden Arms<br>Corp II NFP | Malden Limited<br>Partnership II | Englewood<br>Apartments NFP |
|--|---|--|--------------------------------------|----------------------------|----------------------------------|-----------------------------|
| <b>Revenues</b>                                      |   |  |                                      |                            |                                  |                             |
| Rent - net of vacancies                              | \$ 605,012  | \$ -                                       | \$ 725,498                           | \$ -                       | \$ 443,532                       | \$ -                        |
| Developer fees                                       | -   | -  | -                                    | -                          | -                                | -                           |
| Services fees  | -   | 45,586                                     | -                                    | 20,000                     | -                                | -                           |
| Philanthropy   | -   | -  | -                                    | -                          | -                                | -                           |
| Capital grants                                       | -   | -  | -                                    | -                          | -                                | -                           |
| Consulting   | -   | -  | -                                    | -                          | -                                | -                           |
| Interest   | 1,332   | -  | 30                                   | -                          | 35,194                           | -                           |
| Other  | 111,971   | -  | 9,262                                | -                          | 9,386                            | -                           |
| <b>Total revenues</b>                                | <u>718,315</u>  | <u>45,586</u>                              | <u>734,790</u>                       | <u>20,000</u>              | <u>488,112</u>                   | <u>-</u>                    |
| <b>Expenses and losses</b>                           |   |  |                                      |                            |                                  |                             |
| Compensation   | 297,532   | -  | 239,074                              | -                          | 211,022                          | -                           |
| Administrative                                       | 149,883   | 48,975                                     | 150,368                              | 17,237                     | 80,861                           | -                           |
| Professional services                                | 32,791  | 1,070                                      | 27,288                               | 1,535                      | 19,461                           | 3,361                       |
| Depreciation and amortization                        | 215,766   | -  | 574,677                              | -                          | 206,683                          | -                           |
| Grants   | -   | -  | -                                    | -                          | -                                | -                           |
| Facility   | 238,991   | -  | 197,696                              | -                          | 109,518                          | -                           |
| Interest and fees                                    | 121   | 329  | 58,498                               | 4,106                      | 66,938                           | 216                         |
| Bad debts  | 21,029  | -  | 302                                  | -                          | 11,899                           | -                           |
| Provision for impaired assets                        | -   | -  | -                                    | -                          | -                                | -                           |
| Project expenses                                     | -   | -  | -                                    | -                          | -                                | -                           |
| Allocation   | -   | -  | -                                    | -                          | -                                | -                           |
| (Gain) loss on sale of assets                        | -   | -  | -                                    | -                          | -                                | -                           |
| (Gain) loss on investment in limited partnership     | -   | 51   | -                                    | 22                         | -                                | 66                          |
| <b>Total expenses and losses</b>                     | <u>956,113</u>  | <u>50,425</u>                              | <u>1,247,903</u>                     | <u>22,900</u>              | <u>706,382</u>                   | <u>3,643</u>                |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>(237,798)</u>                                      | <u>(4,839)</u>                             | <u>(513,113)</u>                     | <u>(2,900)</u>             | <u>(218,270)</u>                 | <u>(3,643)</u>              |
| Net assets at beginning of year                      | (1,676,766)   | 5,362,830                                  | 9,661,450                            | 515,242                    | 2,972,509                        | 596,602                     |
| Other transfers to (from) net assets                 | -   | -  | (2,720)                              | -                          | -                                | -                           |
| <b>Net assets at end of year</b>                     | <u>\$ (1,914,564)</u>                                 | <u>\$ 5,357,991</u>                        | <u>\$ 9,145,617</u>                  | <u>\$ 512,342</u>          | <u>\$ 2,754,239</u>              | <u>\$ 592,959</u>           |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Lakefront  
For the year ended December 31, 2011

|  | 901 West 63rd LP<br>(Englewood Apts.) | Countryside<br>Seniors LLC | Countryside<br>Senior Apts LP | Johnston Center<br>MM LLC | Johnston Center<br>Residences, LLC | HWA-850 Eastwood<br>GP Corp NFP |
|--|---------------------------------------|----------------------------|-------------------------------|---------------------------|------------------------------------|---------------------------------|
| <b>Revenues</b>                                      |                                       |                            |                               |                           |                                    |                                 |
| Rent - net of vacancies                              | \$ 846,783                            | \$ -                       | \$ 374,565                    | \$ -                      | \$ 716,874                         | \$ -                            |
| Developer fees                                       | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Services fees  | -                                     | -                          | -                             | 4,550                     | -                                  | -                               |
| Philanthropy   | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Capital grants                                       | -                                     | -                          | -                             | -                         | 2,196                              | -                               |
| Consulting   | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Interest   | 2                                     | -                          | 15                            | -                         | 53                                 | -                               |
| Other  | 3,683                                 | -                          | 7,625                         | -                         | 27,180                             | -                               |
| <b>Total revenues</b>                                | <u>850,468</u>                        | <u>-</u>                   | <u>382,205</u>                | <u>4,550</u>              | <u>746,303</u>                     | <u>-</u>                        |
| <b>Expenses and losses</b>                           |                                       |                            |                               |                           |                                    |                                 |
| Compensation   | 239,461                               | -                          | 150,122                       | -                         | 154,043                            | -                               |
| Administrative                                       | 113,602                               | -                          | 88,554                        | -                         | 89,973                             | -                               |
| Professional services                                | 28,446                                | 2,564                      | 10,043                        | 1,057                     | 43,493                             | 1,105                           |
| Depreciation and amortization                        | 696,845                               | -                          | 564,935                       | -                         | 488,987                            | -                               |
| Grants   | -                                     | -                          | -                             | -                         | -                                  | 244,277                         |
| Facility   | 174,614                               | -                          | 107,175                       | -                         | 343,967                            | -                               |
| Interest and fees                                    | 248,758                               | 223                        | 236,843                       | 91                        | 92,078                             | 36                              |
| Bad debts  | 6,266                                 | -                          | -                             | -                         | 11,577                             | -                               |
| Provision for impaired assets                        | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Project expenses                                     | -                                     | -                          | -                             | -                         | -                                  | -                               |
| Allocation   | -                                     | -                          | -                             | -                         | -                                  | -                               |
| (Gain) loss on sale of assets                        | -                                     | -                          | -                             | -                         | -                                  | -                               |
| (Gain) loss on investment in limited partnership     | -                                     | 78                         | -                             | 46                        | -                                  | 219                             |
| <b>Total expenses and losses</b>                     | <u>1,507,992</u>                      | <u>2,865</u>               | <u>1,157,672</u>              | <u>1,194</u>              | <u>1,224,118</u>                   | <u>245,637</u>                  |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>(657,524)</u>                      | <u>(2,865)</u>             | <u>(775,467)</u>              | <u>3,356</u>              | <u>(477,815)</u>                   | <u>(245,637)</u>                |
| Net assets at beginning of year                      | 1,391,237                             | 3,002,776                  | 6,012,310                     | (1,392)                   | 7,712,196                          | 2,999,736                       |
| Other transfers to (from) net assets                 | <u>12,526,598</u>                     | <u>-</u>                   | <u>3,663,110</u>              | <u>-</u>                  | <u>249,719</u>                     | <u>-</u>                        |
| <b>Net assets at end of year</b>                     | <u>\$ 13,260,311</u>                  | <u>\$ 2,999,911</u>        | <u>\$ 8,899,953</u>           | <u>\$ 1,964</u>           | <u>\$ 7,484,100</u>                | <u>\$ 2,754,099</u>             |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Lakefront  
For the year ended December 31, 2011

|  | HWA-850 Eastwood LP<br>(Harold Washington<br>Apartments) | Belvidere Place<br>Corp I NFP GP | Grayslake Senior<br>Housing | 104th Street MM, LLC | 104th Street LP<br>(Pullman Wheelworks) | Eliminations          | Consolidated<br>Mercy Housing<br>Lakefront |
|--|--|----------------------------------|-----------------------------|----------------------|---|-----------------------|--|
| <b>Revenues</b>                                      |  |                                  |                             |                      |   |                       |  |
| Rent - net of vacancies                              | \$ 3,193,259   | \$ -                             | \$ -                        | \$ -                 | \$ 95,622                               | \$ (1,205,784)        | \$ 13,873,891                              |
| Developer fees                                       | -  | -                                | -                           | -                    | -                                       | (3,214,622)           | 1,852,933                                  |
| Services fees  | -  | -                                | -                           | -                    | -                                       | (969,930)             | -  |
| Philanthropy   | -  | -                                | -                           | -                    | -                                       | -                     | 7,059,848                                  |
| Capital grants                                       | 10,000   | -                                | -                           | -                    | -                                       | -                     | 1,356,173                                  |
| Consulting   | -  | -                                | -                           | -                    | -                                       | -                     | 116,550                                    |
| Interest   | 2,342  | -                                | -                           | -                    | 65                                      | (606,028)             | 80,045                                     |
| Other  | 21,364   | -                                | -                           | -                    | 1,315                                   | (1,188,299)           | 410,281                                    |
| <b>Total revenues</b>                                | <u>3,226,965</u>   | <u>-</u>                         | <u>-</u>                    | <u>-</u>             | <u>97,002</u>                           | <u>(7,184,663)</u>    | <u>24,749,721</u>                          |
| <b>Expenses and losses</b>                           |  |                                  |                             |                      |   |                       |  |
| Compensation   | 589,093  | -                                | -                           | -                    | 23,321                                  | -                     | 8,897,613                                  |
| Administrative                                       | 241,796  | -                                | 5,354                       | -                    | 6,993                                   | (546,052)             | 2,417,598                                  |
| Professional services                                | 80,905   | 311                              | 2,499                       | -                    | 14,201                                  | (389,334)             | 823,684                                    |
| Depreciation and amortization                        | 1,445,629  | -                                | -                           | -                    | 16,020                                  | (60,216)              | 6,254,490                                  |
| Grants   | -  | -                                | -                           | -                    | -                                       | (1,937,303)           | 522,391                                    |
| Facility   | 940,875  | -                                | -                           | -                    | 24,346                                  | (10,440)              | 4,979,595                                  |
| Interest and fees                                    | 1,471,746  | -                                | -                           | -                    | 15,951                                  | (601,713)             | 2,405,361                                  |
| Bad debts  | 947  | -                                | -                           | -                    | -                                       | (69,085)              | 154,141                                    |
| Provision for impaired assets                        | -  | -                                | -                           | -                    | -                                       | (3,994,657)           | -  |
| Project expenses                                     | -  | -                                | -                           | -                    | -                                       | -                     | -  |
| Allocation   | -  | -                                | -                           | -                    | -                                       | -                     | 1,539,064                                  |
| (Gain) loss on sale of assets                        | -  | -                                | -                           | -                    | -                                       | 2,543,470             | -  |
| (Gain) loss on investment in limited partnership     | -  | 17                               | -                           | 1                    | -                                       | 90,555                | 470,944                                    |
| <b>Total expenses and losses</b>                     | <u>4,770,991</u>   | <u>328</u>                       | <u>7,853</u>                | <u>1</u>             | <u>100,832</u>                          | <u>(4,974,775)</u>    | <u>28,464,881</u>                          |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>(1,544,026)</u>                                       | <u>(328)</u>                     | <u>(7,853)</u>              | <u>(1)</u>           | <u>(3,830)</u>                          | <u>(2,209,888)</u>    | <u>(3,715,160)</u>                         |
| Net assets at beginning of year                      | 8,536,335  | -                                | -                           | -                    | -                                       | (1,994,552)           | 62,124,811                                 |
| Other transfers to (from) net assets                 | 679,529  | -                                | 1,916,358                   | 67                   | 1,568,787                               | (1,530,910)           | 19,361,682                                 |
| <b>Net assets at end of year</b>                     | <u>\$ 7,671,838</u>                                      | <u>\$ (328)</u>                  | <u>\$ 1,908,505</u>         | <u>\$ 66</u>         | <u>\$ 1,564,957</u>                     | <u>\$ (5,735,350)</u> | <u>\$ 77,771,333</u>                       |

Consolidating Statement of Financial Position  
Mercy Housing Southeast  
December 31, 2011

|  | Mercy<br>Housing<br>Southeast | Mercy Place<br>Belmont, Inc. | Mercy Housing<br>Pembroke, Inc.<br>(McFadden Place) | Mercy Housing<br>Georgia Holdings, LLC<br>(1826 Florence St) | Marshside<br>Village, Inc. | Allegre Point<br>Senior Residences |
|--|-------------------------------|------------------------------|---|--|----------------------------|------------------------------------|
| <b>Assets</b>  |                               |                              |   |  |                            |                                    |
| Current assets   |                               |                              |   |  |                            |                                    |
| Cash and cash equivalents                                    | \$ 488,594                    | \$ 19,016                    | \$ 14,185   | \$ 2,562   | \$ 8,853                   | \$ 73,806                          |
| Cash, tenant security deposits                               | -                             | 10,854                       | 6,845   | -  | 11,529                     | 19,388                             |
| Cash, restricted   | 5,244,837                     | 1,090                        | 2,565   | -  | -                          | 25,739                             |
| Investments  | 85,487                        | -                            | -   | -  | -                          | -                                  |
| Investments, restricted                                      | -                             | -                            | -   | -  | -                          | -                                  |
| Accounts receivable, net                                     | 175,029                       | 68                           | 300   | 100  | -                          | 4,141                              |
| Due from affiliate, net                                      | 2,575,932                     | -                            | -   | -  | -                          | -                                  |
| Pledges receivable   | 9,360                         | -                            | -   | -  | -                          | -                                  |
| Grants receivable  | 53,533                        | -                            | -   | -  | -                          | -                                  |
| Current portion of notes and interest receivable             | -                             | -                            | -   | -  | -                          | -                                  |
| Current portion of notes and interest receivable, affiliates | 3,505,543                     | -                            | -   | -  | -                          | -                                  |
| Prepaid expenses and other assets                            | 39,140                        | 5,342                        | 4,061   | 422  | 5,175                      | 11,295                             |
| Inventory  | -                             | -                            | -   | -  | -                          | -                                  |
| <b>Total current assets</b>                                  | <b>12,177,455</b>             | <b>36,370</b>                | <b>27,956</b>                                       | <b>3,084</b>   | <b>25,557</b>              | <b>134,369</b>                     |
| Property and equipment                                       |                               |                              |   |  |                            |                                    |
| Land and land improvements                                   | -                             | -                            | 49,640  | 15,789   | 241,500                    | 317,000                            |
| Buildings  | -                             | 3,269,826                    | 1,779,257   | 297,827  | 3,539,038                  | 5,919,280                          |
| Furniture and equipment                                      | 32,522                        | 80,698                       | 14,714  | 4,596  | 108,319                    | 112,202                            |
| Predevelopment project costs                                 | 60,847                        | -                            | -   | -  | -                          | -                                  |
| Construction in progress                                     | -                             | -                            | -   | -  | -                          | -                                  |
| Accumulated depreciation                                     | (32,489)                      | (852,487)                    | (489,171)   | (65,293)   | (625,552)                  | (737,256)                          |
| <b>Net property and equipment</b>                            | <b>60,880</b>                 | <b>2,498,037</b>             | <b>1,354,440</b>                                    | <b>252,919</b>   | <b>3,263,305</b>           | <b>5,611,226</b>                   |
| Other long-term assets                                       |                               |                              |   |  |                            |                                    |
| Restricted property reserves                                 | -                             | 93,320                       | 75,613  | -  | 187,670                    | 108,013                            |
| Cash, restricted   | -                             | -                            | -   | -  | -                          | -                                  |
| Long-term investments  | -                             | -                            | -   | -  | -                          | -                                  |
| Long-term investments, restricted                            | -                             | -                            | -   | -  | -                          | -                                  |
| Due from affiliates  | 771,276                       | -                            | -   | -  | -                          | -                                  |
| Pledges receivable, net                                      | -                             | -                            | -   | -  | -                          | -                                  |
| Grants receivable  | -                             | -                            | -   | -  | -                          | -                                  |
| Investments in limited partnerships                          | -                             | -                            | -   | -  | -                          | -                                  |
| Notes and interest receivable, net                           | 18,042                        | -                            | -   | -  | -                          | -                                  |
| Notes and interest receivable, affiliates                    | 88,096                        | -                            | -   | -  | -                          | -                                  |
| Allowance for impaired assets                                | -                             | -                            | -   | -  | -                          | -                                  |
| Other assets   | -                             | -                            | -   | 2,212  | -                          | 39,320                             |
| <b>Total other long-term assets</b>                          | <b>877,414</b>                | <b>93,320</b>                | <b>75,613</b>                                       | <b>2,212</b>   | <b>187,670</b>             | <b>147,333</b>                     |
| <b>Total assets</b>  | <b>\$ 13,115,749</b>          | <b>\$ 2,627,727</b>          | <b>\$ 1,458,009</b>                                 | <b>\$ 258,215</b>  | <b>\$ 3,476,532</b>        | <b>\$ 5,892,928</b>                |
| <b>Liabilities</b>   |                               |                              |   |  |                            |                                    |
| Current liabilities  |                               |                              |   |  |                            |                                    |
| Accounts payable and accrued expenses                        | \$ 538,349                    | \$ 69,205                    | \$ 26,532   | \$ 8,780   | \$ 26,012                  | \$ 28,873                          |
| Due to affiliates  | 7,662,902                     | 2,500                        | 55,093  | -  | -                          | -                                  |
| Accrued interest   | -                             | -                            | -   | 458  | -                          | -                                  |
| Accrued interest, affiliates                                 | -                             | -                            | -   | -  | -                          | -                                  |
| Current portion of notes payable                             | -                             | -                            | -   | 5,558  | -                          | -                                  |
| Current portion of notes payable, affiliates                 | 227,053                       | -                            | -   | 19,174   | -                          | -                                  |
| Deferred revenue and other liabilities                       | -                             | 244                          | 828   | 200  | -                          | 988                                |
| Tenant security deposits                                     | -                             | 10,431                       | 5,941   | -  | 11,480                     | 19,388                             |
| Miscellaneous current liabilities                            | -                             | -                            | -   | -  | -                          | -                                  |
| <b>Total current liabilities</b>                             | <b>8,428,304</b>              | <b>82,380</b>                | <b>88,394</b>                                       | <b>34,170</b>  | <b>37,492</b>              | <b>49,249</b>                      |
| Long-term liabilities  |                               |                              |   |  |                            |                                    |
| Due to affiliates  | -                             | -                            | -   | -  | -                          | -                                  |
| Accrued interest   | -                             | -                            | -   | -  | -                          | -                                  |
| Accrued interest, affiliates                                 | -                             | -                            | -   | -  | -                          | -                                  |
| Notes payable, less current portion                          | -                             | -                            | -   | 146,383  | -                          | -                                  |
| Notes payable, less current portion, affiliates              | -                             | -                            | -   | -  | -                          | -                                  |
| Deferred revenue and other liabilities                       | -                             | -                            | -   | -  | -                          | -                                  |
| <b>Total long-term liabilities</b>                           | <b>-</b>                      | <b>-</b>                     | <b>-</b>  | <b>146,383</b>   | <b>-</b>                   | <b>-</b>                           |
| <b>Total liabilities</b>                                     | <b>8,428,304</b>              | <b>82,380</b>                | <b>88,394</b>                                       | <b>180,553</b>   | <b>37,492</b>              | <b>49,249</b>                      |
| <b>Net assets</b>  |                               |                              |   |  |                            |                                    |
| Unrestricted net assets                                      | (880,416)                     | (202,574)                    | (167,147)   | 77,662   | (146,707)                  | 92,458                             |
| Unrestricted net assets, noncontrolling                      | -                             | -                            | -   | -  | -                          | -                                  |
| <b>Total unrestricted net assets</b>                         | <b>(880,416)</b>              | <b>(202,574)</b>             | <b>(167,147)</b>                                    | <b>77,662</b>  | <b>(146,707)</b>           | <b>92,458</b>                      |
| Temporarily restricted net assets                            | 5,567,861                     | 2,747,921                    | 1,536,762   | -  | 3,585,747                  | 5,751,221                          |
| Permanently restricted net assets                            | -                             | -                            | -   | -  | -                          | -                                  |
| <b>Total net assets</b>                                      | <b>4,687,445</b>              | <b>2,545,347</b>             | <b>1,369,615</b>                                    | <b>77,662</b>  | <b>3,439,040</b>           | <b>5,843,679</b>                   |
| <b>Total liabilities and net assets</b>                      | <b>\$ 13,115,749</b>          | <b>\$ 2,627,727</b>          | <b>\$ 1,458,009</b>                                 | <b>\$ 258,215</b>  | <b>\$ 3,476,532</b>        | <b>\$ 5,892,928</b>                |





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| Assets   | St. Mary's Villa Inc. | Sacred Heart Village I, Inc. | Sacred Heart Village II, Inc. | Sacred Heart Village III, Inc. | St. Theresa Village Inc. | Siena Springs (Siena Springs I) |
|--|-----------------------|------------------------------|-------------------------------|--------------------------------|--------------------------|---------------------------------|
| <b>Current assets</b>  |                       |                              |                               |                                |                          |                                 |
| Cash and cash equivalents                                    |                       |                              |                               |                                |                          |                                 |
| Cash, tenant security deposits                               | \$ 653                | \$ 72,641                    | \$ 10,004                     | \$ 20,171                      | \$ 15,032                | \$ 1,367                        |
| Cash, restricted   | 15,357                | 15,583                       | 17,623                        | 12,989                         | 14,451                   | 12,107                          |
| Investments  | -                     | -                            | -                             | -                              | -                        | -                               |
| Investments, restricted                                      | -                     | -                            | -                             | -                              | -                        | -                               |
| Accounts receivable, net                                     | -                     | -                            | -                             | -                              | -                        | -                               |
| Due from affiliate, net                                      | 8,570                 | -                            | 9,581                         | 824                            | 1,766                    | 1,968                           |
| Pledges receivable   | -                     | 418                          | -                             | -                              | -                        | 55,243                          |
| Grants receivable  | -                     | -                            | -                             | -                              | -                        | -                               |
| Current portion of notes and interest receivable             | -                     | -                            | -                             | -                              | -                        | -                               |
| Current portion of notes and interest receivable, affiliates | -                     | -                            | -                             | -                              | -                        | -                               |
| Prepaid expenses and other assets                            | -                     | -                            | -                             | -                              | -                        | -                               |
| Inventory  | 1,514                 | 2,176                        | 2,454                         | 2,964                          | 1,367                    | 3,630                           |
|  | -                     | -                            | -                             | -                              | -                        | -                               |
| <b>Total current assets</b>                                  | <b>26,094</b>         | <b>90,818</b>                | <b>39,662</b>                 | <b>36,948</b>                  | <b>32,616</b>            | <b>74,315</b>                   |
| <b>Property and equipment</b>                                |                       |                              |                               |                                |                          |                                 |
| Land and land improvements                                   |                       |                              |                               |                                |                          |                                 |
| Buildings  | 109,340               | 130,000                      | 298,801                       | 200,000                        | 142,169                  | 65,459                          |
| Furniture and equipment                                      | 2,415,926             | 2,698,717                    | 3,146,219                     | 3,007,374                      | 2,703,825                | 1,889,353                       |
| Predevelopment project costs                                 | 48,957                | 69,571                       | 86,983                        | 59,938                         | 26,883                   | 250,632                         |
| Construction in progress                                     | -                     | -                            | -                             | -                              | -                        | -                               |
| Accumulated depreciation                                     | (773,364)             | (1,034,881)                  | (915,802)                     | (785,309)                      | (1,006,645)              | (1,525,974)                     |
|  | -                     | -                            | -                             | -                              | -                        | -                               |
| <b>Net property and equipment</b>                            | <b>1,800,859</b>      | <b>1,863,407</b>             | <b>2,616,201</b>              | <b>2,482,003</b>               | <b>1,866,232</b>         | <b>679,470</b>                  |
| <b>Other long-term assets</b>                                |                       |                              |                               |                                |                          |                                 |
| Restricted property reserves                                 |                       |                              |                               |                                |                          |                                 |
| Cash, restricted   | 133,226               | 108,371                      | 96,375                        | 76,689                         | 229,762                  | 222,740                         |
| 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   | -                     | -                            | -                             | -                              | -                        | 83,301                          |
|  | -                     | -                            | -                             | -                              | -                        | -                               |
| <b>Total other long-term assets</b>                          | <b>133,226</b>        | <b>108,371</b>               | <b>96,375</b>                 | <b>76,689</b>                  | <b>229,762</b>           | <b>306,041</b>                  |
| <b>Total assets</b>  | <b>\$ 1,960,179</b>   | <b>\$ 2,062,596</b>          | <b>\$ 2,752,238</b>           | <b>\$ 2,595,640</b>            | <b>\$ 2,128,610</b>      | <b>\$ 1,059,826</b>             |
| <b>Liabilities</b>   |                       |                              |                               |                                |                          |                                 |
| <b>Current liabilities</b>                                   |                       |                              |                               |                                |                          |                                 |
| Accounts payable and accrued expenses                        | \$ 52,902             | \$ 7,331                     | \$ 21,070                     | \$ 9,214                       | \$ 91,226                | \$ 87,104                       |
| Due to affiliates  | 45,951                | 22,366                       | 37,754                        | 100,926                        | 8,920                    | 9,585                           |
| Accrued interest   | -                     | -                            | -                             | -                              | -                        | 8,345                           |
| Accrued interest, affiliates                                 | -                     | -                            | -                             | -                              | -                        | -                               |
| Current portion of notes payable                             | -                     | -                            | -                             | -                              | -                        | 15,955                          |
| Current portion of notes payable, affiliates                 | -                     | -                            | -                             | -                              | -                        | -                               |
| Deferred revenue and other liabilities                       | 257                   | 6,732                        | -                             | 932                            | 201                      | 1,328                           |
| Tenant security deposits                                     | 15,252                | 15,582                       | 16,366                        | 12,609                         | 14,387                   | 12,272                          |
| Miscellaneous current liabilities                            | -                     | -                            | -                             | -                              | -                        | -                               |
|  | -                     | -                            | -                             | -                              | -                        | -                               |
| <b>Total current liabilities</b>                             | <b>114,362</b>        | <b>52,011</b>                | <b>75,190</b>                 | <b>123,681</b>                 | <b>114,734</b>           | <b>134,589</b>                  |
| <b>Long-term liabilities</b>                                 |                       |                              |                               |                                |                          |                                 |
| Due to affiliates  | -                     | -                            | -                             | -                              | -                        | -                               |
| Accrued interest   | -                     | -                            | -                             | -                              | -                        | -                               |
| Accrued interest, affiliates                                 | -                     | -                            | -                             | -                              | -                        | -                               |
| Notes payable, less current portion                          | -                     | -                            | -                             | -                              | -                        | 1,536,675                       |
| Notes payable, less current portion, affiliates              | -                     | -                            | -                             | -                              | -                        | -                               |
| Deferred revenue and other liabilities                       | -                     | -                            | -                             | -                              | -                        | -                               |
|  | -                     | -                            | -                             | -                              | -                        | -                               |
| <b>Total long-term liabilities</b>                           | <b>-</b>              | <b>-</b>                     | <b>-</b>                      | <b>-</b>                       | <b>-</b>                 | <b>1,536,675</b>                |
| <b>Total liabilities</b>                                     | <b>114,362</b>        | <b>52,011</b>                | <b>75,190</b>                 | <b>123,681</b>                 | <b>114,734</b>           | <b>1,671,264</b>                |
| <b>Net assets</b>  |                       |                              |                               |                                |                          |                                 |
| Unrestricted net assets                                      | 121,529               | 362,354                      | 462,875                       | 128,242                        | 320,355                  | (611,438)                       |
| Unrestricted net assets, noncontrolling                      | -                     | -                            | -                             | -                              | -                        | -                               |
| <b>Total unrestricted net assets</b>                         | <b>121,529</b>        | <b>362,354</b>               | <b>462,875</b>                | <b>128,242</b>                 | <b>320,355</b>           | <b>(611,438)</b>                |
| Temporarily restricted net assets                            | 1,724,288             | 1,648,231                    | 2,214,173                     | 2,343,717                      | 1,693,521                | -                               |
| Permanently restricted net assets                            | -                     | -                            | -                             | -                              | -                        | -                               |
|  | -                     | -                            | -                             | -                              | -                        | -                               |
| <b>Total net assets</b>                                      | <b>1,845,817</b>      | <b>2,010,585</b>             | <b>2,677,048</b>              | <b>2,471,959</b>               | <b>2,013,876</b>         | <b>(611,438)</b>                |
| <b>Total liabilities and net assets</b>                      | <b>\$ 1,960,179</b>   | <b>\$ 2,062,596</b>          | <b>\$ 2,752,238</b>           | <b>\$ 2,595,640</b>            | <b>\$ 2,128,610</b>      | <b>\$ 1,059,826</b>             |

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|  | Siena Springs II    | Charles Meadow<br>Corporation | Charles Crest<br>Corporation<br>(Charles Crest I) | Charles Crest II<br>Corporation |
|--|---------------------|-------------------------------|---|---------------------------------|
| <b>Assets</b>  |                     |                               |   |                                 |
| Current assets   |                     |                               |   |                                 |
| Cash and cash equivalents                                    | \$ 11,557           | \$ 9,744                      | \$ 5,218  | \$ 42,943                       |
| Cash, tenant security deposits                               | 9,908               | 7,555                         | 15,349  | 15,699                          |
| Cash, restricted   | -                   | -                             | -   | -                               |
| Investments  | -                   | -                             | -   | -                               |
| Investments, restricted                                      | -                   | -                             | -   | -                               |
| Accounts receivable, net                                     | 852                 | 391                           | 2,123   | 1,029                           |
| Due from affiliate, net                                      | -                   | -                             | 1,149   | 260                             |
| Pledges receivable   | -                   | -                             | -   | -                               |
| Grants receivable  | -                   | -                             | -   | -                               |
| Current portion of notes and interest receivable             | -                   | -                             | -   | -                               |
| Current portion of notes and interest receivable, affiliates | -                   | -                             | -   | -                               |
| Prepaid expenses and other assets                            | 1,275               | 783                           | 1,203   | 1,482                           |
| Inventory  | -                   | -                             | -   | -                               |
| Total current assets   | 23,592              | 18,473                        | 25,042  | 61,413                          |
| Property and equipment                                       |                     |                               |   |                                 |
| Land and land improvements                                   | 45,918              | 25,000                        | 295,452   | 89,305                          |
| Buildings  | 2,189,369           | 1,179,541                     | 987,996   | 2,695,649                       |
| Furniture and equipment                                      | 85,080              | 82,500                        | 708,935   | 77,376                          |
| Predevelopment project costs                                 | -                   | -                             | -   | -                               |
| Construction in progress                                     | -                   | -                             | -   | -                               |
| Accumulated depreciation                                     | (682,579)           | (602,288)                     | (1,432,163)                                       | (1,223,022)                     |
| Net property and equipment                                   | 1,637,788           | 684,753                       | 560,220   | 1,639,308                       |
| Other long-term assets                                       |                     |                               |   |                                 |
| Restricted property reserves                                 | 285,123             | 51,908                        | 148,493   | 249,585                         |
| 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                                 | 285,123             | 51,908                        | 148,493   | 249,585                         |
| <b>Total assets</b>  | <b>\$ 1,946,503</b> | <b>\$ 755,134</b>             | <b>\$ 733,755</b>                                 | <b>\$ 1,950,306</b>             |
| <b>Liabilities</b>   |                     |                               |   |                                 |
| Current liabilities  |                     |                               |   |                                 |
| Accounts payable and accrued expenses                        | \$ 67,206           | \$ 24,718                     | \$ 80,972   | \$ 57,322                       |
| Due to affiliates  | 24,612              | 56,371                        | 89,242  | 6,598                           |
| Accrued interest   | -                   | -                             | 11,655  | -                               |
| Accrued interest, affiliates                                 | -                   | -                             | -   | -                               |
| Current portion of notes payable                             | -                   | -                             | 34,275  | 13,701                          |
| Current portion of notes payable, affiliates                 | -                   | -                             | -   | -                               |
| Deferred revenue and other liabilities                       | 1,130               | 402                           | 52  | 6                               |
| Tenant security deposits                                     | 9,907               | 7,554                         | 15,220  | 15,648                          |
| Miscellaneous current liabilities                            | -                   | -                             | -   | -                               |
| Total current liabilities                                    | 102,855             | 89,045                        | 231,416   | 93,275                          |
| Long-term liabilities  |                     |                               |   |                                 |
| Due to affiliates  | -                   | -                             | -   | -                               |
| Accrued interest   | -                   | -                             | -   | -                               |
| Accrued interest, affiliates                                 | -                   | -                             | -   | -                               |
| Notes payable, less current portion                          | 18,000              | -                             | 1,519,698   | -                               |
| Notes payable, less current portion, affiliates              | -                   | -                             | -   | -                               |
| Deferred revenue and other liabilities                       | -                   | -                             | -   | -                               |
| Total long-term liabilities                                  | 18,000              | -                             | 1,519,698   | -                               |
| <b>Total liabilities</b>                                     | <b>120,855</b>      | <b>89,045</b>                 | <b>1,751,114</b>                                  | <b>93,275</b>                   |
| <b>Net assets</b>  |                     |                               |   |                                 |
| Unrestricted net assets                                      | 374,263             | 10,125                        | (1,017,359)                                       | 298,971                         |
| Unrestricted net assets, noncontrolling                      | -                   | -                             | -   | -                               |
| Total unrestricted net assets                                | 374,263             | 10,125                        | (1,017,359)                                       | 298,971                         |
| Temporarily restricted net assets                            | 1,451,385           | 655,964                       | -   | 1,558,060                       |
| Permanently restricted net assets                            | -                   | -                             | -   | -                               |
| <b>Total net assets</b>                                      | <b>1,825,648</b>    | <b>666,089</b>                | <b>(1,017,359)</b>                                | <b>1,857,031</b>                |
| <b>Total liabilities and net assets</b>                      | <b>\$ 1,946,503</b> | <b>\$ 755,134</b>             | <b>\$ 733,755</b>                                 | <b>\$ 1,950,306</b>             |

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|  | Savannah Gardens<br>Senior<br>Residences, Inc. | Consolidated<br>Mercy Community<br>Housing Georgia | Eliminations           | Consolidated<br>Mercy Housing<br>Southeast |
|--|--|--|------------------------|--|
| <b>Assets</b>  |  |  |                        |  |
| Current assets   |  |  |                        |  |
| Cash and cash equivalents                                    | \$ -   | \$ 611,284   | \$ -                   | \$ 1,549,645                               |
| Cash, tenant security deposits                               | -  | 223,014  | -                      | 455,179                                    |
| Cash, restricted   | 46,494   | 435,012  | -                      | 5,761,269                                  |
| Investments  | -  | -  | -                      | 85,487                                     |
| Investments, restricted                                      | -  | -  | -                      | -  |
| Accounts receivable, net                                     | -  | 152,958  | (8,977)                | 372,083                                    |
| Due from affiliate, net                                      | -  | 145,955  | (2,661,529)            | 120,495                                    |
| Pledges receivable   | -  | -  | -                      | 9,360                                      |
| Grants receivable  | 3,259,171                                      | -  | -                      | 3,312,704                                  |
| Current portion of notes and interest receivable             | -  | -  | -                      | -  |
| Current portion of notes and interest receivable, affiliates | -  | -  | (3,346,317)            | 159,226                                    |
| Prepaid expenses and other assets                            | -  | 155,457  | -                      | 253,445                                    |
| Inventory  | -  | -  | -                      | -  |
| Total current assets   | 3,305,665                                      | 1,723,680  | (6,016,823)            | 12,078,893                                 |
| Property and equipment                                       |  |  |                        |  |
| Land and land improvements                                   | 400,000  | 14,366,343   | -                      | 17,185,716                                 |
| Buildings  | -  | 96,861,353   | (6,596,834)            | 137,906,017                                |
| Furniture and equipment                                      | -  | 3,257,630  | -                      | 5,278,955                                  |
| Predevelopment project costs                                 | -  | -  | -                      | 60,847                                     |
| Construction in progress                                     | 1,251,817                                      | 19,733,277   | (311,122)              | 20,673,972                                 |
| Accumulated depreciation                                     | -  | (13,376,069)                                       | 444,362                | (28,313,726)                               |
| Net property and equipment                                   | 1,651,817                                      | 120,842,534  | (6,463,594)            | 152,791,781                                |
| Other long-term assets                                       |  |  |                        |  |
| Restricted property reserves                                 | -  | 6,878,427  | -                      | 9,469,796                                  |
| Cash, restricted   | -  | -  | -                      | -  |
| Long-term investments  | -  | -  | -                      | -  |
| Long-term investments, restricted                            | -  | -  | -                      | -  |
| Due from affiliates  | -  | -  | (460,608)              | 310,668                                    |
| Pledges receivable, net                                      | -  | -  | -                      | -  |
| Grants receivable  | -  | -  | -                      | -  |
| Investments in limited partnerships                          | -  | -  | -                      | 100  |
| Notes and interest receivable, net                           | -  | -  | -                      | 18,042                                     |
| Notes and interest receivable, affiliates                    | -  | -  | -                      | 88,096                                     |
| Allowance for impaired assets                                | -  | -  | -                      | -  |
| Other assets   | 9,620  | 3,557,850  | -                      | 3,692,303                                  |
| Total other long-term assets                                 | 9,620  | 10,436,277   | (460,608)              | 13,579,005                                 |
| <b>Total assets</b>  | <b>\$ 4,967,102</b>                            | <b>\$ 133,002,491</b>                              | <b>\$ (12,941,025)</b> | <b>\$ 178,449,679</b>                      |
| <b>Liabilities</b>   |  |  |                        |  |
| Current liabilities  |  |  |                        |  |
| Accounts payable and accrued expenses                        | \$ 378,351                                     | \$ 5,855,305                                       | \$ (59,713)            | \$ 7,462,153                               |
| Due to affiliates  | 4,029  | 3,947,702  | (4,683,682)            | 7,578,774                                  |
| Accrued interest   | -  | 99,386   | -                      | 119,844                                    |
| Accrued interest, affiliates                                 | -  | -  | -                      | -  |
| Current portion of notes payable                             | -  | 264,404  | -                      | 333,893                                    |
| Current portion of notes payable, affiliates                 | -  | 3,163,943  | (3,183,117)            | 227,053                                    |
| Deferred revenue and other liabilities                       | -  | 127,408  | -                      | 141,376                                    |
| Tenant security deposits                                     | -  | 173,020  | -                      | 400,793                                    |
| Miscellaneous current liabilities                            | -  | -  | -                      | -  |
| Total current liabilities                                    | 382,380  | 13,631,168   | (7,926,512)            | 16,263,886                                 |
| Long-term liabilities  |  |  |                        |  |
| Due to affiliates  | -  | -  | -                      | -  |
| Accrued interest   | -  | 271,788  | -                      | 271,788                                    |
| Accrued interest, affiliates                                 | -  | -  | -                      | -  |
| Notes payable, less current portion                          | -  | 55,117,260   | -                      | 58,338,016                                 |
| Notes payable, less current portion, affiliates              | -  | -  | -                      | -  |
| Deferred revenue and other liabilities                       | -  | 7,036,786  | (6,438,657)            | 598,129                                    |
| Total long-term liabilities                                  | -  | 62,425,834   | (6,438,657)            | 59,207,933                                 |
| <b>Total liabilities</b>                                     | <b>382,380</b>                                 | <b>76,057,002</b>                                  | <b>(14,365,169)</b>    | <b>75,471,819</b>                          |
| <b>Net assets</b>  |  |  |                        |  |
| Unrestricted net assets                                      | 246,922  | 56,894,737   | 1,424,144              | 58,573,447                                 |
| Unrestricted net assets, noncontrolling                      | -  | -  | -                      | -  |
| Total unrestricted net assets                                | 246,922  | 56,894,737   | 1,424,144              | 58,573,447                                 |
| Temporarily restricted net assets                            | 4,337,800                                      | 50,752   | -                      | 44,404,413                                 |
| Permanently restricted net assets                            | -  | -  | -                      | -  |
| <b>Total net assets</b>                                      | <b>4,584,722</b>                               | <b>56,945,489</b>                                  | <b>1,424,144</b>       | <b>102,977,860</b>                         |
| <b>Total liabilities and net assets</b>                      | <b>\$ 4,967,102</b>                            | <b>\$ 133,002,491</b>                              | <b>\$ (12,941,025)</b> | <b>\$ 178,449,679</b>                      |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southeast  
For the year ended December 31, 2011

|  | Mercy<br>Housing<br>Southeast | Mercy Place<br>Belmont, Inc. | Mercy Housing<br>Pembroke, Inc.<br>(McFadden Place) | Mercy Housing<br>Georgia Holdings, LLC<br>(1826 Florence St) | Marshside<br>Village, Inc. | Allegre Point<br>Senior Residences |
|--|-------------------------------|------------------------------|---|--|----------------------------|------------------------------------|
| <b>Revenues</b>                                      |                               |                              |   |  |                            |                                    |
| Rent - net of vacancies                              | \$ -                          | \$ 200,787                   | \$ 143,770  | \$ 7,100   | \$ 182,453                 | \$ 309,353                         |
| Developer fees                                       | 3,565,024                     | -                            | -   | -  | -                          | -                                  |
| Services fees  | 621,867                       | -                            | -   | -  | -                          | -                                  |
| Philanthropy   | 290,226                       | -                            | -   | -  | -                          | -                                  |
| Capital Grants                                       | 364,318                       | -                            | -   | -  | -                          | -                                  |
| Consulting   | -                             | -                            | -   | -  | -                          | -                                  |
| Interest   | 192,591                       | 82                           | 40  | -  | 216                        | 45                                 |
| Other  | 6,666,088                     | 1,792                        | 1,391   | -  | 3,398                      | 52,597                             |
| <b>Total revenues</b>                                | <b>11,700,114</b>             | <b>202,661</b>               | <b>145,201</b>                                      | <b>7,100</b>   | <b>186,067</b>             | <b>361,995</b>                     |
| <b>Expenses and losses</b>                           |                               |                              |   |  |                            |                                    |
| Compensation   | 983,755                       | 91,093                       | 30,540  | -  | 61,418                     | 67,328                             |
| Administrative                                       | 233,533                       | 35,270                       | 33,580  | 520  | 45,328                     | 93,120                             |
| Professional services                                | 194,441                       | 30,204                       | 22,119  | 2,496  | 9,315                      | 29,944                             |
| Depreciation and amortization                        | 193                           | 128,306                      | 65,771  | 11,613   | 142,906                    | 233,296                            |
| Grants   | 364,408                       | -                            | -   | -  | -                          | -                                  |
| Facility   | 102,930                       | 60,787                       | 63,090  | 829  | 62,412                     | 94,378                             |
| Interest and fees                                    | 201,521                       | 45                           | 70  | 6,507  | 194                        | 290                                |
| Bad debts  | 1,369,673                     | 223                          | 40  | 2,445  | -                          | -                                  |
| Provision for impaired assets                        | 15,916                        | -                            | -   | -  | -                          | -                                  |
| Project expenses                                     | 648,875                       | -                            | -   | -  | -                          | -                                  |
| Allocation   | 774,420                       | -                            | -   | -  | -                          | -                                  |
| (Gain) loss on sale of assets                        | -                             | -                            | -   | -  | -                          | -                                  |
| (Gain) loss on investment in limited partnership     | -                             | -                            | -   | -  | -                          | -                                  |
| <b>Total expenses and losses</b>                     | <b>4,889,665</b>              | <b>345,928</b>               | <b>215,210</b>                                      | <b>24,410</b>  | <b>321,573</b>             | <b>518,356</b>                     |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>6,810,449</b>              | <b>(143,267)</b>             | <b>(70,009)</b>                                     | <b>(17,310)</b>  | <b>(135,506)</b>           | <b>(156,361)</b>                   |
| Net assets at beginning of year                      | (2,123,004)                   | 2,688,614                    | 1,439,624   | 94,972   | 3,574,546                  | 6,000,040                          |
| Other transfers to (from) net assets                 | -                             | -                            | -   | -  | -                          | -                                  |
| <b>Net assets at end of year</b>                     | <b>\$ 4,687,445</b>           | <b>\$ 2,545,347</b>          | <b>\$ 1,369,615</b>                                 | <b>\$ 77,662</b>   | <b>\$ 3,439,040</b>        | <b>\$ 5,843,679</b>                |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southeast  
For the year ended December 31, 2011

|  | MHSE Adamsville<br>Green Senior<br>Partners LLC | Dublin Manor, Inc.  | McAuley Manor, Inc  | Mercy Manor, Inc.   | Riverview<br>St. Mary's Inc.<br>(St. Mary's Riverview I) | St. Mary's Villa at<br>Riverview II, Inc.<br>(St. Mary's Riverview II) |
|--|---|---------------------|---------------------|---------------------|--|--|
| <b>Revenues</b>                                      |   |                     |                     |                     |  |  |
| Rent - net of vacancies                              | \$ -  | \$ -                | \$ -                | \$ -                | \$ -   | \$ -   |
| Developer fees                                       | -   | -                   | -                   | -                   | -  | -  |
| Services fees  | -   | -                   | -                   | -                   | -  | -  |
| Philanthropy   | -   | -                   | -                   | -                   | -  | -  |
| Capital Grants                                       | -   | -                   | -                   | -                   | -  | -  |
| Consulting   | -   | -                   | -                   | -                   | -  | -  |
| Interest   | -   | -                   | -                   | -                   | -  | -  |
| Other  | -   | -                   | -                   | -                   | -  | -  |
| <b>Total revenues</b>                                | -   | -                   | -                   | -                   | -  | -  |
| <b>Expenses and losses</b>                           |   |                     |                     |                     | -  |  |
| Compensation   | -   | -                   | -                   | -                   | -  | -  |
| Administrative                                       | -   | -                   | -                   | -                   | -  | -  |
| Professional services                                | 434   | -                   | -                   | -                   | -  | -  |
| Depreciation and amortization                        | -   | -                   | -                   | -                   | -  | -  |
| Grants   | -   | -                   | -                   | -                   | -  | -  |
| Facility   | -   | -                   | -                   | -                   | -  | -  |
| Interest and fees                                    | 8   | -                   | -                   | -                   | -  | -  |
| Bad debts  | -   | -                   | -                   | -                   | -  | -  |
| Provision for impaired assets                        | -   | -                   | -                   | -                   | -  | -  |
| Project expenses                                     | -   | -                   | -                   | -                   | -  | -  |
| Allocation   | -   | -                   | -                   | -                   | -  | -  |
| (Gain) loss on sale of assets                        | -   | -                   | -                   | -                   | -  | -  |
| (Gain) loss on investment in limited partnership     | -   | -                   | -                   | -                   | -  | -  |
| <b>Total expenses and losses</b>                     | 442   | -                   | -                   | -                   | -  | -  |
| <b>Excess (deficiency) of revenues over expenses</b> | (442)   | -                   | -                   | -                   | -  | -  |
| Net assets at beginning of year                      | -   | -                   | -                   | -                   | -  | -  |
| Other transfers to (from) net assets                 | -   | 1,877,912           | 1,310,383           | 1,325,689           | 1,834,768  | 1,973,151  |
| <b>Net assets at end of year</b>                     | <u>\$ (442)</u>                                 | <u>\$ 1,877,912</u> | <u>\$ 1,310,383</u> | <u>\$ 1,325,689</u> | <u>\$ 1,834,768</u>                                      | <u>\$ 1,973,151</u>  |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southeast  
For the year ended December 31, 2011

|  | St. Mary's Villa Inc. | Sacred Heart<br>Village I, Inc. | Sacred Heart<br>Village II, Inc. | Sacred Heart<br>Village III, Inc. | St. Theresa<br>Village Inc. | Siena Springs<br>(Siena Springs I) |
|--|-----------------------|---------------------------------|----------------------------------|-----------------------------------|-----------------------------|------------------------------------|
| <b>Revenues</b>                                      |                       |                                 |                                  |                                   |                             |                                    |
| Rent - net of vacancies                              | \$ -                  | \$ -                            | \$ -                             | \$ -                              | \$ -                        | \$ -                               |
| Developer fees                                       | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Services fees  | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Philanthropy   | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Capital Grants                                       | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Consulting   | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Interest   | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Other  | -                     | -                               | -                                | -                                 | -                           | -                                  |
| <b>Total revenues</b>                                | -                     | -                               | -                                | -                                 | -                           | -                                  |
| <b>Expenses and losses</b>                           |                       |                                 |                                  |                                   |                             |                                    |
| Compensation   | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Administrative                                       | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Professional services                                | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Depreciation and amortization                        | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Grants   | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Facility   | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Interest and fees                                    | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Bad debts  | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Provision for impaired assets                        | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Project expenses                                     | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Allocation   | -                     | -                               | -                                | -                                 | -                           | -                                  |
| (Gain) loss on sale of assets                        | -                     | -                               | -                                | -                                 | -                           | -                                  |
| (Gain) loss on investment in limited partnership     | -                     | -                               | -                                | -                                 | -                           | -                                  |
| <b>Total expenses and losses</b>                     | -                     | -                               | -                                | -                                 | -                           | -                                  |
| <b>Excess (deficiency) of revenues over expenses</b> | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Net assets at beginning of year                      | -                     | -                               | -                                | -                                 | -                           | -                                  |
| Other transfers to (from) net assets                 | 1,845,817             | 2,010,585                       | 2,677,048                        | 2,471,959                         | 2,013,876                   | (611,438)                          |
| <b>Net assets at end of year</b>                     | <u>\$ 1,845,817</u>   | <u>\$ 2,010,585</u>             | <u>\$ 2,677,048</u>              | <u>\$ 2,471,959</u>               | <u>\$ 2,013,876</u>         | <u>\$ (611,438)</u>                |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southeast  
For the year ended December 31, 2011

|  | Siena Springs II    | Charles Meadow<br>Corporation | Charles Crest<br>Corporation<br>(Charles Crest I) | Charles Crest II<br>Corporation |
|--|---------------------|-------------------------------|---|---------------------------------|
| <b>Revenues</b>                                      |                     |                               |   |                                 |
| Rent - net of vacancies                              | \$ -                | \$ -                          | \$ -  | \$ -                            |
| Developer fees                                       | -                   | -                             | -   | -                               |
| Services fees  | -                   | -                             | -   | -                               |
| Philanthropy   | -                   | -                             | -   | -                               |
| Capital Grants                                       | -                   | -                             | -   | -                               |
| Consulting   | -                   | -                             | -   | -                               |
| Interest   | -                   | -                             | -   | -                               |
| Other  | -                   | -                             | -   | -                               |
| <b>Total revenues</b>                                | -                   | -                             | -   | -                               |
| <b>Expenses and losses</b>                           |                     |                               |   |                                 |
| Compensation   | -                   | -                             | -   | -                               |
| Administrative                                       | -                   | -                             | -   | -                               |
| Professional services                                | -                   | -                             | -   | -                               |
| Depreciation and amortization                        | -                   | -                             | -   | -                               |
| Grants   | -                   | -                             | -   | -                               |
| Facility   | -                   | -                             | -   | -                               |
| Interest and fees                                    | -                   | -                             | -   | -                               |
| Bad debts  | -                   | -                             | -   | -                               |
| Provision for impaired assets                        | -                   | -                             | -   | -                               |
| Project expenses                                     | -                   | -                             | -   | -                               |
| Allocation   | -                   | -                             | -   | -                               |
| (Gain) loss on sale of assets                        | -                   | -                             | -   | -                               |
| (Gain) loss on investment in limited partnership     | -                   | -                             | -   | -                               |
| <b>Total expenses and losses</b>                     | -                   | -                             | -   | -                               |
| <b>Excess (deficiency) of revenues over expenses</b> | -                   | -                             | -   | -                               |
| Net assets at beginning of year                      | -                   | -                             | -   | -                               |
| Other transfers to (from) net assets                 | 1,825,648           | 666,089                       | (1,017,359)                                       | 1,857,031                       |
| <b>Net assets at end of year</b>                     | <u>\$ 1,825,648</u> | <u>\$ 666,089</u>             | <u>\$ (1,017,359)</u>                             | <u>\$ 1,857,031</u>             |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Southeast  
For the year ended December 31, 2011

|  | Savannah Gardens<br>Senior<br>Residences, Inc. | Consolidated<br>Mercy Community<br>Housing Georgia | Eliminations        | Consolidated<br>Mercy Housing<br>Southeast |
|--|--|--|---------------------|--|
| <b>Revenues</b>                                      |  |  |                     |  |
| Rent - net of vacancies                              | \$ -   | \$ 7,426,734                                       | \$ (7,300)          | \$ 8,262,897                               |
| Developer fees                                       | -  | -  | (501,665)           | 3,063,359                                  |
| Services fees  | -  | -  | (500,488)           | 121,379                                    |
| Philanthropy   | -  | -  | -                   | 290,226                                    |
| Capital Grants                                       | 4,337,800                                      | -  | -                   | 4,702,118                                  |
| Consulting   | -  | -  | -                   | -  |
| Interest   | 4  | 8,695  | (169,135)           | 32,538                                     |
| Other  | 250,098  | 195,876  | (657,905)           | 6,513,335                                  |
| <b>Total revenues</b>                                | <u>4,587,902</u>                               | <u>7,631,305</u>                                   | <u>(1,836,493)</u>  | <u>22,985,852</u>                          |
| <b>Expenses and losses</b>                           |  |  |                     |  |
| Compensation   | -  | 1,306,985  | -                   | 2,541,119                                  |
| Administrative                                       | 10   | 1,026,046  | (114,855)           | 1,352,552                                  |
| Professional services                                | 3,170  | 528,239  | (385,632)           | 434,730                                    |
| Depreciation and amortization                        | -  | 4,018,836  | (241,032)           | 4,359,889                                  |
| Grants   | -  | -  | (245,101)           | 119,307                                    |
| Facility   | -  | 2,703,511  | (7,300)             | 3,080,637                                  |
| Interest and fees                                    | -  | 5,715,807  | (178,084)           | 5,746,358                                  |
| Bad debts  | -  | 222,884  | (702,323)           | 892,942                                    |
| Provision for impaired assets                        | -  | -  | -                   | 15,916                                     |
| Project expenses                                     | -  | -  | -                   | 648,875                                    |
| Allocation   | -  | -  | -                   | 774,420                                    |
| (Gain) loss on sale of assets                        | -  | -  | -                   | -  |
| (Gain) loss on investment in limited partnership     | -  | -  | -                   | -  |
| <b>Total expenses and losses</b>                     | <u>3,180</u>                                   | <u>15,522,308</u>                                  | <u>(1,874,327)</u>  | <u>19,966,745</u>                          |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>4,584,722</u>                               | <u>(7,891,003)</u>                                 | <u>37,834</u>       | <u>3,019,107</u>                           |
| Net assets at beginning of year                      | -  | 42,233,389   | 851,790             | 54,759,971                                 |
| Other transfers to (from) net assets                 | -  | 22,603,103   | 534,520             | 45,198,782                                 |
| <b>Net assets at end of year</b>                     | <u>\$ 4,584,722</u>                            | <u>\$ 56,945,489</u>                               | <u>\$ 1,424,144</u> | <u>\$ 102,977,860</u>                      |



Consolidating Statement of Financial Position  
Mercy Community Housing Georgia, Inc.  
December 31, 2011

|  | Mercy<br>Community<br>Housing Georgia | Mercy Housing<br>Georgia I<br>(Heritage<br>Place Apartments) | Mercy Housing<br>Georgia IV<br>(Heritage Corner/<br>HeritageRow) | Mercy Housing<br>Georgia V, LP<br>(Chamblee<br>Senior Apartments) | Mercy Housing<br>Georgia VI, LP<br>(The Atrium at<br>College Station) | MCHG<br>Partners, Inc |
|--|---------------------------------------|--|--|---|---|-----------------------|
| <b>Assets</b>  |                                       |  |  |   |   |                       |
| <b>Current assets</b>  |                                       |  |  |   |   |                       |
| Cash and cash equivalents                                    | \$ -                                  | \$ 47,049  | \$ 12,656  | \$ 42,142   | \$ 349,115  | \$ -                  |
| Cash, tenant security deposits                               | -                                     | 23,058   | 18,527   | 10,402  | 47,782  | -                     |
| Cash, restricted   | -                                     | -  | -  | -   | 6,826   | -                     |
| Investments  | -                                     | -  | -  | -   | -   | -                     |
| Investments, restricted                                      | -                                     | -  | -  | -   | -   | -                     |
| Accounts receivable, net                                     | -                                     | 17,505   | 9,288  | 16,997  | 2,129   | -                     |
| Due from affiliate, net                                      | 118,190                               | -  | -  | -   | 44,564  | 106,183               |
| Pledges receivable   | -                                     | -  | -  | -   | -   | -                     |
| Grants receivable  | -                                     | -  | -  | -   | -   | -                     |
| Current portion of notes and interest receivable             | -                                     | -  | -  | -   | -   | -                     |
| Current portion of notes and interest receivable, affiliates | -                                     | -  | -  | -   | -   | -                     |
| Prepaid expenses and other assets                            | -                                     | 15,259   | 11,374   | 12,543  | 26,197  | -                     |
| Inventory  | -                                     | -  | -  | -   | -   | -                     |
| Assets held for sale   | -                                     | -  | -  | -   | -   | -                     |
| <b>Total current assets</b>                                  | <b>118,190</b>                        | <b>102,871</b>   | <b>51,845</b>  | <b>82,084</b>   | <b>476,613</b>  | <b>106,183</b>        |
| <b>Property and equipment</b>                                |                                       |  |  |   |   |                       |
| 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                                      | -                                     | 144,628  | 108,755  | 213,542   | 469,599   | -                     |
| Predevelopment project costs                                 | -                                     | -  | -  | -   | -   | -                     |
| Construction in progress                                     | -                                     | -  | -  | -   | -   | -                     |
| Accumulated depreciation                                     | -                                     | (3,092,084)  | (1,982,168)  | (1,129,271)   | (1,946,694)   | -                     |
| <b>Net property and equipment</b>                            | <b>-</b>                              | <b>4,944,167</b>   | <b>7,028,228</b>   | <b>5,238,788</b>  | <b>14,637,596</b>   | <b>-</b>              |
| <b>Other long-term assets</b>                                |                                       |  |  |   |   |                       |
| Restricted property reserves                                 | -                                     | 203,669  | 108,242  | 156,723   | 275,747   | -                     |
| Cash, restricted   | -                                     | -  | -  | -   | -   | -                     |
| Long-term investments  | -                                     | -  | -  | -   | -   | -                     |
| Long-term investments, restricted                            | -                                     | -  | -  | -   | -   | -                     |
| Due from affiliates  | -                                     | -  | -  | -   | -   | -                     |
| Pledges receivable, net                                      | -                                     | -  | -  | -   | -   | -                     |
| Grants receivable  | -                                     | -  | -  | -   | -   | -                     |
| Investments in limited partnerships                          | 48,495                                | -  | -  | -   | -   | 947                   |
| Notes and interest receivable, net                           | -                                     | -  | -  | -   | -   | -                     |
| Notes and interest receivable, affiliates                    | -                                     | -  | -  | -   | -   | -                     |
| Allowance for impaired assets                                | -                                     | -  | -  | -   | -   | -                     |
| Other assets   | -                                     | 5,052  | 90,007   | 130,518   | 391,668   | -                     |
| <b>Total other long-term assets</b>                          | <b>48,495</b>                         | <b>208,721</b>   | <b>198,249</b>   | <b>287,241</b>  | <b>667,415</b>  | <b>947</b>            |
| <b>Total assets</b>  | <b>\$ 166,685</b>                     | <b>\$ 5,255,759</b>  | <b>\$ 7,278,322</b>  | <b>\$ 5,608,113</b>   | <b>\$ 15,781,624</b>  | <b>\$ 107,130</b>     |
| <b>Liabilities</b>   |                                       |  |  |   |   |                       |
| <b>Current liabilities</b>                                   |                                       |  |  |   |   |                       |
| Accounts payable and accrued expenses                        | \$ -                                  | \$ 162,122   | \$ 58,872  | \$ 40,979   | \$ 159,132  | \$ -                  |
| Due to affiliates  | 81,181                                | 265,838  | 46,737   | 28,190  | 40,000  | 112,753               |
| Accrued interest   | -                                     | 1,907  | 5,026  | 5,945   | 13,955  | -                     |
| Accrued interest, affiliates                                 | -                                     | -  | -  | -   | -   | -                     |
| Current portion of notes payable                             | -                                     | 25,838   | 29,374   | 11,329  | 26,659  | -                     |
| Current portion of notes payable, affiliates                 | -                                     | -  | 47,503   | -   | -   | -                     |
| Deferred revenue and other liabilities                       | -                                     | 3,510  | 668  | 70  | 3,027   | -                     |
| Tenant security deposits                                     | -                                     | 22,130   | 17,325   | 10,000  | 1,077   | -                     |
| Miscellaneous current liabilities                            | -                                     | -  | -  | -   | -   | -                     |
| <b>Total current liabilities</b>                             | <b>81,181</b>                         | <b>481,345</b>   | <b>205,505</b>   | <b>96,513</b>   | <b>243,850</b>  | <b>112,753</b>        |
| <b>Long-term liabilities</b>                                 |                                       |  |  |   |   |                       |
| Due to affiliates  | -                                     | -  | -  | -   | -   | -                     |
| Accrued interest   | -                                     | -  | -  | 1,475   | 271,788   | -                     |
| Accrued interest, affiliates                                 | -                                     | -  | -  | -   | -   | -                     |
| Notes payable, less current portion                          | -                                     | 477,785  | 1,087,047  | 921,999   | 7,953,924   | -                     |
| Notes payable, less current portion, affiliates              | -                                     | -  | -  | 56,107  | -   | -                     |
| Deferred revenue and other liabilities                       | -                                     | -  | 761,816  | -   | -   | -                     |
| <b>Total long-term liabilities</b>                           | <b>-</b>                              | <b>477,785</b>   | <b>1,848,863</b>   | <b>979,581</b>  | <b>8,225,712</b>  | <b>-</b>              |
| <b>Total liabilities</b>                                     | <b>81,181</b>                         | <b>959,130</b>   | <b>2,054,368</b>   | <b>1,076,094</b>  | <b>8,469,562</b>  | <b>112,753</b>        |
| <b>Net assets</b>  |                                       |  |  |   |   |                       |
| Unrestricted net assets                                      | 34,752                                | 4,296,629  | 5,223,954  | 4,532,019   | 7,312,062   | (5,623)               |
| Unrestricted net assets, noncontrolling                      | -                                     | -  | -  | -   | -   | -                     |
| <b>Total unrestricted net assets</b>                         | <b>34,752</b>                         | <b>4,296,629</b>   | <b>5,223,954</b>   | <b>4,532,019</b>  | <b>7,312,062</b>  | <b>(5,623)</b>        |
| Temporarily restricted net assets                            | 50,752                                | -  | -  | -   | -   | -                     |
| Permanently restricted net assets                            | -                                     | -  | -  | -   | -   | -                     |
| <b>Total net assets</b>                                      | <b>85,504</b>                         | <b>4,296,629</b>   | <b>5,223,954</b>   | <b>4,532,019</b>  | <b>7,312,062</b>  | <b>(5,623)</b>        |
| <b>Total liabilities and net assets</b>                      | <b>\$ 166,685</b>                     | <b>\$ 5,255,759</b>  | <b>\$ 7,278,322</b>  | <b>\$ 5,608,113</b>   | <b>\$ 15,781,624</b>  | <b>\$ 107,130</b>     |

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|  | Acquisition<br>Properties<br>Georgia I<br>(Magnolia Village) | Reynoldstown<br>Senior Apartments<br>(Reynoldstown) | Mercy Housing<br>Georgia X<br>(Savannah<br>Gardens I) | Mercy Lithonia<br>Park View, Inc. | Mercy Housing<br>Georgia VIII LP<br>(Terraces at<br>Park View) | MPI Highland<br>Place LLC |
|--|--|---|---|-----------------------------------|--|---------------------------|
| <b>Assets</b>  |  |   |   |                                   |  |                           |
| Current assets   |  |   |   |                                   |  |                           |
| Cash and cash equivalents                                    | \$ 22,128  | \$ -  | \$ 24,201   | \$ -                              | \$ 106,134   | \$ -                      |
| Cash, tenant security deposits                               | 19,067   | -   | 10,731  | -                                 | 18,136   | -                         |
| Cash, restricted   | 4,619  | -   | 270,196   | -                                 | 43,925   | -                         |
| Investments  | -  | -   | -   | -                                 | -  | -                         |
| Investments, restricted                                      | -  | -   | -   | -                                 | -  | -                         |
| Accounts receivable, net                                     | 564  | -   | 8,972   | -                                 | 62,735   | -                         |
| Due from affiliate, net                                      | 95   | -   | -   | -                                 | 1,296  | -                         |
| Pledges receivable   | -  | -   | -   | -                                 | -  | -                         |
| Grants receivable  | -  | -   | -   | -                                 | -  | -                         |
| Current portion of notes and interest receivable             | -  | -   | -   | -                                 | -  | -                         |
| Current portion of notes and interest receivable, affiliates | -  | -   | -   | -                                 | -  | -                         |
| Prepaid expenses and other assets                            | 15,077   | -   | 20  | -                                 | 14,815   | -                         |
| Inventory  | -  | -   | -   | -                                 | -  | -                         |
| Assets held for sale   | -  | -   | -   | -                                 | -  | -                         |
| Total current assets   | 61,550   | -   | 314,120   | -                                 | 247,041  | -                         |
| Property and equipment                                       |  |   |   |                                   |  |                           |
| Land and land improvements                                   | 613,677  | -   | 2,777,550   | -                                 | 2,604,955  | -                         |
| Buildings  | 6,610,246  | -   | 9,942,557   | -                                 | 7,485,911  | -                         |
| Furniture and equipment                                      | 405,415  | -   | 855,093   | -                                 | 180,963  | -                         |
| Predevelopment project costs                                 | -  | -   | -   | -                                 | -  | -                         |
| Construction in progress                                     | -  | 228,605   | -   | -                                 | -  | -                         |
| Accumulated depreciation                                     | (964,649)  | -   | (46,317)  | -                                 | (865,231)  | -                         |
| Net property and equipment                                   | 6,664,689  | 228,605   | 13,528,883  | -                                 | 9,406,598  | -                         |
| Other long-term assets                                       |  |   |   |                                   |  |                           |
| Restricted property reserves                                 | 806,842  | -   | -   | -                                 | 249,704  | -                         |
| Cash, restricted   | -  | -   | -   | -                                 | -  | -                         |
| Long-term investments  | -  | -   | -   | -                                 | -  | -                         |
| Long-term investments, restricted                            | -  | -   | -   | -                                 | -  | -                         |
| Due from affiliates  | -  | -   | -   | -                                 | -  | -                         |
| Pledges receivable, net                                      | -  | -   | -   | -                                 | -  | -                         |
| Grants receivable  | -  | -   | -   | -                                 | -  | -                         |
| Investments in limited partnerships                          | -  | -   | -   | 16                                | -  | (825)                     |
| Notes and interest receivable, net                           | -  | -   | -   | -                                 | -  | -                         |
| Notes and interest receivable, affiliates                    | -  | -   | -   | -                                 | -  | -                         |
| Allowance for impaired assets                                | -  | -   | -   | -                                 | -  | -                         |
| Other assets   | 107,419  | 1,000   | 427,534   | -                                 | 190,176  | -                         |
| Total other long-term assets                                 | 914,261  | 1,000   | 427,534   | 16                                | 439,880  | (825)                     |
| <b>Total assets</b>  | <b>\$ 7,640,500</b>  | <b>\$ 229,605</b>                                   | <b>\$ 14,270,537</b>                                  | <b>\$ 16</b>                      | <b>\$ 10,093,519</b>   | <b>\$ (825)</b>           |
| <b>Liabilities</b>   |  |   |   |                                   |  |                           |
| Current liabilities  |  |   |   |                                   |  |                           |
| Accounts payable and accrued expenses                        | \$ 100,647   | \$ -  | \$ 1,128,612  | \$ -                              | \$ 55,496  | \$ -                      |
| Due to affiliates  | 188,028  | 7,354   | 1,231,579   | 5,928                             | -  | 6,929                     |
| Accrued interest   | 2,665  | -   | 8,572   | -                                 | 15,174   | -                         |
| Accrued interest, affiliates                                 | -  | -   | -   | -                                 | -  | -                         |
| Current portion of notes payable                             | 55,539   | -   | -   | -                                 | 115,665  | -                         |
| Current portion of notes payable, affiliates                 | -  | 165,183   | -   | -                                 | -  | -                         |
| Deferred revenue and other liabilities                       | 1,204  | -   | 1,650   | -                                 | 5,308  | -                         |
| Tenant security deposits                                     | 16,043   | -   | 13,100  | -                                 | 17,633   | -                         |
| Miscellaneous current liabilities                            | -  | -   | -   | -                                 | -  | -                         |
| Total current liabilities                                    | 364,126  | 172,537   | 2,383,513   | 5,928                             | 209,276  | 6,929                     |
| Long-term liabilities  |  |   |   |                                   |  |                           |
| Due to affiliates  | -  | -   | -   | -                                 | -  | -                         |
| Accrued interest   | -  | -   | -   | -                                 | -  | -                         |
| Accrued interest, affiliates                                 | -  | -   | -   | -                                 | -  | -                         |
| Notes payable, less current portion                          | 679,523  | -   | 7,603,431   | -                                 | 2,990,278  | -                         |
| Notes payable, less current portion, affiliates              | -  | -   | -   | -                                 | -  | -                         |
| Deferred revenue and other liabilities                       | 131,403  | -   | 2,444   | -                                 | 142,300  | -                         |
| Total long-term liabilities                                  | 810,926  | -   | 7,605,875   | -                                 | 3,132,578  | -                         |
| <b>Total liabilities</b>                                     | <b>1,175,052</b>   | <b>172,537</b>                                      | <b>9,989,388</b>                                      | <b>5,928</b>                      | <b>3,341,854</b>   | <b>6,929</b>              |
| <b>Net assets</b>  |  |   |   |                                   |  |                           |
| Unrestricted net assets                                      | 6,465,448  | 57,068  | 4,281,149   | (5,912)                           | 6,751,665  | (7,754)                   |
| Unrestricted net assets, noncontrolling                      | -  | -   | -   | -                                 | -  | -                         |
| Total unrestricted net assets                                | 6,465,448  | 57,068  | 4,281,149   | (5,912)                           | 6,751,665  | (7,754)                   |
| Temporarily restricted net assets                            | -  | -   | -   | -                                 | -  | -                         |
| Permanently restricted net assets                            | -  | -   | -   | -                                 | -  | -                         |
| <b>Total net assets</b>                                      | <b>6,465,448</b>   | <b>57,068</b>                                       | <b>4,281,149</b>                                      | <b>(5,912)</b>                    | <b>6,751,665</b>   | <b>(7,754)</b>            |
| <b>Total liabilities and net assets</b>                      | <b>\$ 7,640,500</b>  | <b>\$ 229,605</b>                                   | <b>\$ 14,270,537</b>                                  | <b>\$ 16</b>                      | <b>\$ 10,093,519</b>   | <b>\$ (825)</b>           |

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|  | MPI Highland<br>Place Apartments, LP<br>(Hills of Fairington<br>Apartments) | Anitoch II, LLC | Antioch Villas, LP   | Mercy Housing<br>Georgia XI, GP LLC | Mercy Housing<br>Georgia XI, LP<br>(Etowah Terrace) | MHSE<br>Arbors, LLC |
|--|---|-----------------|----------------------|-------------------------------------|---|---------------------|
| <b>Assets</b>  |   |                 |                      |                                     |   |                     |
| Current assets   |   |                 |                      |                                     |   |                     |
| Cash and cash equivalents                                    | \$ 7,832  | \$ -            | \$ -                 | \$ 27                               | \$ -  | \$ -                |
| Cash, tenant security deposits                               | 75,311  | -               | -                    | -                                   | -   | -                   |
| Cash, restricted   | 33,309  | -               | 19,460               | -                                   | 17,198  | -                   |
| Investments  | -   | -               | -                    | -                                   | -   | -                   |
| Investments, restricted                                      | -   | -               | -                    | -                                   | -   | -                   |
| Accounts receivable, net                                     | 34,668  | -               | 100                  | -                                   | -   | -                   |
| Due from affiliate, net                                      | 100,000   | -               | -                    | -                                   | -   | -                   |
| Pledges receivable   | -   | -               | -                    | -                                   | -   | -                   |
| Grants receivable  | -   | -               | -                    | -                                   | -   | -                   |
| Current portion of notes and interest receivable             | -   | -               | -                    | -                                   | -   | -                   |
| Current portion of notes and interest receivable, affiliates | -   | -               | -                    | -                                   | -   | -                   |
| Prepaid expenses and other assets                            | 60,172  | -               | -                    | -                                   | -   | -                   |
| Inventory  | -   | -               | -                    | -                                   | -   | -                   |
| Assets held for sale   | -   | -               | -                    | -                                   | -   | -                   |
| Total current assets   | 311,292   | -               | 19,560               | 27                                  | 17,198  | -                   |
| Property and equipment                                       |   |                 |                      |                                     |   |                     |
| Land and land improvements                                   | 2,156,146   | -               | 880,000              | -                                   | 420,000   | -                   |
| Buildings  | 37,460,720  | -               | -                    | -                                   | -   | -                   |
| Furniture and equipment                                      | 818,635   | -               | -                    | -                                   | 61,000  | -                   |
| Predevelopment project costs                                 | -   | -               | -                    | -                                   | -   | -                   |
| Construction in progress                                     | -   | -               | 9,421,421            | -                                   | 5,525,664   | -                   |
| Accumulated depreciation                                     | (3,349,655)   | -               | -                    | -                                   | -   | -                   |
| Net property and equipment                                   | 37,085,846  | -               | 10,301,421           | -                                   | 6,006,664   | -                   |
| Other long-term assets                                       |   |                 |                      |                                     |   |                     |
| Restricted property reserves                                 | 1,490,723   | -               | 3,586,777            | -                                   | -   | -                   |
| Cash, restricted   | -   | -               | -                    | -                                   | -   | -                   |
| Long-term investments  | -   | -               | -                    | -                                   | -   | -                   |
| Long-term investments, restricted                            | -   | -               | -                    | -                                   | -   | -                   |
| Due from affiliates  | -   | -               | -                    | -                                   | -   | -                   |
| Pledges receivable, net                                      | -   | -               | -                    | -                                   | -   | -                   |
| Grants receivable  | -   | -               | -                    | -                                   | -   | -                   |
| Investments in limited partnerships                          | -   | 99              | -                    | -                                   | -   | 100                 |
| Notes and interest receivable, net                           | -   | -               | -                    | -                                   | -   | -                   |
| Notes and interest receivable, affiliates                    | -   | -               | -                    | -                                   | -   | -                   |
| Allowance for impaired assets                                | -   | -               | -                    | -                                   | -   | -                   |
| Other assets   | 1,363,583   | -               | 402,487              | -                                   | 120,177   | -                   |
| Total other long-term assets                                 | 2,854,306   | 99              | 3,989,264            | -                                   | 120,177   | 100                 |
| <b>Total assets</b>  | <b>\$ 40,251,444</b>  | <b>\$ 99</b>    | <b>\$ 14,310,245</b> | <b>\$ 27</b>                        | <b>\$ 6,144,039</b>                                 | <b>\$ 100</b>       |
| <b>Liabilities</b>   |   |                 |                      |                                     |   |                     |
| Current liabilities  |   |                 |                      |                                     |   |                     |
| Accounts payable and accrued expenses                        | \$ 221,297  | \$ -            | \$ 2,103,384         | \$ -                                | \$ 836,271  | \$ -                |
| Due to affiliates  | 1,130,654   | 3,536           | 257,425              | -                                   | 470,539   | 100                 |
| Accrued interest   | -   | -               | 39,583               | -                                   | -   | -                   |
| Accrued interest, affiliates                                 | -   | -               | -                    | -                                   | -   | -                   |
| Current portion of notes payable                             | -   | -               | -                    | -                                   | -   | -                   |
| Current portion of notes payable, affiliates                 | 2,917,733   | -               | -                    | -                                   | -   | -                   |
| Deferred revenue and other liabilities                       | 111,971   | -               | -                    | -                                   | -   | -                   |
| Tenant security deposits                                     | 75,712  | -               | -                    | -                                   | -   | -                   |
| Miscellaneous current liabilities                            | -   | -               | -                    | -                                   | -   | -                   |
| Total current liabilities                                    | 4,457,367   | 3,536           | 2,400,392            | -                                   | 1,306,810   | 100                 |
| Long-term liabilities  |   |                 |                      |                                     |   |                     |
| Due to affiliates  | -   | -               | -                    | -                                   | -   | -                   |
| Accrued interest   | -   | -               | -                    | -                                   | -   | -                   |
| Accrued interest, affiliates                                 | -   | -               | -                    | -                                   | -   | -                   |
| Notes payable, less current portion                          | 17,552,555  | -               | 10,411,361           | -                                   | 3,254,429   | -                   |
| Notes payable, less current portion, affiliates              | -   | -               | -                    | -                                   | -   | -                   |
| Deferred revenue and other liabilities                       | 5,089,572   | -               | 756,476              | -                                   | 77,777  | -                   |
| Total long-term liabilities                                  | 22,642,127  | -               | 11,167,837           | -                                   | 3,332,206   | -                   |
| <b>Total liabilities</b>                                     | <b>27,099,494</b>   | <b>3,536</b>    | <b>13,568,229</b>    | <b>-</b>                            | <b>4,639,016</b>                                    | <b>100</b>          |
| <b>Net assets</b>  |   |                 |                      |                                     |   |                     |
| Unrestricted net assets                                      | 13,151,950  | (3,437)         | 742,016              | 27                                  | 1,505,023   | -                   |
| Unrestricted net assets, noncontrolling                      | -   | -               | -                    | -                                   | -   | -                   |
| Total unrestricted net assets                                | 13,151,950  | (3,437)         | 742,016              | 27                                  | 1,505,023   | -                   |
| Temporarily restricted net assets                            | -   | -               | -                    | -                                   | -   | -                   |
| Permanently restricted net assets                            | -   | -               | -                    | -                                   | -   | -                   |
| <b>Total net assets</b>                                      | <b>13,151,950</b>   | <b>(3,437)</b>  | <b>742,016</b>       | <b>27</b>                           | <b>1,505,023</b>                                    | <b>-</b>            |
| <b>Total liabilities and net assets</b>                      | <b>\$ 40,251,444</b>  | <b>\$ 99</b>    | <b>\$ 14,310,245</b> | <b>\$ 27</b>                        | <b>\$ 6,144,039</b>                                 | <b>\$ 100</b>       |

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|  | The Arbors at<br>Ellington, Ltd. | MHSE Savannah<br>Gardens Phase III<br>GP, LLC | Mercy Housing<br>Georgia 12, LP<br>(Savanah Gardens<br>Phase III) | Eliminations        | Consolidated<br>Mercy<br>Community<br>Housing Georgia |
|--|----------------------------------|---|---|---------------------|---|
| <b>Assets</b>  |                                  |   |   |                     |   |
| Current assets   |                                  |   |   |                     |   |
| Cash and cash equivalents                                    | \$ -                             | \$ -  | \$ -  | \$ -                | \$ 611,284  |
| Cash, tenant security deposits                               | -                                | -   | -   | -                   | 223,014   |
| Cash, restricted   | 39,379                           | -   | 100   | -                   | 435,012   |
| Investments  | -                                | -   | -   | -                   | -   |
| Investments, restricted                                      | -                                | -   | -   | -                   | -   |
| Accounts receivable, net                                     | -                                | -   | -   | -                   | 152,958   |
| Due from affiliate, net                                      | -                                | -   | -   | (224,373)           | 145,955   |
| Pledges receivable   | -                                | -   | -   | -                   | -   |
| Grants receivable  | -                                | -   | -   | -                   | -   |
| Current portion of notes and interest receivable             | -                                | -   | -   | -                   | -   |
| Current portion of notes and interest receivable, affiliates | -                                | -   | -   | -                   | -   |
| Prepaid expenses and other assets                            | -                                | -   | -   | -                   | 155,457   |
| Inventory  | -                                | -   | -   | -                   | -   |
| Assets held for sale   | -                                | -   | -   | -                   | -   |
| Total current assets   | 39,379                           | -   | 100   | (224,373)           | 1,723,680   |
| Property and equipment                                       |                                  |   |   |                     |   |
| Land and land improvements                                   | 273,462                          | -   | 940,000   | -                   | 14,366,343  |
| Buildings  | -                                | -   | -   | -                   | 96,861,353  |
| Furniture and equipment                                      | -                                | -   | -   | -                   | 3,257,630   |
| Predevelopment project costs                                 | -                                | -   | -   | -                   | -   |
| Construction in progress                                     | 3,242,717                        | -   | 1,314,870   | -                   | 19,733,277  |
| Accumulated depreciation                                     | -                                | -   | -   | -                   | (13,376,069)  |
| Net property and equipment                                   | 3,516,179                        | -   | 2,254,870   | -                   | 120,842,534   |
| Other long-term assets                                       |                                  |   |   |                     |   |
| Restricted property reserves                                 | -                                | -   | -   | -                   | 6,878,427   |
| Cash, restricted   | -                                | -   | -   | -                   | -   |
| Long-term investments  | -                                | -   | -   | -                   | -   |
| Long-term investments, restricted                            | -                                | -   | -   | -                   | -   |
| Due from affiliates  | -                                | -   | -   | -                   | -   |
| Pledges receivable, net                                      | -                                | -   | -   | -                   | -   |
| Grants receivable  | -                                | -   | -   | -                   | -   |
| Investments in limited partnerships                          | -                                | 100   | -   | (48,932)            | -   |
| Notes and interest receivable, net                           | -                                | -   | -   | -                   | -   |
| Notes and interest receivable, affiliates                    | -                                | -   | -   | -                   | -   |
| Allowance for impaired assets                                | -                                | -   | -   | -                   | -   |
| Other assets   | 153,667                          | -   | 174,562   | -                   | 3,557,850   |
| Total other long-term assets                                 | 153,667                          | 100   | 174,562   | (48,932)            | 10,436,277  |
| <b>Total assets</b>  | <b>\$ 3,709,225</b>              | <b>\$ 100</b>                                 | <b>\$ 2,429,532</b>   | <b>\$ (273,305)</b> | <b>\$ 133,002,491</b>                                 |
| <b>Liabilities</b>   |                                  |   |   |                     |   |
| Current liabilities  |                                  |   |   |                     |   |
| Accounts payable and accrued expenses                        | \$ 703,379                       | \$ -  | \$ 285,114  | \$ -                | \$ 5,855,305  |
| Due to affiliates  | 298,242                          | 411   | 56,621  | (284,343)           | 3,947,702   |
| Accrued interest   | 6,559                            | -   | -   | -                   | 99,386  |
| Accrued interest, affiliates                                 | -                                | -   | -   | -                   | -   |
| Current portion of notes payable                             | -                                | -   | -   | -                   | 264,404   |
| Current portion of notes payable, affiliates                 | 32,750                           | -   | 774   | -                   | 3,163,943   |
| Deferred revenue and other liabilities                       | -                                | -   | -   | -                   | 127,408   |
| Tenant security deposits                                     | -                                | -   | -   | -                   | 173,020   |
| Miscellaneous current liabilities                            | -                                | -   | -   | -                   | -   |
| Total current liabilities                                    | 1,040,930                        | 411   | 342,509   | (284,343)           | 13,631,168  |
| Long-term liabilities  |                                  |   |   |                     |   |
| Due to affiliates  | -                                | -   | -   | -                   | -   |
| Accrued interest   | -                                | -   | -   | (1,475)             | 271,788   |
| Accrued interest, affiliates                                 | -                                | -   | -   | -                   | -   |
| Notes payable, less current portion                          | 1,684,928                        | -   | 500,000   | -                   | 55,117,260  |
| Notes payable, less current portion, affiliates              | -                                | -   | -   | (56,107)            | -   |
| Deferred revenue and other liabilities                       | 74,998                           | -   | -   | -                   | 7,036,786   |
| Total long-term liabilities                                  | 1,759,926                        | -   | 500,000   | (57,582)            | 62,425,834  |
| <b>Total liabilities</b>                                     | <b>2,800,856</b>                 | <b>411</b>                                    | <b>842,509</b>  | <b>(341,925)</b>    | <b>76,057,002</b>                                     |
| <b>Net assets</b>  |                                  |   |   |                     |   |
| Unrestricted net assets                                      | 908,369                          | (311)   | 1,587,023   | 68,620              | 56,894,737  |
| Unrestricted net assets, noncontrolling                      | -                                | -   | -   | -                   | -   |
| Total unrestricted net assets                                | 908,369                          | (311)   | 1,587,023   | 68,620              | 56,894,737  |
| Temporarily restricted net assets                            | -                                | -   | -   | -                   | 50,752  |
| Permanently restricted net assets                            | -                                | -   | -   | -                   | -   |
| <b>Total net assets</b>                                      | <b>908,369</b>                   | <b>(311)</b>                                  | <b>1,587,023</b>  | <b>68,620</b>       | <b>56,945,489</b>                                     |
| <b>Total liabilities and net assets</b>                      | <b>\$ 3,709,225</b>              | <b>\$ 100</b>                                 | <b>\$ 2,429,532</b>   | <b>\$ (273,305)</b> | <b>\$ 133,002,491</b>                                 |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Community Housing Georgia, Inc.  
For the year ended December 31, 2011

|  | Mercy<br>Community<br>Housing Georgia | Mercy Housing<br>Georgia I<br>(Heritage<br>Place Apartments) | Mercy Housing<br>Georgia IV<br>(Heritage Corner/<br>HeritageRow) | Mercy Housing<br>Georgia V, LP<br>(Chamblee<br>Senior Apartments) | Mercy Housing<br>Georgia VI, LP<br>(The Atrium at<br>College Station) | MCHG<br>Partners, Inc |
|--|---------------------------------------|--|--|---|---|-----------------------|
| <b>Revenues</b>                                      |                                       |  |  |   |   |                       |
| Rent - net of vacancies                              | \$ -                                  | \$ 494,741   | \$ 365,991   | \$ 415,644  | \$ 1,914,003  | \$ -                  |
| Developer fees                                       | -                                     | -  | -  | -   | -   | -                     |
| Services fees  | 64,501                                | -  | -  | -   | -   | 22,510                |
| Philanthropy   | -                                     | -  | -  | -   | -   | -                     |
| Capital grants                                       | -                                     | -  | -  | -   | -   | -                     |
| Consulting   | -                                     | -  | -  | -   | -   | -                     |
| Interest   | 281                                   | 440  | 34   | 88  | 255   | -                     |
| Other  | -                                     | 15,038   | 46,474   | 390   | 8,346   | -                     |
| <b>Total revenues</b>                                | <u>64,782</u>                         | <u>510,219</u>   | <u>412,499</u>   | <u>416,122</u>  | <u>1,922,604</u>  | <u>22,510</u>         |
| <b>Expenses and losses</b>                           |                                       |  |  |   |   |                       |
| Compensation   | -                                     | 80,766   | 60,428   | 97,728  | 318,407   | -                     |
| Administrative                                       | 93,001                                | 93,008   | 57,302   | 87,560  | 252,904   | 21,865                |
| Professional services                                | 1,876                                 | 28,983   | 26,815   | 37,375  | 260,622   | 3,157                 |
| Depreciation and amortization                        | -                                     | 336,012  | 341,483  | 286,388   | 676,173   | -                     |
| Grants   | -                                     | -  | -  | -   | -   | -                     |
| Facility   | -                                     | 251,584  | 99,088   | 120,468   | 734,596   | -                     |
| Interest and fees                                    | 524                                   | 30,897   | 65,123   | 75,200  | 308,668   | 276                   |
| Bad debts  | -                                     | 14,207   | 13,570   | -   | 2,132   | -                     |
| Provision for impaired assets                        | 281                                   | -  | -  | -   | -   | -                     |
| Project expenses                                     | -                                     | -  | -  | -   | -   | -                     |
| Allocation   | -                                     | -  | -  | -   | -   | -                     |
| (Gain) loss on sale of assets                        | -                                     | -  | -  | -   | -   | -                     |
| (Gain) loss on investment in limited partnership     | 4,967                                 | -  | -  | -   | -   | 58                    |
| <b>Total expenses and losses</b>                     | <u>100,649</u>                        | <u>835,457</u>   | <u>663,809</u>   | <u>704,719</u>  | <u>2,553,502</u>  | <u>25,356</u>         |
| <b>Excess (deficiency) of revenues over expenses</b> | (35,867)                              | (325,238)  | (251,310)  | (288,597)   | (630,898)   | (2,846)               |
| Net assets at beginning of year                      | 121,371                               | 4,621,867  | 5,475,264  | 4,820,616   | 7,954,914   | (2,777)               |
| Other transfers to (from) net assets                 | -                                     | -  | -  | -   | (11,954)  | -                     |
| <b>Net assets at end of year</b>                     | <u>\$ 85,504</u>                      | <u>\$ 4,296,629</u>  | <u>\$ 5,223,954</u>  | <u>\$ 4,532,019</u>   | <u>\$ 7,312,062</u>   | <u>\$ (5,623)</u>     |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Community Housing Georgia, Inc.  
For the year ended December 31, 2011

|  | Acquisition<br>Properties<br>Georgia I<br>(Magnolia Village) | Reynoldstown<br>Senior Apartments<br>(Reynoldstown) | Mercy Housing<br>Georgia X<br>(Savannah<br>Gardens I) | Mercy Lithonia<br>Park View, Inc | Mercy Housing<br>Georgia VIII LP<br>(Terraces at<br>Park View) | MPI Highland<br>Place LLC |
|--|--|---|---|----------------------------------|--|---------------------------|
| <b>Revenues</b>                                      |  |   |   |                                  |  |                           |
| Rent - net of vacancies                              | \$ 473,980   | \$ -  | \$ 20,680   | \$ -                             | \$ 719,818   | \$ -                      |
| Developer fees                                       | -  | -   | -   | -                                | -  | -                         |
| Services fees  | -  | -   | -   | -                                | -  | -                         |
| Philanthropy   | -  | -   | -   | -                                | -  | -                         |
| Capital grants                                       | -  | -   | -   | -                                | -  | -                         |
| Consulting   | -  | -   | -   | -                                | -  | -                         |
| Interest   | 41   | -   | -   | -                                | 217  | -                         |
| Other  | 4,043  | -   | 17,175  | -                                | 30,517   | -                         |
| <b>Total revenues</b>                                | <b>478,064</b>   | <b>-</b>  | <b>37,855</b>   | <b>-</b>                         | <b>750,552</b>   | <b>-</b>                  |
| <b>Expenses and losses</b>                           |  |   |   |                                  |  |                           |
| Compensation   | 83,857   | -   | 22,090  | -                                | 105,042  | -                         |
| Administrative                                       | 97,740   | 124   | 84,785  | 11                               | 83,033   | -                         |
| Professional services                                | 32,697   | 4,600   | 11,199  | 3,158                            | 58,292   | 3,158                     |
| Depreciation and amortization                        | 261,132  | -   | 51,338  | -                                | 411,621  | -                         |
| Grants   | -  | -   | -   | -                                | -  | -                         |
| Facility   | 183,423  | -   | 9,552   | -                                | 233,049  | -                         |
| Interest and fees                                    | 36,612   | -   | 142   | 215                              | 117,119  | 212                       |
| Bad debts  | 219  | -   | -   | -                                | 115  | -                         |
| Provision for impaired assets                        | -  | -   | -   | -                                | -  | -                         |
| Project expenses                                     | -  | -   | -   | -                                | -  | -                         |
| Allocation   | -  | -   | -   | -                                | -  | -                         |
| (Gain) loss on sale of assets                        | -  | -   | -   | -                                | -  | -                         |
| (Gain) loss on investment in limited partnership     | -  | -   | -   | 11                               | -  | 568                       |
| <b>Total expenses and losses</b>                     | <b>695,680</b>   | <b>4,724</b>  | <b>179,106</b>  | <b>3,395</b>                     | <b>1,008,271</b>   | <b>3,938</b>              |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(217,616)</b>   | <b>(4,724)</b>                                      | <b>(141,251)</b>                                      | <b>(3,395)</b>                   | <b>(257,719)</b>   | <b>(3,938)</b>            |
| Net assets at beginning of year                      | 6,642,008  | 61,792  | 540,380   | (2,517)                          | 5,443,161  | (3,816)                   |
| Other transfers to (from) net assets                 | 41,056   | -   | 3,882,020   | -                                | 1,566,223  | -                         |
| <b>Net assets at end of year</b>                     | <b>\$ 6,465,448</b>  | <b>\$ 57,068</b>                                    | <b>\$ 4,281,149</b>                                   | <b>\$ (5,912)</b>                | <b>\$ 6,751,665</b>  | <b>\$ (7,754)</b>         |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Community Housing Georgia, Inc.  
For the year ended December 31, 2011

|  | MPI Highland<br>Place Apartments, LP<br>(Hills of Fairington<br>Apartments) | Antioch II, LLC   | Antioch Villas, LP | Mercy Housing<br>Georgia XI, GP LLC | Mercy Housing<br>Georgia XI, LP<br>(Etowah Terrace) |
|--|---|-------------------|--------------------|-------------------------------------|---|
| <b>Revenues</b>                                      |   |                   |                    |                                     |   |
| Rent - net of vacancies                              | \$ 3,021,877  | \$ -              | \$ -               | \$ -                                | \$ -  |
| Developer fees                                       | -   | -                 | -                  | -                                   | -   |
| Services fees  | -   | -                 | -                  | -                                   | -   |
| Philanthropy   | -   | -                 | -                  | -                                   | -   |
| Capital grants                                       | -   | -                 | -                  | -                                   | -   |
| Consulting   | -   | -                 | -                  | -                                   | -   |
| Interest   | 6,736   | -                 | 884                | -                                   | -   |
| Other  | 73,893  | -                 | -                  | -                                   | -   |
| <b>Total revenues</b>                                | <b>3,102,506</b>  | <b>-</b>          | <b>884</b>         | <b>-</b>                            | <b>-</b>  |
| <b>Expenses and losses</b>                           |   |                   |                    |                                     |   |
| Compensation   | 538,667   | -                 | -                  | -                                   | -   |
| Administrative                                       | 232,918   | 22                | 7,912              | -                                   | 261   |
| Professional services                                | 43,811  | 3,468             | 7,769              | 73                                  | -   |
| Depreciation and amortization                        | 1,654,689   | -                 | -                  | -                                   | -   |
| Grants   | -   | -                 | -                  | -                                   | -   |
| Facility   | 1,071,751   | -                 | -                  | -                                   | -   |
| Interest and fees                                    | 5,080,929   | 46                | -                  | -                                   | 53  |
| Bad debts  | 192,641   | -                 | -                  | -                                   | -   |
| Provision for impaired assets                        | -   | -                 | -                  | -                                   | -   |
| Project expenses                                     | -   | -                 | -                  | -                                   | -   |
| Allocation   | -   | -                 | -                  | -                                   | -   |
| (Gain) loss on sale of assets                        | -   | -                 | -                  | -                                   | -   |
| (Gain) loss on investment in limited partnership     | -   | 1                 | -                  | -                                   | -   |
| <b>Total expenses and losses</b>                     | <b>8,815,406</b>  | <b>3,537</b>      | <b>15,681</b>      | <b>73</b>                           | <b>314</b>  |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(5,712,900)</b>  | <b>(3,537)</b>    | <b>(14,797)</b>    | <b>(73)</b>                         | <b>(314)</b>  |
| Net assets at beginning of year                      | 5,741,104   | 100               | 756,713            | -                                   | -   |
| Other transfers to (from) net assets                 | 13,123,746  | -                 | 100                | 100                                 | 1,505,337   |
| <b>Net assets at end of year</b>                     | <b>\$ 13,151,950</b>  | <b>\$ (3,437)</b> | <b>\$ 742,016</b>  | <b>\$ 27</b>                        | <b>\$ 1,505,023</b>                                 |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Community Housing Georgia, Inc.  
For the year ended December 31, 2011

|  | MHSE<br>Arbors, LLC | The Arbors at<br>Ellington, Ltd. | MHSE Savannah<br>Gardens Phase III<br>GP, LLC | Mercy Housing<br>Georgia 12, LP<br>(Savanah Gardens<br>Phase III) | Eliminations     | Consolidated<br>Mercy<br>Community<br>Housing Georgia |
|--|---------------------|----------------------------------|---|---|------------------|---|
| <b>Revenues</b>                                      |                     |                                  |   |   |                  |   |
| Rent - net of vacancies                              | \$ -                | \$ -                             | \$ -  | \$ -  | \$ -             | \$ 7,426,734  |
| Developer fees                                       | -                   | -                                | -   | -   | -                | -   |
| Services fees  | -                   | -                                | -   | -   | (87,011)         | -   |
| Philanthropy   | -                   | -                                | -   | -   | -                | -   |
| Capital grants                                       | -                   | -                                | -   | -   | -                | -   |
| Consulting   | -                   | -                                | -   | -   | -                | -   |
| Interest   | -                   | -                                | -   | -   | (281)            | 8,695   |
| Other  | -                   | -                                | -   | -   | -                | 195,876   |
| <b>Total revenues</b>                                | -                   | -                                | -   | -   | (87,292)         | 7,631,305   |
| <b>Expenses and losses</b>                           |                     |                                  |   |   |                  |   |
| Compensation   | -                   | -                                | -   | -   | -                | 1,306,985   |
| Administrative                                       | -                   | 380                              | -   | 231   | (87,011)         | 1,026,046   |
| Professional services                                | -                   | 875                              | 311   | -   | -                | 528,239   |
| Depreciation and amortization                        | -                   | -                                | -   | -   | -                | 4,018,836   |
| Grants   | -                   | -                                | -   | -   | -                | -   |
| Facility   | -                   | -                                | -   | -   | -                | 2,703,511   |
| Interest and fees                                    | -                   | 72                               | -   | -   | (281)            | 5,715,807   |
| Bad debts  | -                   | -                                | -   | -   | -                | 222,884   |
| Provision for impaired assets                        | -                   | -                                | -   | -   | (281)            | -   |
| Project expenses                                     | -                   | -                                | -   | -   | -                | -   |
| Allocation   | -                   | -                                | -   | -   | -                | -   |
| (Gain) loss on sale of assets                        | -                   | -                                | -   | -   | -                | -   |
| (Gain) loss on investment in limited partnership     | -                   | -                                | -   | -   | (5,605)          | -   |
| <b>Total expenses and losses</b>                     | -                   | 1,327                            | 311   | 231   | (93,178)         | 15,522,308  |
| <b>Excess (deficiency) of revenues over expenses</b> | -                   | (1,327)                          | (311)   | (231)   | 5,886            | (7,891,003)   |
| Net assets at beginning of year                      | -                   | -                                | -   | -   | 63,209           | 42,233,389  |
| Other transfers to (from) net assets                 | -                   | 909,696                          | -   | 1,587,254   | (475)            | 22,603,103  |
| <b>Net assets at end of year</b>                     | <u>\$ -</u>         | <u>\$ 908,369</u>                | <u>\$ (311)</u>                               | <u>\$ 1,587,023</u>   | <u>\$ 68,620</u> | <u>\$ 56,945,489</u>                                  |



Consolidating Statement of Financial Position  
 Mercy Housing Northwest  
 December 31, 2011

**Assets**

Current assets

|  | Mercy<br>Housing<br>Northwest | Intercommunity<br>Housing<br>Ferndale | Sterling<br>Senior<br>Housing | Appian Way<br>Manager LLC | Appian Way<br>Mercy LLC |
|--|-------------------------------|---------------------------------------|-------------------------------|---------------------------|-------------------------|
| Cash and cash equivalents                                    | \$ 1,494,852                  | \$ 22,379                             | \$ 20,393                     | \$ -                      | \$ 102,813              |
| Cash, tenant security deposits                               | -                             | 7,612                                 | 6,497                         | -                         | 75,895                  |
| Cash, restricted   | 918,051                       | -                                     | 8,865                         | -                         | -                       |
| Investments  | -                             | -                                     | -                             | -                         | -                       |
| Investments, restricted                                      | -                             | -                                     | -                             | -                         | -                       |
| Accounts receivable, net                                     | 29,462                        | 35,888                                | -                             | -                         | 11,058                  |
| Due from affiliate, net                                      | 1,330,631                     | 12,459                                | -                             | -                         | -                       |
| Pledges receivable   | 109,024                       | -                                     | -                             | -                         | -                       |
| Grants receivable  | 38,166                        | -                                     | -                             | -                         | -                       |
| Current portion of notes and interest receivable             | -                             | -                                     | -                             | -                         | -                       |
| Current portion of notes and interest receivable, affiliates | 312,161                       | -                                     | -                             | -                         | -                       |
| Prepaid expenses and other assets                            | 13,134                        | 5,067                                 | 3,495                         | -                         | 39,363                  |
| <b>Total current assets</b>                                  | <b>4,245,481</b>              | <b>83,405</b>                         | <b>39,250</b>                 | <b>-</b>                  | <b>229,129</b>          |

Property and equipment

|                                   |               |                |                  |          |                   |
|-----------------------------------|---------------|----------------|------------------|----------|-------------------|
| Land and land improvements        | -             | 158,559        | 303,978          | -        | 1,853,672         |
| Buildings                         | 20,294        | 1,262,397      | 2,190,185        | -        | 21,298,677        |
| Furniture and equipment           | 38,974        | 119,912        | 7,629            | -        | 852,613           |
| Predevelopment project costs      | 62,220        | -              | -                | -        | -                 |
| Construction in progress          | -             | -              | -                | -        | -                 |
| Accumulated depreciation          | (53,469)      | (747,539)      | (450,923)        | -        | (2,382,178)       |
| <b>Net property and equipment</b> | <b>68,019</b> | <b>793,329</b> | <b>2,050,869</b> | <b>-</b> | <b>21,622,784</b> |

Other long-term assets

|   |                  |                |               |                |                  |
|---|------------------|----------------|---------------|----------------|------------------|
| Restricted property reserves              | -                | 425,976        | 61,491        | -              | 583,993          |
| Cash, restricted                          | -                | -              | -             | -              | -                |
| Long-term investments                     | -                | -              | -             | -              | -                |
| Long-term investments, restricted         | -                | -              | -             | -              | -                |
| Due from affiliates                       | 1,563,175        | -              | -             | -              | -                |
| Pledges receivable, net                   | 253,264          | -              | -             | -              | -                |
| Grants receivable                         | -                | -              | -             | -              | -                |
| Investments in limited partnerships       | 1,218,494        | -              | -             | 294,784        | -                |
| Notes and interest receivable, net        | -                | -              | -             | -              | -                |
| Notes and interest receivable, affiliates | 4,606,452        | -              | -             | -              | -                |
| Allowance for impaired assets             | -                | -              | -             | -              | -                |
| Other assets                              | -                | -              | -             | -              | 642,749          |
| <b>Total other long-term assets</b>       | <b>7,641,385</b> | <b>425,976</b> | <b>61,491</b> | <b>294,784</b> | <b>1,226,742</b> |

**Total assets**

\$ 11,954,885 \$ 1,302,710 \$ 2,151,610 \$ 294,784 \$ 23,078,655

**Liabilities**

Current liabilities

|  |                |               |               |              |                |
|--|----------------|---------------|---------------|--------------|----------------|
| Accounts payable and accrued expenses        | \$ 210,800     | \$ 15,274     | \$ 25,243     | \$ 69        | \$ 69,879      |
| Due to affiliates                            | 495            | 125           | 125           | 2,401        | -              |
| Accrued interest                             | -              | -             | -             | -            | 29,550         |
| Accrued interest, affiliates                 | -              | -             | -             | -            | -              |
| Current portion of notes payable             | 110,032        | 3,447         | -             | -            | 98,824         |
| Current portion of notes payable, affiliates | 348,633        | -             | -             | -            | -              |
| Deferred revenue and other liabilities       | -              | 169           | 434           | -            | 2,030          |
| Tenant security deposits                     | -              | 7,229         | 6,015         | -            | 76,281         |
| Miscellaneous current liabilities            | -              | -             | -             | -            | -              |
| <b>Total current liabilities</b>             | <b>669,960</b> | <b>26,244</b> | <b>31,817</b> | <b>2,470</b> | <b>276,564</b> |

Long-term liabilities

|   |                |          |               |          |                   |
|---|----------------|----------|---------------|----------|-------------------|
| Due to affiliates                               | -              | -        | -             | -        | 26,198            |
| Accrued interest                                | -              | -        | -             | -        | -                 |
| Accrued interest, affiliates                    | -              | -        | -             | -        | 568,000           |
| Notes payable, less current portion             | 62,159         | -        | -             | -        | 10,440,861        |
| Notes payable, less current portion, affiliates | -              | -        | 79,106        | -        | 4,385,089         |
| Deferred revenue and other liabilities          | 331,792        | -        | -             | -        | 477,993           |
| <b>Total long-term liabilities</b>              | <b>393,951</b> | <b>-</b> | <b>79,106</b> | <b>-</b> | <b>15,898,141</b> |

**Total liabilities**

1,063,911 26,244 110,923 2,470 16,174,705

**Net assets**

|   |                   |                  |                  |                |                  |
|---|-------------------|------------------|------------------|----------------|------------------|
| Unrestricted net assets, controlling    | 9,559,843         | 618,029          | (28,685)         | 292,314        | 6,903,950        |
| Unrestricted net assets, noncontrolling | -                 | -                | -                | -              | -                |
| <b>Total unrestricted net assets</b>    | <b>9,559,843</b>  | <b>618,029</b>   | <b>(28,685)</b>  | <b>292,314</b> | <b>6,903,950</b> |
| Temporarily restricted net assets       | 1,331,131         | 658,437          | 2,069,372        | -              | -                |
| Permanently restricted net assets       | -                 | -                | -                | -              | -                |
| <b>Total net assets</b>                 | <b>10,890,974</b> | <b>1,276,466</b> | <b>2,040,687</b> | <b>292,314</b> | <b>6,903,950</b> |

**Total liabilities and net assets**

\$ 11,954,885 \$ 1,302,710 \$ 2,151,610 \$ 294,784 \$ 23,078,655

Consolidating Statement of Financial Position  
Mercy Housing Northwest  
December 31, 2011

**Assets**

Current assets

|  | New Tacoma<br>Phase I GP LLC | New Tacoma<br>Senior Housing<br>Phase I | New Tacoma<br>Phase II<br>Mercy LLC | Evergreen Vista I<br>GP LLC | Evergreen Vista I<br>Owner LP |
|--|------------------------------|---|-------------------------------------|-----------------------------|-------------------------------|
| Cash and cash equivalents                                    | \$ -                         | \$ 167,053                              | \$ -                                | \$ -                        | \$ 34,981                     |
| Cash, tenant security deposits                               | -                            | 21,212                                  | -                                   | -                           | 32,998                        |
| Cash, restricted   | 148                          | 73,890                                  | 6,317                               | -                           | 403,259                       |
| Investments  | -                            | -                                       | -                                   | -                           | -                             |
| Investments, restricted                                      | -                            | -                                       | -                                   | -                           | -                             |
| Accounts receivable, net                                     | -                            | 1,283                                   | -                                   | -                           | 25,218                        |
| Due from affiliate, net                                      | -                            | -                                       | -                                   | -                           | 1,686                         |
| Pledges receivable   | -                            | -                                       | -                                   | -                           | -                             |
| Grants receivable  | -                            | -                                       | -                                   | -                           | -                             |
| Current portion of notes and interest receivable             | -                            | -                                       | -                                   | -                           | -                             |
| Current portion of notes and interest receivable, affiliates | -                            | -                                       | -                                   | -                           | -                             |
| Prepaid expenses and other assets                            | -                            | 18,613                                  | 3,442                               | -                           | 12,873                        |
| <b>Total current assets</b>                                  | <b>148</b>                   | <b>282,051</b>                          | <b>9,759</b>                        | <b>-</b>                    | <b>511,015</b>                |

Property and equipment

|                                   |          |                   |                  |          |                   |
|-----------------------------------|----------|-------------------|------------------|----------|-------------------|
| Land and land improvements        | -        | 3,033,659         | 823,041          | -        | 1,068,023         |
| Buildings                         | -        | 16,051,133        | -                | -        | 11,306,607        |
| Furniture and equipment           | -        | 413,402           | -                | -        | 396,863           |
| Predevelopment project costs      | -        | -                 | -                | -        | -                 |
| Construction in progress          | -        | -                 | 188,131          | -        | -                 |
| Accumulated depreciation          | -        | (568,271)         | -                | -        | (250,789)         |
| <b>Net property and equipment</b> | <b>-</b> | <b>18,929,923</b> | <b>1,011,172</b> | <b>-</b> | <b>12,520,704</b> |

Other long-term assets

|   |                  |                |          |            |                |
|---|------------------|----------------|----------|------------|----------------|
| Restricted property reserves              | -                | 494,803        | -        | -          | 230,109        |
| Cash, restricted                          | -                | -              | -        | -          | -              |
| Long-term investments                     | -                | -              | -        | -          | -              |
| Long-term investments, restricted         | -                | -              | -        | -          | -              |
| Due from affiliates                       | -                | -              | -        | -          | -              |
| Pledges receivable, net                   | -                | -              | -        | -          | -              |
| Grants receivable                         | -                | -              | -        | -          | -              |
| Investments in limited partnerships       | 1,761,700        | -              | -        | 324        | -              |
| Notes and interest receivable, net        | -                | -              | -        | -          | -              |
| Notes and interest receivable, affiliates | 8,216,406        | -              | -        | -          | -              |
| Allowance for impaired assets             | -                | -              | -        | -          | -              |
| Other assets                              | -                | 282,575        | -        | -          | 208,431        |
| <b>Total other long-term assets</b>       | <b>9,978,106</b> | <b>777,378</b> | <b>-</b> | <b>324</b> | <b>438,540</b> |

**Total assets**

|                     |                      |                     |               |                      |
|---------------------|----------------------|---------------------|---------------|----------------------|
| <b>\$ 9,978,254</b> | <b>\$ 19,989,352</b> | <b>\$ 1,020,931</b> | <b>\$ 324</b> | <b>\$ 13,470,259</b> |
|---------------------|----------------------|---------------------|---------------|----------------------|

**Liabilities**

Current liabilities

|  |              |                |                |            |                  |
|--|--------------|----------------|----------------|------------|------------------|
| Accounts payable and accrued expenses        | \$ -         | \$ 116,222     | \$ 157         | \$ 69      | \$ 1,045,411     |
| Due to affiliates                            | 2,633        | 350,340        | 28,428         | 671        | 430,214          |
| Accrued interest                             | -            | 2,344          | 1,515          | -          | 15,515           |
| Accrued interest, affiliates                 | -            | -              | -              | -          | -                |
| Current portion of notes payable             | -            | 5,273          | -              | -          | 1,756,209        |
| Current portion of notes payable, affiliates | -            | -              | 94,876         | -          | -                |
| Deferred revenue and other liabilities       | -            | 547            | -              | -          | 4,707            |
| Tenant security deposits                     | -            | 20,732         | -              | -          | 31,967           |
| Miscellaneous current liabilities            | -            | -              | -              | -          | -                |
| <b>Total current liabilities</b>             | <b>2,633</b> | <b>495,458</b> | <b>124,976</b> | <b>740</b> | <b>3,284,023</b> |

Long-term liabilities

|   |          |                   |                |          |                   |
|---|----------|-------------------|----------------|----------|-------------------|
| Due to affiliates                               | -        | -                 | -              | -        | -                 |
| Accrued interest                                | -        | -                 | 16,777         | -        | -                 |
| Accrued interest, affiliates                    | -        | -                 | -              | -        | 102,752           |
| Notes payable, less current portion             | -        | 5,289,786         | 875,348        | -        | 4,850,617         |
| Notes payable, less current portion, affiliates | -        | 8,216,406         | -              | -        | 4,110,219         |
| Deferred revenue and other liabilities          | -        | 969               | -              | -        | 1,125,544         |
| <b>Total long-term liabilities</b>              | <b>-</b> | <b>13,507,161</b> | <b>892,125</b> | <b>-</b> | <b>10,189,132</b> |

**Total liabilities**

|              |                   |                  |            |                   |
|--------------|-------------------|------------------|------------|-------------------|
| <b>2,633</b> | <b>14,002,619</b> | <b>1,017,101</b> | <b>740</b> | <b>13,473,155</b> |
|--------------|-------------------|------------------|------------|-------------------|

**Net assets**

|   |                  |                  |              |              |                |
|---|------------------|------------------|--------------|--------------|----------------|
| Unrestricted net assets, controlling    | 1,983,305        | 5,986,733        | 3,830        | (416)        | (2,896)        |
| Unrestricted net assets, noncontrolling | -                | -                | -            | -            | -              |
| <b>Total unrestricted net assets</b>    | <b>1,983,305</b> | <b>5,986,733</b> | <b>3,830</b> | <b>(416)</b> | <b>(2,896)</b> |
| Temporarily restricted net assets       | 7,992,316        | -                | -            | -            | -              |
| Permanently restricted net assets       | -                | -                | -            | -            | -              |
| <b>Total net assets</b>                 | <b>9,975,621</b> | <b>5,986,733</b> | <b>3,830</b> | <b>(416)</b> | <b>(2,896)</b> |

**Total liabilities and net assets**

|                     |                      |                     |               |                      |
|---------------------|----------------------|---------------------|---------------|----------------------|
| <b>\$ 9,978,254</b> | <b>\$ 19,989,352</b> | <b>\$ 1,020,931</b> | <b>\$ 324</b> | <b>\$ 13,470,259</b> |
|---------------------|----------------------|---------------------|---------------|----------------------|

Consolidating Statement of Financial Position  
Mercy Housing Northwest  
December 31, 2011

|  | Rainer Vista Block<br>43 GP LLC | Rainer Vista Block<br>43 Owner LP<br>(Columbia City Station Apts.) | Consolidated<br>Mercy Properties<br>Washington | Eliminations           | Consolidated<br>Mercy<br>Housing<br>Northwest |
|--|---------------------------------|--|--|------------------------|---|
| <b>Assets</b>  |                                 |  |  |                        |   |
| Current assets   |                                 |  |  |                        |   |
| Cash and cash equivalents                                    | \$ -                            | \$ -   | \$ 851,559                                     | \$ -                   | \$ 2,694,030                                  |
| Cash, tenant security deposits                               | -                               | -  | 187,414  | -                      | 331,628                                       |
| Cash, restricted   | -                               | 8,367  | -  | -                      | 1,418,897                                     |
| Investments  | -                               | -  | -  | -                      | -   |
| Investments, restricted                                      | -                               | -  | -  | -                      | -   |
| Accounts receivable, net                                     | -                               | 869  | 33,904   | (7,056)                | 130,626                                       |
| Due from affiliate, net                                      | -                               | -  | 500  | (1,134,647)            | 210,629                                       |
| Pledges receivable   | -                               | -  | -  | -                      | 109,024                                       |
| Grants receivable  | -                               | -  | -  | -                      | 38,166  |
| Current portion of notes and interest receivable             | -                               | -  | -  | -                      | -   |
| Current portion of notes and interest receivable, affiliates | -                               | -  | -  | (94,876)               | 217,285                                       |
| Prepaid expenses and other assets                            | -                               | -  | 77,775   | -                      | 173,762                                       |
| Total current assets   | -                               | 9,236  | 1,151,152                                      | (1,236,579)            | 5,324,047                                     |
| Property and equipment                                       |                                 |  |  |                        |   |
| Land and land improvements                                   | -                               | 1,600,000  | 7,967,077                                      | (441,174)              | 16,366,835                                    |
| Buildings  | -                               | -  | 43,917,518                                     | (7,585,741)            | 88,461,070                                    |
| Furniture and equipment                                      | -                               | -  | 1,686,048                                      | 349,816                | 3,865,257                                     |
| Predevelopment project costs                                 | -                               | -  | -  | -                      | 62,220  |
| Construction in progress                                     | -                               | 3,968,573  | -  | (281,779)              | 3,874,925                                     |
| Accumulated depreciation                                     | -                               | -  | (18,772,723)                                   | 435,075                | (22,790,817)                                  |
| Net property and equipment                                   | -                               | 5,568,573  | 34,797,920                                     | (7,523,803)            | 89,839,490                                    |
| Other long-term assets                                       |                                 |  |  |                        |   |
| Restricted property reserves                                 | -                               | 15,001   | 1,722,792                                      | -                      | 3,534,165                                     |
| Cash, restricted   | -                               | -  | -  | -                      | -   |
| Long-term investments  | -                               | -  | -  | -                      | -   |
| Long-term investments, restricted                            | -                               | -  | -  | -                      | -   |
| Due from affiliates  | -                               | -  | -  | (1,563,175)            | -   |
| Pledges receivable, net                                      | -                               | -  | -  | -                      | 253,264                                       |
| Grants receivable  | -                               | -  | -  | -                      | -   |
| Investments in limited partnerships                          | 100                             | -  | -  | (2,056,909)            | 1,218,493                                     |
| Notes and interest receivable, net                           | -                               | -  | -  | -                      | -   |
| Notes and interest receivable, affiliates                    | -                               | -  | -  | (12,586,378)           | 236,480                                       |
| Allowance for impaired assets                                | -                               | -  | -  | -                      | -   |
| Other assets   | -                               | 133,474  | 436,350  | -                      | 1,703,579                                     |
| Total other long-term assets                                 | 100                             | 148,475  | 2,159,142                                      | (16,206,462)           | 6,945,981                                     |
| <b>Total assets</b>  | <u>\$ 100</u>                   | <u>\$ 5,726,284</u>  | <u>\$ 38,108,214</u>                           | <u>\$ (24,966,844)</u> | <u>\$ 102,109,518</u>                         |
| <b>Liabilities</b>   |                                 |  |  |                        |   |
| Current liabilities  |                                 |  |  |                        |   |
| Accounts payable and accrued expenses                        | \$ -                            | \$ 635,371   | \$ 214,971                                     | \$ (16,223)            | \$ 2,317,243                                  |
| Due to affiliates  | 483                             | 158,057  | 208,559  | (1,166,122)            | 16,409  |
| Accrued interest   | -                               | 685  | 49,432   | -                      | 99,041  |
| Accrued interest, affiliates                                 | -                               | -  | -  | -                      | -   |
| Current portion of notes payable                             | -                               | -  | 226,387  | -                      | 2,200,172                                     |
| Current portion of notes payable, affiliates                 | -                               | -  | -  | (94,876)               | 348,633                                       |
| Deferred revenue and other liabilities                       | -                               | -  | 23,158   | -                      | 31,045  |
| Tenant security deposits                                     | -                               | -  | 190,348  | -                      | 332,572                                       |
| Miscellaneous current liabilities                            | -                               | -  | -  | -                      | -   |
| Total current liabilities                                    | 483                             | 794,113  | 912,855  | (1,277,221)            | 5,345,115                                     |
| Long-term liabilities  |                                 |  |  |                        |   |
| Due to affiliates  | -                               | -  | 180,000  | (206,198)              | -   |
| Accrued interest   | -                               | -  | 206,764  | -                      | 223,541                                       |
| Accrued interest, affiliates                                 | -                               | -  | 41,157   | (711,909)              | -   |
| Notes payable, less current portion                          | -                               | 4,208,850  | 16,655,252                                     | -                      | 42,382,873                                    |
| Notes payable, less current portion, affiliates              | -                               | -  | 499,950  | (16,879,301)           | 411,469                                       |
| Deferred revenue and other liabilities                       | -                               | 281,779  | 194,149  | (2,034,511)            | 377,715                                       |
| Total long-term liabilities                                  | -                               | 4,490,629  | 17,777,272                                     | (19,831,919)           | 43,395,598                                    |
| <b>Total liabilities</b>                                     | <u>483</u>                      | <u>5,284,742</u>   | <u>18,690,127</u>                              | <u>(21,109,140)</u>    | <u>48,740,713</u>                             |
| <b>Net assets</b>  |                                 |  |  |                        |   |
| Unrestricted net assets, controlling                         | (383)                           | 441,542  | 19,097,837                                     | (3,857,704)            | 40,997,299                                    |
| Unrestricted net assets, noncontrolling                      | -                               | -  | -  | -                      | -   |
| Total unrestricted net assets                                | (383)                           | 441,542  | 19,097,837                                     | (3,857,704)            | 40,997,299                                    |
| Temporarily restricted net assets                            | -                               | -  | 320,250  | -                      | 12,371,506                                    |
| Permanently restricted net assets                            | -                               | -  | -  | -                      | -   |
| <b>Total net assets</b>                                      | <u>(383)</u>                    | <u>441,542</u>   | <u>19,418,087</u>                              | <u>(3,857,704)</u>     | <u>53,368,805</u>                             |
| <b>Total liabilities and net assets</b>                      | <u>\$ 100</u>                   | <u>\$ 5,726,284</u>  | <u>\$ 38,108,214</u>                           | <u>\$ (24,966,844)</u> | <u>\$ 102,109,518</u>                         |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Northwest  
For the year ended December 31, 2011

|  | Mercy<br>Housing<br>Northwest | Intercommunity<br>Housing<br>Ferndale | Sterling<br>Senior  | Appian Way<br>Manager LLC | Appian Way<br>Mercy LLC |
|--|-------------------------------|---------------------------------------|---------------------|---------------------------|-------------------------|
| <b>Revenues</b>                                      |                               |                                       |                     |                           |                         |
| Rent - net of vacancies                              | \$ -                          | \$ 267,392                            | \$ 109,343          | \$ -                      | \$ 1,310,684            |
| Developer fees                                       | 2,682,600                     | -                                     | -                   | -                         | -                       |
| Services fees  | 525,501                       | -                                     | -                   | -                         | -                       |
| Fund raising   | 1,054,717                     | -                                     | -                   | -                         | -                       |
| Capital grants                                       | -                             | -                                     | -                   | -                         | -                       |
| Consulting   | 391,363                       | -                                     | -                   | -                         | -                       |
| Interest   | 346,080                       | 14,162                                | 44                  | -                         | 328                     |
| Other  | 4,265,339                     | 25,989                                | 1,982               | -                         | 37,865                  |
| <b>Total revenues</b>                                | <u>9,265,600</u>              | <u>307,543</u>                        | <u>111,369</u>      | <u>-</u>                  | <u>1,348,877</u>        |
| <b>Expenses and losses</b>                           |                               |                                       |                     |                           |                         |
| Compensation   | 1,886,380                     | 35,452                                | 24,886              | -                         | 189,847                 |
| Administrative                                       | 408,592                       | 28,488                                | 18,855              | -                         | 168,457                 |
| Professional services                                | 65,304                        | 10,893                                | 15,572              | 1,075                     | 26,665                  |
| Depreciation and amortization                        | 19,354                        | 52,956                                | 80,572              | -                         | 959,744                 |
| Grants   | 109,124                       | -                                     | -                   | -                         | -                       |
| Facility   | 102,823                       | 91,135                                | 40,317              | -                         | 337,908                 |
| Interest and fees                                    | 5,463                         | 658                                   | 72                  | 82                        | 567,315                 |
| Bad debts  | 97,969                        | 719                                   | -                   | -                         | 5,280                   |
| Provision for impaired assets                        | 3,875,813                     | -                                     | -                   | -                         | -                       |
| Project expenses                                     | -                             | -                                     | -                   | -                         | -                       |
| Allocation   | 922,584                       | -                                     | -                   | -                         | -                       |
| (Gain) loss on sale of assets                        | -                             | -                                     | -                   | -                         | -                       |
| (Gain) loss on investment in limited partnership     | (37,912)                      | -                                     | -                   | 91                        | -                       |
| <b>Total expenses and losses</b>                     | <u>7,455,494</u>              | <u>220,301</u>                        | <u>180,274</u>      | <u>1,248</u>              | <u>2,255,216</u>        |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>1,810,106</u>              | <u>87,242</u>                         | <u>(68,905)</u>     | <u>(1,248)</u>            | <u>(906,339)</u>        |
| Net assets at the beginning of year                  | 9,080,868                     | 1,189,224                             | 2,109,592           | 293,562                   | 7,810,289               |
| Net transfers to (from) net assets                   | -                             | -                                     | -                   | -                         | -                       |
| <b>Net assets at end of year</b>                     | <u>\$ 10,890,974</u>          | <u>\$ 1,276,466</u>                   | <u>\$ 2,040,687</u> | <u>\$ 292,314</u>         | <u>\$ 6,903,950</u>     |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Northwest  
For the year ended December 31, 2011

|  | New Tacoma<br>Phase I GP LLC | New Tacoma<br>Senior Housing<br>Phase I | New Tacoma<br>Phase II<br>Mercy LLC | Evergreen Vista I<br>GP LLC | Evergreen Vista I<br>Owner LP |
|--|------------------------------|---|-------------------------------------|-----------------------------|-------------------------------|
| <b>Revenues</b>                                      |                              |   |                                     |                             |                               |
| Rent - net of vacancies                              | \$ -                         | \$ 287,659                              | \$ -                                | \$ -                        | \$ 454,935                    |
| Developer fees                                       | -                            | -                                       | -                                   | -                           | -                             |
| Services fees  | -                            | -                                       | -                                   | -                           | -                             |
| Fund raising   | -                            | -                                       | -                                   | -                           | -                             |
| Capital grants                                       | -                            | -                                       | -                                   | -                           | -                             |
| Consulting   | -                            | -                                       | -                                   | -                           | -                             |
| Interest   | 163                          | 6,689                                   | -                                   | -                           | 116                           |
| Other  | -                            | 49,332                                  | -                                   | -                           | 15,978                        |
| <b>Total revenues</b>                                | <u>163</u>                   | <u>343,680</u>                          | <u>-</u>                            | <u>-</u>                    | <u>471,029</u>                |
| <b>Expenses and losses</b>                           |                              |   |                                     |                             |                               |
| Compensation   | -                            | 73,404                                  | -                                   | -                           | 93,008                        |
| Administrative                                       | -                            | 144,388                                 | -                                   | -                           | 96,366                        |
| Professional services                                | 1,077                        | 50,441                                  | -                                   | 380                         | 12,842                        |
| Depreciation and amortization                        | -                            | 889,456                                 | -                                   | -                           | 283,067                       |
| Grants   | -                            | -                                       | -                                   | 6                           | -                             |
| Facility   | -                            | 112,867                                 | -                                   | -                           | 112,291                       |
| Interest and fees                                    | 101                          | 25,499                                  | -                                   | -                           | 169,133                       |
| Bad debts  | -                            | -                                       | -                                   | -                           | 2,798                         |
| Provision for impaired assets                        | -                            | -                                       | -                                   | -                           | -                             |
| Project expenses                                     | -                            | -                                       | -                                   | -                           | -                             |
| Allocation   | -                            | -                                       | -                                   | -                           | -                             |
| (Gain) loss on sale of assets                        | -                            | -                                       | -                                   | -                           | -                             |
| (Gain) loss on investment in limited partnership     | 95                           | -                                       | -                                   | 30                          | -                             |
| <b>Total expenses and losses</b>                     | <u>1,273</u>                 | <u>1,296,055</u>                        | <u>-</u>                            | <u>416</u>                  | <u>769,505</u>                |
| <b>Excess (deficiency) of revenues over expenses</b> | (1,110)                      | (952,375)                               | -                                   | (416)                       | (298,476)                     |
| Net assets at the beginning of year                  | 9,976,731                    | 2,326,307                               | 3,830                               | -                           | -                             |
| Net transfers to (from) net assets                   | <u>-</u>                     | <u>4,612,801</u>                        | <u>-</u>                            | <u>-</u>                    | <u>295,580</u>                |
| <b>Net assets at end of year</b>                     | <u>\$ 9,975,621</u>          | <u>\$ 5,986,733</u>                     | <u>\$ 3,830</u>                     | <u>\$ (416)</u>             | <u>\$ (2,896)</u>             |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing Northwest  
For the year ended December 31, 2011

|  | Rainer Vista Block<br>43 GP LLC | Rainer Vista Block<br>43 Owner LP<br>(Columbia City Station Apts.) | Consolidated<br>Mercy Properties<br>Washington | Eliminations          | Consolidated<br>Mercy<br>Housing<br>Northwest |
|--|---------------------------------|--|--|-----------------------|---|
| <b>Revenues</b>                                      |                                 |  |  |                       |   |
| Rent - net of vacancies                              | \$ -                            | \$ -   | \$ 3,717,076                                   | \$ (89,219)           | \$ 6,057,870                                  |
| Developer fees                                       | -                               | -  | -  | (1,286,560)           | 1,396,040                                     |
| Services fees  | -                               | -  | 13,686   | (408,259)             | 130,928                                       |
| Fund raising   | -                               | -  | -  | -                     | 1,054,717                                     |
| Capital grants                                       | -                               | -  | -  | -                     | -   |
| Consulting   | -                               | -  | -  | -                     | 391,363                                       |
| Interest   | -                               | 39   | 1,300  | (306,901)             | 62,020  |
| Other  | -                               | 1  | 101,650  | (4,189,159)           | 308,977                                       |
| <b>Total revenues</b>                                | -                               | 40   | 3,833,712                                      | (6,280,098)           | 9,401,915                                     |
| <b>Expenses and losses</b>                           |                                 |  |  |                       |   |
| Compensation   | -                               | -  | 676,548  | -                     | 2,979,525                                     |
| Administrative                                       | -                               | 98   | 571,436  | (111,038)             | 1,325,642                                     |
| Professional services                                | 380                             | -  | 371,252  | (296,036)             | 259,845                                       |
| Depreciation and amortization                        | -                               | -  | 2,076,874                                      | (190,187)             | 4,171,836                                     |
| Grants   | -                               | -  | 3,698,750                                      | (3,794,023)           | 13,857  |
| Facility   | -                               | -  | 1,015,589                                      | (32,866)              | 1,780,064                                     |
| Interest and fees                                    | 3                               | -  | 597,956  | (294,427)             | 1,071,855                                     |
| Bad debts  | -                               | -  | 50,156   | (31,476)              | 125,446                                       |
| Provision for impaired assets                        | -                               | -  | -  | (3,837,215)           | 38,598  |
| Project expenses                                     | -                               | -  | -  | -                     | -   |
| Allocation   | -                               | -  | -  | -                     | 922,584                                       |
| (Gain) loss on sale of assets                        | -                               | -  | (1,117,108)                                    | 1,038,675             | (78,433)                                      |
| (Gain) loss on investment in limited partnership     | -                               | -  | -  | (215)                 | (37,911)                                      |
| <b>Total expenses and losses</b>                     | 383                             | 98   | 7,941,453                                      | (7,548,808)           | 12,572,908                                    |
| <b>Excess (deficiency) of revenues over expenses</b> | (383)                           | (58)   | (4,107,741)                                    | 1,268,710             | (3,170,993)                                   |
| Net assets at the beginning of year                  | -                               | -  | 23,526,316                                     | (5,125,960)           | 51,190,759                                    |
| Net transfers to (from) net assets                   | -                               | 441,600  | (488)  | (454)                 | 5,349,039                                     |
| <b>Net assets at end of year</b>                     | <u>\$ (383)</u>                 | <u>\$ 441,542</u>  | <u>\$ 19,418,087</u>                           | <u>\$ (3,857,704)</u> | <u>\$ 53,368,805</u>                          |

Consolidating Statement of Financial Position  
Mercy Properties Washington  
December 31, 2011

|  | Mercy Properties<br>Washington | Intercommunity<br>Mercy Housing<br>Washington I<br>(Evergreen Vista) | Intercommunity<br>Mercy Housing<br>Washington II<br>(Family Tree) | Mercy Housing<br>Washington VIII<br>(Hillside Gardens) | Mercy Housing<br>Washington VI<br>(Lincoln Way II) | Mercy Housing<br>Washington V<br>(Sterling Meadows) |
|--|--------------------------------|--|---|--|--|---|
| <b>Assets</b>  |                                |  |   |  |  |   |
| Current assets   |                                |  |   |  |  |   |
| Cash and cash equivalents                                    | \$ 25,542                      | \$ 41,129  | \$ 382,534  | \$ 32,587  | \$ 127,413   | \$ 42,176   |
| Cash, tenant security deposits                               | -                              | -  | 63,354  | 15,267   | 34,372   | 25,521  |
| Cash, restricted   | -                              | -  | -   | -  | -  | -   |
| Investments  | -                              | -  | -   | -  | -  | -   |
| Investments, restricted                                      | -                              | -  | -   | -  | -  | -   |
| Accounts receivable, net                                     | -                              | -  | 14,434  | 906  | 6,494  | 229   |
| Due from affiliate, net                                      | 237,492                        | -  | -   | -  | -  | 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                            | -                              | -  | 24,662  | 5,021  | 9,903  | 7,788   |
| Total current assets   | 263,034                        | 41,129   | 484,984   | 53,781   | 178,182  | 76,214  |
| Property and equipment                                       |                                |  |   |  |  |   |
| Land and land improvements                                   | -                              | -  | 2,075,947   | 384,489  | 1,574,745  | 873,936   |
| Buildings  | -                              | -  | 11,974,832  | 3,022,581  | 4,550,634  | 4,899,217   |
| Furniture and equipment                                      | -                              | -  | 639,899   | 156,326  | 200,606  | 195,376   |
| Predevelopment project costs                                 | -                              | -  | -   | -  | -  | -   |
| Construction in progress                                     | -                              | -  | -   | -  | -  | -   |
| Accumulated depreciation                                     | -                              | -  | (8,036,989)   | (1,184,697)  | (2,462,422)  | (2,134,949)   |
| Net property and equipment                                   | -                              | -  | 6,653,689   | 2,378,699  | 3,863,563  | 3,833,580   |
| Other long-term assets                                       |                                |  |   |  |  |   |
| Restricted property reserves                                 | -                              | 3,794  | 550,062   | 60,326   | 235,898  | 199,409   |
| Cash, restricted   | -                              | -  | -   | -  | -  | -   |
| Long-term investments  | -                              | -  | -   | -  | -  | -   |
| Long-term investments, restricted                            | -                              | -  | -   | -  | -  | -   |
| Due from affiliates  | -                              | -  | -   | -  | -  | -   |
| Pledges receivable, net                                      | -                              | -  | -   | -  | -  | -   |
| Grants receivable  | -                              | -  | -   | -  | -  | -   |
| Investments in limited partnerships                          | 1,969,686                      | -  | -   | -  | -  | -   |
| Notes and interest receivable, net                           | -                              | -  | -   | -  | -  | -   |
| Notes and interest receivable, affiliates                    | -                              | -  | -   | -  | -  | -   |
| Allowance for impaired assets                                | -                              | -  | -   | -  | -  | -   |
| Other assets   | -                              | -  | 160,397   | 26,833   | 7,379  | 8,525   |
| Total other long-term assets                                 | 1,969,686                      | 3,794  | 710,459   | 87,159   | 243,277  | 207,934   |
| <b>Total assets</b>  | <b>\$ 2,232,720</b>            | <b>\$ 44,923</b>   | <b>\$ 7,849,132</b>   | <b>\$ 2,519,639</b>                                    | <b>\$ 4,285,022</b>                                | <b>\$ 4,117,728</b>                                 |
| <b>Liabilities</b>   |                                |  |   |  |  |   |
| Current liabilities  |                                |  |   |  |  |   |
| Accounts payable and accrued expenses                        | \$ 59                          | \$ -   | \$ 40,919   | \$ 19,241  | \$ 35,042  | \$ 21,994   |
| Due to affiliates  | 187,558                        | 27,897   | 19,482  | 140,115  | 83,144   | -   |
| Accrued interest   | -                              | -  | 27,992  | -  | 6,113  | 6,410   |
| Accrued interest, affiliates                                 | -                              | -  | -   | -  | -  | -   |
| Current portion of notes payable                             | -                              | -  | 88,165  | 4,536  | 23,424   | 16,966  |
| Current portion of notes payable, affiliates                 | -                              | -  | -   | -  | -  | -   |
| Deferred revenue and other liabilities                       | -                              | -  | 16,902  | 185  | 74   | 237   |
| Tenant security deposits                                     | -                              | -  | 67,394  | 15,267   | 33,774   | 25,017  |
| Miscellaneous current liabilities                            | -                              | -  | -   | -  | -  | -   |
| Total current liabilities                                    | 187,617                        | 27,897   | 260,854   | 179,344  | 181,571  | 70,624  |
| Long-term liabilities  |                                |  |   |  |  |   |
| Due to affiliates  | 180,000                        | -  | -   | -  | -  | -   |
| Accrued interest   | -                              | -  | -   | -  | 206,764  | -   |
| Accrued interest, affiliates                                 | -                              | -  | -   | -  | -  | -   |
| Notes payable, less current portion                          | -                              | -  | 6,127,323   | 852,592  | 2,764,678  | 837,700   |
| Notes payable, less current portion, affiliates              | -                              | -  | -   | -  | -  | -   |
| Deferred revenue and other liabilities                       | -                              | -  | -   | 34,496   | -  | 121,748   |
| Total long-term liabilities                                  | 180,000                        | -  | 6,127,323   | 887,088  | 2,971,442  | 959,448   |
| <b>Total liabilities</b>                                     | <b>367,617</b>                 | <b>27,897</b>  | <b>6,388,177</b>  | <b>1,066,432</b>                                       | <b>3,153,013</b>                                   | <b>1,030,072</b>                                    |
| <b>Net assets</b>  |                                |  |   |  |  |   |
| Unrestricted net assets, controlling                         | 1,544,853                      | 17,026   | 1,460,955   | 1,453,207  | 1,132,009  | 3,087,656   |
| Unrestricted net assets, noncontrolling                      | -                              | -  | -   | -  | -  | -   |
| Total unrestricted net assets                                | 1,544,853                      | 17,026   | 1,460,955   | 1,453,207  | 1,132,009  | 3,087,656   |
| Temporarily restricted net assets                            | 320,250                        | -  | -   | -  | -  | -   |
| Permanently restricted net assets                            | -                              | -  | -   | -  | -  | -   |
| <b>Total net assets</b>                                      | <b>1,865,103</b>               | <b>17,026</b>  | <b>1,460,955</b>  | <b>1,453,207</b>                                       | <b>1,132,009</b>                                   | <b>3,087,656</b>                                    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 2,232,720</b>            | <b>\$ 44,923</b>   | <b>\$ 7,849,132</b>   | <b>\$ 2,519,639</b>                                    | <b>\$ 4,285,022</b>                                | <b>\$ 4,117,728</b>                                 |

Consolidating Statement of Financial Position  
Mercy Properties Washington  
December 31, 2011

|  | Mercy Housing<br>Washington VII<br>(Eliza McCabe<br>Townhomes) | Mercy Housing<br>Washington IX<br>(Evergreen<br>Vista II) | Mercy Housing<br>Washington X, LLC<br>(Catalina Apartments.) | Eliminations          | Consolidated<br>Mercy Properties<br>Washington |
|--|--|---|--|-----------------------|--|
| <b>Assets</b>  |  |   |  |                       |  |
| Current assets   |  |   |  |                       |  |
| Cash and cash equivalents                                    | \$ 100,182   | \$ 70,351   | \$ 29,645  | \$ -                  | \$ 851,559                                     |
| Cash, tenant security deposits                               | 22,576   | 15,552  | 10,772   | -                     | 187,414  |
| Cash, restricted   | -  | -   | -  | -                     | -  |
| Investments  | -  | -   | -  | -                     | -  |
| Investments, restricted                                      | -  | -   | -  | -                     | -  |
| Accounts receivable, net                                     | 5,874  | 5,967   | -  | -                     | 33,904   |
| Due from affiliate, net                                      | -  | -   | -  | (237,492)             | 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                            | 7,298  | 10,129  | 12,974   | -                     | 77,775   |
| Total current assets   | 135,930  | 101,999   | 53,391   | (237,492)             | 1,151,152                                      |
| Property and equipment                                       |  |   |  |                       |  |
| Land and land improvements                                   | 615,966  | 1,845,921   | 758,573  | (162,500)             | 7,967,077                                      |
| Buildings  | 5,028,065  | 7,446,553   | 6,995,636  | -                     | 43,917,518                                     |
| Furniture and equipment                                      | 257,050  | 129,998   | 106,793  | -                     | 1,686,048                                      |
| Predevelopment project costs                                 | -  | -   | -  | -                     | -  |
| Construction in progress                                     | -  | -   | -  | -                     | -  |
| Accumulated depreciation                                     | (1,842,601)  | (1,674,527)   | (1,436,538)  | -                     | (18,772,723)                                   |
| Net property and equipment                                   | 4,058,480  | 7,747,945   | 6,424,464  | (162,500)             | 34,797,920                                     |
| Other long-term assets                                       |  |   |  |                       |  |
| Restricted property reserves                                 | 126,067  | 215,185   | 332,051  | -                     | 1,722,792                                      |
| Cash, restricted   | -  | -   | -  | -                     | -  |
| Long-term investments  | -  | -   | -  | -                     | -  |
| Long-term investments, restricted                            | -  | -   | -  | -                     | -  |
| Due from affiliates  | -  | -   | -  | -                     | -  |
| Pledges receivable, net                                      | -  | -   | -  | -                     | -  |
| Grants receivable  | -  | -   | -  | -                     | -  |
| Investments in limited partnerships                          | -  | -   | -  | (1,969,686)           | -  |
| Notes and interest receivable, net                           | -  | -   | -  | -                     | -  |
| Notes and interest receivable, affiliates                    | -  | -   | -  | -                     | -  |
| Allowance for impaired assets                                | -  | -   | -  | -                     | -  |
| Other assets   | 19,391   | 134,865   | 78,960   | -                     | 436,350  |
| Total other long-term assets                                 | 145,458  | 350,050   | 411,011  | (1,969,686)           | 2,159,142                                      |
| <b>Total assets</b>  | <b>\$ 4,339,868</b>  | <b>\$ 8,199,994</b>                                       | <b>\$ 6,888,866</b>  | <b>\$ (2,369,678)</b> | <b>\$ 38,108,214</b>                           |
| <b>Liabilities</b>   |  |   |  |                       |  |
| Current liabilities  |  |   |  |                       |  |
| Accounts payable and accrued expenses                        | \$ 28,718  | \$ 41,015   | \$ 27,983  | \$ -                  | \$ 214,971                                     |
| Due to affiliates  | 115,874  | 9,335   | 37,536   | (412,382)             | 208,559  |
| Accrued interest   | 1,862  | 4,891   | 2,164  | -                     | 49,432   |
| Accrued interest, affiliates                                 | -  | -   | -  | -                     | -  |
| Current portion of notes payable                             | 13,883   | 34,916  | 44,497   | -                     | 226,387  |
| Current portion of notes payable, affiliates                 | -  | -   | -  | -                     | -  |
| Deferred revenue and other liabilities                       | 196  | 3,373   | 2,191  | -                     | 23,158   |
| Tenant security deposits                                     | 22,576   | 15,550  | 10,770   | -                     | 190,348  |
| Miscellaneous current liabilities                            | -  | -   | -  | -                     | -  |
| Total current liabilities                                    | 183,109  | 109,080   | 125,141  | (412,382)             | 912,855  |
| Long-term liabilities  |  |   |  |                       |  |
| Due to affiliates  | -  | -   | -  | -                     | 180,000  |
| Accrued interest   | -  | -   | -  | -                     | 206,764  |
| Accrued interest, affiliates                                 | -  | 41,157  | -  | -                     | 41,157   |
| Notes payable, less current portion                          | 1,151,235  | 3,191,898   | 1,729,826  | -                     | 16,655,252                                     |
| Notes payable, less current portion, affiliates              | -  | 499,950   | -  | -                     | 499,950  |
| Deferred revenue and other liabilities                       | 19,333   | 18,572  | -  | -                     | 194,149  |
| Total long-term liabilities                                  | 1,170,568  | 3,751,577   | 1,729,826  | -                     | 17,777,272                                     |
| <b>Total liabilities</b>                                     | <b>1,353,677</b>   | <b>3,860,657</b>  | <b>1,854,967</b>   | <b>(412,382)</b>      | <b>18,690,127</b>                              |
| <b>Net assets</b>  |  |   |  |                       |  |
| Unrestricted net assets, controlling                         | 2,986,191  | 4,339,337   | 5,033,899  | (1,957,296)           | 19,097,837                                     |
| Unrestricted net assets, noncontrolling                      | -  | -   | -  | -                     | -  |
| Total unrestricted net assets                                | 2,986,191  | 4,339,337   | 5,033,899  | (1,957,296)           | 19,097,837                                     |
| Temporarily restricted net assets                            | -  | -   | -  | -                     | 320,250  |
| Permanently restricted net assets                            | -  | -   | -  | -                     | -  |
| <b>Total net assets</b>                                      | <b>2,986,191</b>   | <b>4,339,337</b>  | <b>5,033,899</b>   | <b>(1,957,296)</b>    | <b>19,418,087</b>                              |
| <b>Total liabilities and net assets</b>                      | <b>\$ 4,339,868</b>  | <b>\$ 8,199,994</b>                                       | <b>\$ 6,888,866</b>  | <b>\$ (2,369,678)</b> | <b>\$ 38,108,214</b>                           |



Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Washington  
For the year ended December 31, 2011

|  | Mercy Properties<br>Washington | Intercommunity<br>Mercy Housing<br>Washington I<br>(Evergreen Vista) | Intercommunity<br>Mercy Housing<br>Washington II<br>(Family Tree) | Mercy Housing<br>Washington VIII<br>(Hillside Gardens) | Mercy Housing<br>Washington VI<br>(Lincoln Way II) | Mercy Housing<br>Washington V<br>(Sterling Meadows) |
|--|--------------------------------|--|---|--|--|---|
| <b>Revenues</b>                                      |                                |  |   |  |  |   |
| Rent - net of vacancies                              | \$ -                           | \$ 270,134   | \$ 1,312,663  | \$ 193,017   | \$ 395,695   | \$ 353,783  |
| Developer fees                                       | -                              | -  | -   | -  | -  | -   |
| Services fees  | 186,787                        | -  | -   | -  | -  | -   |
| Philanthropy   | -                              | -  | -   | -  | -  | -   |
| Capital Grants                                       | -                              | -  | -   | -  | -  | -   |
| Consulting   | -                              | -  | -   | -  | -  | -   |
| Interest   | -                              | 124  | 426   | 24   | 177  | 126   |
| Other  | -                              | 12,759   | 41,870  | 5,025  | 7,936  | 7,327   |
| <b>Total revenues</b>                                | <u>186,787</u>                 | <u>283,017</u>   | <u>1,354,959</u>  | <u>198,066</u>   | <u>403,808</u>                                     | <u>361,236</u>                                      |
| <b>Expenses and losses</b>                           |                                |  |   |  |  |   |
| Compensation   | -                              | 33,404   | 186,267   | 36,358   | 87,058   | 88,669  |
| Administrative                                       | 101,873                        | 41,170   | 183,773   | 46,649   | 116,490  | 63,788  |
| Professional services                                | 1,484                          | 26,611   | 106,519   | 19,232   | 25,657   | 28,296  |
| Depreciation and amortization                        | -                              | 139,031  | 473,931   | 130,758  | 231,587  | 207,729   |
| Grants   | -                              | 3,698,750  | -   | -  | -  | -   |
| Facility   | -                              | 67,270   | 336,026   | 67,330   | 104,857  | 124,756   |
| Interest and fees                                    | (347)                          | 59,376   | 331,810   | 39   | 94,546   | 8,630   |
| Bad debts  | -                              | 7,942  | 15,772  | 397  | 886  | 24,793  |
| Provision for impaired assets                        | -                              | -  | -   | -  | -  | -   |
| Project expenses                                     | -                              | -  | -   | -  | -  | -   |
| Allocation   | -                              | -  | -   | -  | -  | -   |
| (Gain) loss on sale of assets                        | -                              | (1,117,108)  | -   | -  | -  | -   |
| (Gain) loss on investment in limited partnership     | 27,305                         | -  | -   | -  | -  | -   |
| <b>Total expenses and losses</b>                     | <u>130,315</u>                 | <u>2,956,446</u>   | <u>1,634,098</u>  | <u>300,763</u>   | <u>661,081</u>                                     | <u>546,661</u>                                      |
| <b>Excess (deficiency) of revenues over expenses</b> | 56,472                         | (2,673,429)  | (279,139)   | (102,697)  | (257,273)  | (185,425)   |
| Net assets at beginning of year                      | 1,808,631                      | 2,690,455  | 1,740,094   | 1,555,904  | 1,389,282  | 3,273,081   |
| Other transfers to (from) net assets                 | -                              | -  | -   | -  | -  | -   |
| <b>Net assets at end of year</b>                     | <u>\$ 1,865,103</u>            | <u>\$ 17,026</u>   | <u>\$ 1,460,955</u>   | <u>\$ 1,453,207</u>                                    | <u>\$ 1,132,009</u>                                | <u>\$ 3,087,656</u>                                 |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Washington  
For the year ended December 31, 2011

|  | Mercy Housing<br>Washington VII<br>(Eliza McCabe<br>Townhomes) | Mercy Housing<br>Washington IX<br>(Evergreen<br>Vista II) | Mercy Housing<br>Washington X, LLC<br>(Catalina Apartments) | Eliminations          | Consolidated<br>Mercy Properties<br>Washington |
|--|--|---|---|-----------------------|--|
| <b>Revenues</b>                                      |  |   |   |                       |  |
| Rent - net of vacancies                              | \$ 338,133   | \$ 497,892  | \$ 355,759  | \$ -                  | \$ 3,717,076                                   |
| Developer fees                                       | -  | -   | -   | -                     | -  |
| Services fees  | -  | -   | -   | (173,101)             | 13,686   |
| Philanthropy   | -  | -   | -   | -                     | -  |
| Capital Grants                                       | -  | -   | -   | -                     | -  |
| Consulting   | -  | -   | -   | -                     | -  |
| Interest   | 296  | 49  | 78  | -                     | 1,300  |
| Other  | 7,632  | 14,556  | 4,545   | -                     | 101,650  |
| <b>Total revenues</b>                                | <u>346,061</u>   | <u>512,497</u>  | <u>360,382</u>  | <u>(173,101)</u>      | <u>3,833,712</u>                               |
| <b>Expenses and losses</b>                           |  |   |   |                       |  |
| Compensation   | 57,109   | 103,982   | 83,701  | -                     | 676,548  |
| Administrative                                       | 64,626   | 48,303  | 77,864  | (173,100)             | 571,436  |
| Professional services                                | 28,071   | 106,153   | 29,229  | -                     | 371,252  |
| Depreciation and amortization                        | 203,800  | 394,473   | 295,565   | -                     | 2,076,874                                      |
| Grants   | -  | -   | -   | -                     | 3,698,750                                      |
| Facility   | 104,817  | 109,833   | 100,700   | -                     | 1,015,589                                      |
| Interest and fees                                    | 22,562   | 66,574  | 14,766  | -                     | 597,956  |
| Bad debts  | -  | 265   | 101   | -                     | 50,156   |
| Provision for impaired assets                        | -  | -   | -   | -                     | -  |
| Project expenses                                     | -  | -   | -   | -                     | -  |
| Allocation   | -  | -   | -   | -                     | -  |
| (Gain) loss on sale of assets                        | -  | -   | -   | -                     | (1,117,108)                                    |
| (Gain) loss on investment in limited partnership     | -  | -   | -   | (27,305)              | -  |
| <b>Total expenses and losses</b>                     | <u>480,985</u>   | <u>829,583</u>  | <u>601,926</u>  | <u>(200,405)</u>      | <u>7,941,453</u>                               |
| <b>Excess (deficiency) of revenues over expenses</b> | (134,924)  | (317,086)   | (241,544)   | 27,304                | (4,107,741)                                    |
| Net assets at beginning of year                      | 3,121,115  | 4,656,423   | 5,275,931   | (1,984,600)           | 23,526,316                                     |
| Other transfers to (from) net assets                 | -  | -   | (488)   | -                     | (488)  |
| <b>Net assets at end of year</b>                     | <u>\$ 2,986,191</u>  | <u>\$ 4,339,337</u>                                       | <u>\$ 5,033,899</u>   | <u>\$ (1,957,296)</u> | <u>\$ 19,418,087</u>                           |

Consolidating Statement of Financial Position  
General Partners  
December 31, 2011

|  | Consolidated<br>Mercy<br>Properties, Inc. | Consolidated<br>Mercy<br>Properties II, Inc. | Consolidated<br>2101 Telegraph<br>Avenue, Inc. | Mercy Affordable<br>Housing, Inc.<br>(MAHI) | Consolidated<br>McDermott<br>Place |
|--|---|--|--|---|------------------------------------|
| <b>Assets</b>  |   |  |  |   |                                    |
| Current assets   |   |  |  |   |                                    |
| Cash and cash equivalents                                    | \$ 4,271,155                              | \$ 279,921                                   | \$ 120,394                                     | \$ -  | \$ 24,749                          |
| Cash, tenant security deposits                               | 826,319                                   | 62,432                                       | 20,663   | -   | 8,744                              |
| Cash, restricted   | 5,747                                     | -  | 10,940   | -   | -                                  |
| Investments  | -   | -  | -  | -   | -                                  |
| Investments, restricted                                      | -   | -  | -  | -   | -                                  |
| Accounts receivable, net                                     | 405,351                                   | 28,581                                       | 44,267   | -   | 98                                 |
| Due from affiliate, net                                      | 59,075                                    | 1,423  | -  | -   | -                                  |
| Pledges receivable   | -   | -  | -  | -   | -                                  |
| Grants receivable  | -   | -  | -  | -   | -                                  |
| Current portion of notes and interest receivable             | -   | -  | -  | -   | -                                  |
| Current portion of notes and interest receivable, affiliates | -   | -  | -  | -   | -                                  |
| Prepaid expenses and other assets                            | 674,207                                   | 46,040                                       | 22,394   | -   | 6,780                              |
| Inventory  | -   | -  | -  | -   | -                                  |
| Assets held for sale   | 692,149                                   | -  | -  | -   | -                                  |
| Total current assets   | 6,934,003                                 | 418,397                                      | 218,658  | -   | 40,371                             |
| Property and equipment                                       |   |  |  |   |                                    |
| Land and land improvements                                   | 19,563,552                                | 2,256,896                                    | 486,516  | -   | 66,022                             |
| Buildings  | 186,640,865                               | 13,539,838                                   | 9,228,151                                      | -   | 1,070,861                          |
| Furniture and equipment                                      | 7,140,725                                 | 533,190                                      | 392,323  | -   | 49,456                             |
| Predevelopment project costs                                 | -   | -  | -  | -   | -                                  |
| Construction in progress                                     | -   | -  | -  | -   | -                                  |
| Accumulated depreciation                                     | (76,842,159)                              | (5,704,524)                                  | (5,144,862)                                    | -   | (776,159)                          |
| Net property and equipment                                   | 136,502,983                               | 10,625,400                                   | 4,962,128                                      | -   | 410,180                            |
| Other long-term assets                                       |   |  |  |   |                                    |
| Restricted property reserves                                 | 11,153,303                                | 659,373                                      | 951,137  | -   | 125                                |
| Cash, restricted   | -   | -  | -  | -   | -                                  |
| Long-term investments  | -   | -  | -  | -   | -                                  |
| Long-term investments, restricted                            | -   | -  | -  | -   | -                                  |
| Due from affiliates  | -   | -  | -  | -   | -                                  |
| Pledges receivable, net                                      | -   | -  | -  | -   | -                                  |
| Grants receivable  | -   | -  | -  | -   | -                                  |
| Investments in limited partnerships                          | (2,904)                                   | -  | -  | (22,206)                                    | -                                  |
| Notes and interest receivable, net                           | -   | -  | -  | -   | -                                  |
| Notes and interest receivable, affiliates                    | -   | -  | -  | -   | -                                  |
| Allowance for impaired assets                                | -   | -  | -  | -   | -                                  |
| Other assets   | 2,271,734                                 | 120,506                                      | 7,131  | -   | 19,387                             |
| Total other long-term assets                                 | 13,422,133                                | 779,879                                      | 958,268  | (22,206)                                    | 19,512                             |
| <b>Total assets</b>  | <b>\$ 156,859,119</b>                     | <b>\$ 11,823,676</b>                         | <b>\$ 6,139,054</b>                            | <b>\$ (22,206)</b>                          | <b>\$ 470,063</b>                  |
| <b>Liabilities</b>   |   |  |  |   |                                    |
| Current liabilities  |   |  |  |   |                                    |
| Accounts payable and accrued expenses                        | \$ 2,385,103                              | \$ 154,297                                   | \$ 85,589                                      | \$ -  | \$ 49,816                          |
| Due to affiliates  | 3,811,325                                 | 233,768                                      | 64,809   | 42,780                                      | 244,760                            |
| Accrued interest   | 541,085                                   | 49,815                                       | -  | -   | 1,507                              |
| Accrued interest, affiliates                                 | -   | -  | -  | -   | -                                  |
| Current portion of notes payable                             | 1,689,954                                 | 108,870                                      | -  | -   | 6,049                              |
| Current portion of notes payable, affiliates                 | 462,318                                   | 20,000                                       | -  | -   | -                                  |
| Deferred revenue and other liabilities                       | 1,013,235                                 | 6,171  | 30,566   | -   | 506                                |
| Tenant security deposits                                     | 822,964                                   | 61,949                                       | 20,410   | -   | 8,894                              |
| Miscellaneous current liabilities                            | -   | -  | -  | -   | -                                  |
| Total current liabilities                                    | 10,725,984                                | 634,870                                      | 201,374  | 42,780                                      | 311,532                            |
| Long-term liabilities  |   |  |  |   |                                    |
| Due to affiliates  | -   | -  | -  | -   | -                                  |
| Accrued interest   | 17,442,531                                | 73,894                                       | 2,635,075                                      | -   | 234,180                            |
| Accrued interest, affiliates                                 | 1,780,279                                 | 123,484                                      | -  | -   | -                                  |
| Notes payable, less current portion                          | 77,399,037                                | 6,971,516                                    | 3,532,176                                      | -   | 1,064,362                          |
| Notes payable, less current portion, affiliates              | 13,309,397                                | 1,042,728                                    | -  | -   | -                                  |
| Deferred revenue and other liabilities                       | 1,025,766                                 | -  | -  | -   | -                                  |
| Total long-term liabilities                                  | 110,957,010                               | 8,211,622                                    | 6,167,251                                      | -   | 1,298,542                          |
| <b>Total liabilities</b>                                     | <b>121,682,994</b>                        | <b>8,846,492</b>                             | <b>6,368,625</b>                               | <b>42,780</b>                               | <b>1,610,074</b>                   |
| <b>Net assets</b>  |   |  |  |   |                                    |
| Unrestricted net assets, controlling                         | 34,979,341                                | 2,977,184                                    | (229,571)                                      | (64,986)                                    | (1,140,011)                        |
| Unrestricted net assets, noncontrolling                      | -   | -  | -  | -   | -                                  |
| Total unrestricted net assets                                | 34,979,341                                | 2,977,184                                    | (229,571)                                      | (64,986)                                    | (1,140,011)                        |
| Temporarily restricted net assets                            | 196,784                                   | -  | -  | -   | -                                  |
| Permanently restricted net assets                            | -   | -  | -  | -   | -                                  |
| <b>Total net assets</b>                                      | <b>35,176,125</b>                         | <b>2,977,184</b>                             | <b>(229,571)</b>                               | <b>(64,986)</b>                             | <b>(1,140,011)</b>                 |
| <b>Total liabilities and net assets</b>                      | <b>\$ 156,859,119</b>                     | <b>\$ 11,823,676</b>                         | <b>\$ 6,139,054</b>                            | <b>\$ (22,206)</b>                          | <b>\$ 470,063</b>                  |

Consolidating Statement of Financial Position  
General Partners  
December 31, 2011

|  | Consolidated<br>South of Market<br>Mercy Housing | Visitacion<br>Valley<br>Affordable<br>Housing | Consolidated<br>Neary<br>Lagoon, Inc. | Consolidated<br>Mercy Housing<br>West | Consolidated<br>San Juan<br>Housing Corp. |
|--|--|---|---------------------------------------|---------------------------------------|---|
| <b>Assets</b>  |  |   |                                       |                                       |   |
| Current assets   |  |   |                                       |                                       |   |
| Cash and cash equivalents                                    | \$ 760,601                                       | \$ 43,265                                     | \$ 84,143                             | \$ 6,784,138                          | \$ 32,139                                 |
| Cash, tenant security deposits                               | 341,025  | 105,968                                       | 49,737                                | 1,458,744                             | 120,363                                   |
| Cash, restricted   | 800  | -   | -                                     | 281,478                               | 201                                       |
| Investments  | -  | -   | -                                     | -                                     | -   |
| Investments, restricted                                      | -  | -   | -                                     | -                                     | -   |
| Accounts receivable, net                                     | 50,770   | 127,264                                       | 408                                   | 726,027                               | 15,607                                    |
| Due from affiliate, net                                      | 24,398   | -   | -                                     | 18,885                                | -   |
| 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                            | 134,870  | 40,703  | 26,606                                | 4,279,379                             | 39,000                                    |
| Inventory  | -  | -   | -                                     | -                                     | -   |
| Assets held for sale   | -  | -   | -                                     | -                                     | -   |
| Total current assets   | <u>1,312,464</u>                                 | <u>317,200</u>                                | <u>160,894</u>                        | <u>13,549,035</u>                     | <u>207,310</u>                            |
| Property and equipment                                       |  |   |                                       |                                       |   |
| Land and land improvements                                   | 6,857,202  | -   | -                                     | 69,967,914                            | 1,435,369                                 |
| Buildings  | 51,536,889                                       | 25,749,878                                    | 7,148,996                             | 547,765,324                           | 7,734,362                                 |
| Furniture and equipment                                      | 2,009,666  | 1,090,353                                     | 325,830                               | 13,802,927                            | 3,794,748                                 |
| Predevelopment project costs                                 | -  | -   | -                                     | -                                     | -   |
| Construction in progress                                     | -  | -   | -                                     | 4,321,543                             | -   |
| Accumulated depreciation                                     | (27,847,609)                                     | (11,300,479)                                  | (4,594,305)                           | (115,929,282)                         | (6,125,431)                               |
| Net property and equipment                                   | <u>32,556,148</u>                                | <u>15,539,752</u>                             | <u>2,880,521</u>                      | <u>519,928,426</u>                    | <u>6,839,048</u>                          |
| Other long-term assets                                       |  |   |                                       |                                       |   |
| Restricted property reserves                                 | 2,684,192  | 829,605                                       | 197,536                               | 17,598,923                            | 679,100                                   |
| Cash, restricted   | -  | -   | -                                     | -                                     | -   |
| Long-term investments  | -  | -   | -                                     | -                                     | -   |
| Long-term investments, restricted                            | -  | -   | -                                     | -                                     | -   |
| Due from affiliates  | -  | -   | -                                     | -                                     | -   |
| Pledges receivable, net                                      | -  | -   | -                                     | -                                     | -   |
| Grants receivable  | -  | -   | -                                     | -                                     | -   |
| Investments in limited partnerships                          | (21,288,721)                                     | -   | -                                     | (1,892,378)                           | -   |
| Notes and interest receivable, net                           | 123,236  | -   | 139,667                               | 285,520                               | -   |
| Notes and interest receivable, affiliates                    | -  | -   | -                                     | -                                     | -   |
| Allowance for impaired assets                                | -  | -   | -                                     | -                                     | -   |
| Other assets   | 207,262  | 42,326  | 88,385                                | 5,409,639                             | 92,276                                    |
| Total other long-term assets                                 | <u>(18,274,031)</u>                              | <u>871,931</u>                                | <u>425,588</u>                        | <u>21,401,704</u>                     | <u>771,376</u>                            |
| <b>Total assets</b>  | <u>\$ 15,594,581</u>                             | <u>\$ 16,728,883</u>                          | <u>\$ 3,467,003</u>                   | <u>\$ 554,879,165</u>                 | <u>\$ 7,817,734</u>                       |
| <b>Liabilities</b>   |  |   |                                       |                                       |   |
| Current liabilities  |  |   |                                       |                                       |   |
| Accounts payable and accrued expenses                        | \$ 392,940                                       | \$ 250,887                                    | \$ 142,861                            | \$ 2,813,992                          | \$ 326,439                                |
| Due to affiliates  | 1,081,059  | 130,516                                       | 161,217                               | 3,065,149                             | 283,955                                   |
| Accrued interest   | 39,472   | 22,823  | 2,082                                 | 589,585                               | 16,868                                    |
| Accrued interest, affiliates                                 | -  | -   | -                                     | 8,753                                 | -   |
| Current portion of notes payable                             | 595,013  | 49,372  | 36,451                                | 3,724,955                             | 131,498                                   |
| Current portion of notes payable, affiliates                 | 52,735   | -   | -                                     | 49,359                                | -   |
| Deferred revenue and other liabilities                       | 44,916   | 14,136  | 781                                   | 150,973                               | 782                                       |
| Tenant security deposits                                     | 339,226  | 109,343                                       | 49,238                                | 1,444,613                             | 114,775                                   |
| Miscellaneous current liabilities                            | -  | -   | -                                     | -                                     | -   |
| Total current liabilities                                    | <u>2,545,361</u>                                 | <u>577,077</u>                                | <u>392,630</u>                        | <u>11,847,379</u>                     | <u>874,317</u>                            |
| Long-term liabilities  |  |   |                                       |                                       |   |
| Due to affiliates  | 1,272,554  | -   | -                                     | -                                     | -   |
| Accrued interest   | 8,130,077  | 429,110                                       | 3,740,018                             | 20,874,992                            | 1,458,956                                 |
| Accrued interest, affiliates                                 | 638,765  | -   | -                                     | 798,252                               | -   |
| Notes payable, less current portion                          | 27,969,225                                       | 6,338,599                                     | 6,593,563                             | 297,412,644                           | 6,838,214                                 |
| Notes payable, less current portion, affiliates              | -  | -   | -                                     | 10,740,858                            | -   |
| Deferred revenue and other liabilities                       | 405,699  | -   | -                                     | 5,989,591                             | -   |
| Total long-term liabilities                                  | <u>38,416,320</u>                                | <u>6,767,709</u>                              | <u>10,333,581</u>                     | <u>335,816,337</u>                    | <u>8,297,170</u>                          |
| <b>Total liabilities</b>                                     | <u>40,961,681</u>                                | <u>7,344,786</u>                              | <u>10,726,211</u>                     | <u>347,663,716</u>                    | <u>9,171,487</u>                          |
| <b>Net assets</b>  |  |   |                                       |                                       |   |
| Unrestricted net assets, controlling                         | (25,367,100)                                     | 7,446,097                                     | (7,259,208)                           | 173,254,467                           | (1,353,753)                               |
| Unrestricted net assets, noncontrolling                      | -  | -   | -                                     | -                                     | -   |
| Total unrestricted net assets                                | <u>(25,367,100)</u>                              | <u>7,446,097</u>                              | <u>(7,259,208)</u>                    | <u>173,254,467</u>                    | <u>(1,353,753)</u>                        |
| Temporarily restricted net assets                            | -  | 1,938,000                                     | -                                     | 33,960,982                            | -   |
| Permanently restricted net assets                            | -  | -   | -                                     | -                                     | -   |
| <b>Total net assets</b>                                      | <u>(25,367,100)</u>                              | <u>9,384,097</u>                              | <u>(7,259,208)</u>                    | <u>207,215,449</u>                    | <u>(1,353,753)</u>                        |
| <b>Total liabilities and net assets</b>                      | <u>\$ 15,594,581</u>                             | <u>\$ 16,728,883</u>                          | <u>\$ 3,467,003</u>                   | <u>\$ 554,879,165</u>                 | <u>\$ 7,817,734</u>                       |

Consolidating Statement of Financial Position  
General Partners  
December 31, 2011

|  | Consolidated<br>Florin Housing<br>Corporation | Consolidated<br>Affordable Housing<br>Corporation | Eliminations         | Consolidated<br>General Partners |
|--|---|---|----------------------|----------------------------------|
| <b>Assets</b>  |   |   |                      |                                  |
| Current assets   |   |   |                      |                                  |
| Cash and cash equivalents                                    | \$ 50,128                                     | \$ 527,363  | \$ -                 | \$ 12,977,996                    |
| Cash, tenant security deposits                               | 36,491  | 80,886  | -                    | 3,111,372                        |
| Cash, restricted   | 250   | 38  | -                    | 299,454                          |
| Investments  | -   | -   | -                    | -                                |
| Investments, restricted                                      | -   | -   | -                    | -                                |
| Accounts receivable, net                                     | 276   | 33,509  | -                    | 1,432,158                        |
| Due from affiliate, net                                      | -   | 564   | (60,492)             | 43,853                           |
| 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                            | 20,177  | 70,270  | -                    | 5,360,426                        |
| Inventory  | -   | -   | -                    | -                                |
| Assets held for sale   | -   | -   | -                    | 692,149                          |
| Total current assets   | 107,322                                       | 712,630   | (60,492)             | 23,917,792                       |
| Property and equipment                                       |   |   |                      |                                  |
| Land and land improvements                                   | 731,386                                       | 1,259,909   | -                    | 102,624,766                      |
| Buildings  | 6,766,848                                     | 17,805,416  | -                    | 874,987,428                      |
| Furniture and equipment                                      | 34,384  | 1,167,320   | -                    | 30,340,922                       |
| Predevelopment project costs                                 | -   | -   | -                    | -                                |
| Construction in progress                                     | -   | -   | -                    | 4,321,543                        |
| Accumulated depreciation                                     | (3,111,355)                                   | (10,317,961)                                      | -                    | (267,694,126)                    |
| Net property and equipment                                   | 4,421,263                                     | 9,914,684   | -                    | 744,580,533                      |
| Other long-term assets                                       |   |   |                      |                                  |
| Restricted property reserves                                 | 495,889                                       | 1,175,881   | -                    | 36,425,064                       |
| Cash, restricted   | -   | -   | -                    | -                                |
| Long-term investments  | -   | -   | -                    | -                                |
| Long-term investments, restricted                            | -   | -   | -                    | -                                |
| Due from affiliates  | -   | -   | -                    | -                                |
| Pledges receivable, net                                      | -   | -   | -                    | -                                |
| Grants receivable  | -   | -   | -                    | -                                |
| Investments in limited partnerships                          | -   | -   | 23,667,644           | 461,435                          |
| Notes and interest receivable, net                           | 201,000                                       | -   | -                    | 749,423                          |
| Notes and interest receivable, affiliates                    | -   | -   | -                    | -                                |
| Allowance for impaired assets                                | -   | -   | -                    | -                                |
| Other assets   | 74,061  | 150,752   | -                    | 8,483,459                        |
| Total other long-term assets                                 | 770,950                                       | 1,326,633   | 23,667,644           | 46,119,381                       |
| <b>Total assets</b>  | <b>\$ 5,299,535</b>                           | <b>\$ 11,953,947</b>                              | <b>\$ 23,607,152</b> | <b>\$ 814,617,706</b>            |
| <b>Liabilities</b>   |   |   |                      |                                  |
| Current liabilities  |   |   |                      |                                  |
| Accounts payable and accrued expenses                        | \$ 188,607                                    | \$ 178,875  | \$ -                 | \$ 6,969,406                     |
| Due to affiliates  | 105,990                                       | 638,620   | (140,045)            | 9,723,903                        |
| Accrued interest   | 7,410   | 71,573  | -                    | 1,342,220                        |
| Accrued interest, affiliates                                 | -   | 14,740  | -                    | 23,493                           |
| Current portion of notes payable                             | 40,717  | 134,430   | -                    | 6,517,309                        |
| Current portion of notes payable, affiliates                 | -   | 22,894  | -                    | 607,306                          |
| Deferred revenue and other liabilities                       | 995   | 29,877  | -                    | 1,292,938                        |
| Tenant security deposits                                     | 40,276  | 84,944  | -                    | 3,096,632                        |
| Miscellaneous current liabilities                            | -   | -   | -                    | -                                |
| Total current liabilities                                    | 383,995                                       | 1,175,953   | (140,045)            | 29,573,207                       |
| Long-term liabilities  |   |   |                      |                                  |
| Due to affiliates  | -   | -   | -                    | 1,272,554                        |
| Accrued interest   | 1,048,170                                     | 184,684   | -                    | 56,251,687                       |
| Accrued interest, affiliates                                 | -   | 1,688,191   | -                    | 5,028,971                        |
| Notes payable, less current portion                          | 3,479,891                                     | 5,339,465   | -                    | 442,938,692                      |
| Notes payable, less current portion, affiliates              | -   | 2,279,839   | -                    | 27,372,822                       |
| Deferred revenue and other liabilities                       | -   | -   | -                    | 7,421,056                        |
| Total long-term liabilities                                  | 4,528,061                                     | 9,492,179   | -                    | 540,285,782                      |
| <b>Total liabilities</b>                                     | <b>4,912,056</b>                              | <b>10,668,132</b>                                 | <b>(140,045)</b>     | <b>569,858,989</b>               |
| <b>Net assets</b>  |   |   |                      |                                  |
| Unrestricted net assets, controlling                         | 387,479                                       | 1,285,815   | 23,747,197           | 208,662,951                      |
| Unrestricted net assets, noncontrolling                      | -   | -   | -                    | -                                |
| Total unrestricted net assets                                | 387,479                                       | 1,285,815   | 23,747,197           | 208,662,951                      |
| Temporarily restricted net assets                            | -   | -   | -                    | 36,095,766                       |
| Permanently restricted net assets                            | -   | -   | -                    | -                                |
| <b>Total net assets</b>                                      | <b>387,479</b>                                | <b>1,285,815</b>                                  | <b>23,747,197</b>    | <b>244,758,717</b>               |
| <b>Total liabilities and net assets</b>                      | <b>\$ 5,299,535</b>                           | <b>\$ 11,953,947</b>                              | <b>\$ 23,607,152</b> | <b>\$ 814,617,706</b>            |

Consolidating Statement of Activities  
and Changes in Net Assets  
General Partners  
For the year ended December 31, 2011

|  | Consolidated<br>Mercy<br>Properties, Inc. | Consolidated<br>Mercy<br>Properties II, Inc. | Consolidated<br>2101 Telegraph<br>Avenue, Inc. | Mercy Affordable<br>Housing, Inc.<br>(MAHI) | Consolidated<br>McDermott<br>Place |
|--|---|--|--|---|------------------------------------|
| <b>Revenues</b>                                      |   |  |  |   |                                    |
| Rent - net of vacancies                              | \$ 18,725,652                             | \$ 1,492,900                                 | \$ 916,717                                     | \$ -  | \$ 222,842                         |
| Developer fees                                       | -   | -  | -  | -   | -                                  |
| Services fees  | 34,476                                    | -  | -  | -   | -                                  |
| Philanthropy   | 37,234                                    | -  | -  | -   | -                                  |
| Capital grants                                       | -   | -  | -  | -   | -                                  |
| Consulting   | -   | -  | -  | -   | -                                  |
| Interest   | 302,176                                   | 697  | 845  | -   | 3                                  |
| Other  | 1,549,026                                 | 68,734                                       | 6,730  | -   | 6,579                              |
| <b>Total revenues</b>                                | <u>20,648,564</u>                         | <u>1,562,331</u>                             | <u>924,292</u>                                 | <u>-</u>                                    | <u>229,424</u>                     |
| <b>Expenses and losses</b>                           |   |  |  |   |                                    |
| Compensation   | 4,393,944                                 | 281,333                                      | 318,641  | -   | 54,242                             |
| Administrative                                       | 2,873,683                                 | 267,973                                      | 129,869  | 30  | 55,217                             |
| Professional services                                | 1,203,670                                 | 82,216                                       | 114,486  | 1,007                                       | 12,070                             |
| Depreciation and amortization                        | 7,574,784                                 | 575,913                                      | 356,421  | -   | 44,379                             |
| Grants   | 879,923                                   | -  | -  | -   | -                                  |
| Facility   | 6,748,007                                 | 427,371                                      | 252,841  | -   | 88,837                             |
| Interest and fees                                    | 4,095,528                                 | 358,904                                      | 217,583  | 2,023                                       | 54,065                             |
| Bad debts  | 108,075                                   | 4,956  | 1,341  | -   | 1,500                              |
| Provision for impaired assets                        | (117,328)                                 | -  | -  | -   | -                                  |
| Project expenses                                     | -   | -  | -  | -   | -                                  |
| Allocation   | -   | -  | -  | -   | -                                  |
| (Gain) loss on sale of assets                        | (474,480)                                 | -  | -  | -   | -                                  |
| (Gain) loss on investment in limited partnership     | 2,901                                     | -  | -  | 1,408                                       | -                                  |
| <b>Total expenses and losses</b>                     | <u>27,288,707</u>                         | <u>1,998,666</u>                             | <u>1,391,182</u>                               | <u>4,468</u>                                | <u>310,310</u>                     |
| <b>Excess (deficiency) of revenues over expenses</b> | (6,640,143)                               | (436,335)                                    | (466,890)                                      | (4,468)                                     | (80,886)                           |
| Net assets at beginning of year                      | 42,333,838                                | 3,432,221                                    | 237,319  | (60,518)                                    | (1,059,125)                        |
| Other transfers to (from) net assets                 | (517,570)                                 | (18,702)                                     | -  | -   | -                                  |
| Net assets at end of year                            | <u>\$ 35,176,125</u>                      | <u>\$ 2,977,184</u>                          | <u>\$ (229,571)</u>                            | <u>\$ (64,986)</u>                          | <u>\$ (1,140,011)</u>              |

Consolidating Statement of Activities  
and Changes in Net Assets  
General Partners  
For the year ended December 31, 2011

|  | Consolidated<br>South of Market<br>Mercy Housing | Consolidated<br>Visitacion<br>Valley<br>Affordable<br>Housing | Consolidated<br>Neary<br>Lagoon, Inc. | Consolidated<br>Mercy Housing<br>West | Consolidated<br>San Juan<br>Housing Corp. |
|--|--|---|---------------------------------------|---------------------------------------|---|
| <b>Revenues</b>                                      |  |   |                                       |                                       |   |
| Rent - net of vacancies                              | \$ 4,715,363                                     | \$ 1,709,139  | \$ 677,347                            | \$ 26,872,676                         | \$ 1,220,180                              |
| Developer fees                                       | -  | -   | -                                     | -                                     | -   |
| Services fees  | 24,134   | -   | -                                     | 10,499                                | -   |
| Philanthropy   | 6,250  | -   | -                                     | 80,877                                | -   |
| Capital grants                                       | -  | -   | -                                     | -                                     | -   |
| Consulting   | -  | -   | -                                     | -                                     | -   |
| Interest   | 14,436   | 892   | 14,003                                | 27,458                                | 1,005                                     |
| Other  | 108,472  | 21,363  | 5,951                                 | 1,360,710                             | 47,378                                    |
| <b>Total revenues</b>                                | <u>4,868,655</u>                                 | <u>1,731,394</u>  | <u>697,301</u>                        | <u>28,352,220</u>                     | <u>1,268,563</u>                          |
| <b>Expenses and losses</b>                           |  |   |                                       |                                       |   |
| Compensation   | 995,074  | 452,343   | 137,834                               | 6,451,419                             | 295,600                                   |
| Administrative                                       | 842,371  | 167,416   | 127,516                               | 3,727,498                             | 178,633                                   |
| Professional services                                | 422,297  | 56,213  | 82,982                                | 1,793,433                             | 60,345                                    |
| Depreciation and amortization                        | 1,792,661  | 1,004,250   | 135,432                               | 25,541,794                            | 479,551                                   |
| Grants   | -  | 283   | -                                     | -                                     | -   |
| Facility   | 1,548,644  | 799,129   | 321,085                               | 7,601,363                             | 444,323                                   |
| Interest and fees                                    | 1,126,644  | 347,782   | 277,584                               | 9,430,030                             | 323,555                                   |
| Bad debts  | 18,287   | 74,738  | 1,332                                 | 69,257                                | 2,430                                     |
| Provision for impaired assets                        | 11,340   | -   | 13,770                                | -                                     | -   |
| Project expenses                                     | -  | -   | -                                     | -                                     | -   |
| Allocation   | -  | -   | -                                     | -                                     | -   |
| (Gain) loss on sale of assets                        | 148,234  | -   | -                                     | 358,901                               | -   |
| (Gain) loss on investment in limited partnership     | 5,277,621  | -   | -                                     | 162,496                               | -   |
| <b>Total expenses and losses</b>                     | <u>12,183,173</u>                                | <u>2,902,154</u>  | <u>1,097,535</u>                      | <u>55,136,191</u>                     | <u>1,784,437</u>                          |
| <b>Excess (deficiency) of revenues over expenses</b> | (7,314,518)                                      | (1,170,760)   | (400,234)                             | (26,783,971)                          | (515,874)                                 |
| Net assets at beginning of year                      | (18,318,493)                                     | 10,564,857  | (6,858,974)                           | 211,078,947                           | (837,879)                                 |
| Other transfers to (from) net assets                 | 265,911  | (10,000)  | -                                     | 22,920,473                            | -   |
| Net assets at end of year                            | <u>\$ (25,367,100)</u>                           | <u>\$ 9,384,097</u>   | <u>\$ (7,259,208)</u>                 | <u>\$ 207,215,449</u>                 | <u>\$ (1,353,753)</u>                     |

Consolidating Statement of Activities  
and Changes in Net Assets  
General Partners  
For the year ended December 31, 2011

|  | Consolidated<br>Florin Housing<br>Corporation | Consolidated<br>Affordable Housing<br>Corporation | Eliminations         | Consolidated<br>General Partners |
|--|---|---|----------------------|----------------------------------|
| <b>Revenues</b>                                      |   |   |                      |                                  |
| Rent - net of vacancies                              | \$ 544,805                                    | \$ 2,700,836                                      | \$ -                 | \$ 59,798,457                    |
| Developer fees                                       | -   | -   | -                    | -                                |
| Services fees  | -   | -   | (33,316)             | 35,793                           |
| Philanthropy   | -   | -   | -                    | 124,361                          |
| Capital grants                                       | -   | -   | -                    | -                                |
| Consulting   | -   | -   | -                    | -                                |
| Interest   | 639   | 1,352   | -                    | 363,506                          |
| Other  | 15,702  | 119,642   | (71,576)             | 3,238,711                        |
| <b>Total revenues</b>                                | <u>561,146</u>                                | <u>2,821,830</u>                                  | <u>(104,892)</u>     | <u>63,560,828</u>                |
| <b>Expenses and losses</b>                           |   |   |                      |                                  |
| Compensation   | 144,696                                       | 506,364   | -                    | 14,031,490                       |
| Administrative                                       | 75,179  | 473,330   | (58,920)             | 8,859,795                        |
| Professional services                                | 56,720  | 179,832   | -                    | 4,065,271                        |
| Depreciation and amortization                        | 186,026                                       | 906,871   | -                    | 38,598,082                       |
| Grants   | -   | -   | (13,165)             | 867,041                          |
| Facility   | 200,140                                       | 872,652   | -                    | 19,304,392                       |
| Interest and fees                                    | 159,751                                       | 622,537   | -                    | 17,015,986                       |
| Bad debts  | 2,332   | 13,139  | -                    | 297,387                          |
| Provision for impaired assets                        | -   | -   | 131,758              | 39,540                           |
| Project expenses                                     | -   | -   | -                    | -                                |
| Allocation   | -   | -   | -                    | -                                |
| (Gain) loss on sale of assets                        | -   | -   | (148,234)            | (115,579)                        |
| (Gain) loss on investment in limited partnership     | -   | -   | (2,436,767)          | 3,007,659                        |
| <b>Total expenses and losses</b>                     | <u>824,844</u>                                | <u>3,574,725</u>                                  | <u>(2,525,328)</u>   | <u>105,971,064</u>               |
| <b>Excess (deficiency) of revenues over expenses</b> | (263,698)                                     | (752,895)   | 2,420,436            | (42,410,236)                     |
| Net assets at beginning of year                      | 651,177                                       | (670,578)   | 22,239,908           | 262,732,700                      |
| Other transfers to (from) net assets                 | -   | 2,709,288   | (913,147)            | 24,436,253                       |
| Net assets at end of year                            | <u>\$ 387,479</u>                             | <u>\$ 1,285,815</u>                               | <u>\$ 23,747,197</u> | <u>\$ 244,758,717</u>            |



Consolidating Statement of Financial Position  
Mercy Properties Inc.  
December 31, 2011

|  | Mercy Properties<br>Inc. (MPI) | 111 Jones Street<br>Association<br>(111 Jones<br>Street Apartments) | Britton Street<br>Association<br>(Britton Court) | Mercy Housing<br>Nebraska I<br>(Capital Corners) | Mercy Housing<br>California VII<br>(Casa San Juan) | Somerset Senior<br>Housing<br>(Casitas de Merced) |
|--|--------------------------------|---|--|--|--|---|
| <b>Assets</b>  |                                |   |  |  |  |   |
| Current assets   |                                |   |  |  |  |   |
| Cash and cash equivalents                                    | \$ -                           | \$ 52,227   | \$ 41,047  | \$ 9,567   | \$ 259,928   | \$ 13,828   |
| Cash, tenant security deposits                               | -                              | 76,383  | 62,274   | 12,194   | 52,742   | 5,374   |
| Cash, restricted   | -                              | -   | 300  | -  | -  | -   |
| Investments  | -                              | -   | -  | -  | -  | -   |
| Investments, restricted                                      | -                              | -   | -  | -  | -  | -   |
| Accounts receivable, net                                     | -                              | 8,321   | 35,620   | 2,692  | 6,239  | 5   |
| Due from affiliate, net                                      | 736,347                        | 11,236  | -  | -  | 5,703  | -   |
| Pledges receivable   | -                              | -   | -  | -  | -  | -   |
| Grants receivable  | -                              | -   | -  | -  | -  | -   |
| Current portion of notes and interest receivable             | -                              | -   | -  | -  | -  | -   |
| Current portion of notes and interest receivable, affiliates | -                              | -   | -  | -  | -  | -   |
| Prepaid expenses and other assets                            | 42,857                         | 39,189  | 39,496   | 7,444  | 21,862   | 4,173   |
| Inventory  | -                              | -   | -  | -  | -  | -   |
| Assets held for sale   | -                              | -   | -  | -  | -  | 692,149   |
| Total current assets   | 779,204                        | 187,356   | 178,737  | 31,897   | 346,474  | 715,529   |
| Property and equipment                                       |                                |   |  |  |  |   |
| Land and land improvements                                   | -                              | -   | 1,737,711  | 427,700  | 908,689  | -   |
| Buildings  | -                              | 9,426,816   | 15,200,428                                       | 1,853,601  | 7,680,504  | -   |
| Furniture and equipment                                      | -                              | 364,061   | 769,423  | 2,376  | 323,828  | -   |
| Predevelopment project costs                                 | -                              | -   | -  | -  | -  | -   |
| Construction in progress                                     | -                              | -   | -  | -  | -  | -   |
| Accumulated depreciation                                     | -                              | (7,960,067)   | (6,777,122)                                      | (938,834)  | (4,316,888)  | -   |
| Net property and equipment                                   | -                              | 1,830,810   | 10,930,440                                       | 1,344,843  | 4,596,133  | -   |
| Other long-term assets                                       |                                |   |  |  |  |   |
| Restricted property reserves                                 | -                              | 1,335,895   | 513,514  | 124,971  | 469,205  | 115,580   |
| Cash, restricted   | -                              | -   | -  | -  | -  | -   |
| Long-term investments  | -                              | -   | -  | -  | -  | -   |
| Long-term investments, restricted                            | -                              | -   | -  | -  | -  | -   |
| Due from affiliates  | -                              | -   | -  | -  | -  | -   |
| Pledges receivable, net                                      | -                              | -   | -  | -  | -  | -   |
| Grants receivable  | -                              | -   | -  | -  | -  | -   |
| Investments in limited partnerships                          | 705,253                        | -   | -  | -  | -  | -   |
| Notes and interest receivable, net                           | -                              | -   | -  | -  | -  | -   |
| Notes and interest receivable, affiliates                    | 281,000                        | -   | -  | -  | -  | -   |
| Allowance for impaired assets                                | -                              | -   | -  | -  | -  | -   |
| Other assets   | -                              | 73,210  | 45,995   | 5,299  | 37,769   | -   |
| Total other long-term assets                                 | 986,253                        | 1,409,105   | 559,509  | 130,270  | 506,974  | 115,580   |
| <b>Total Assets</b>  | <b>\$ 1,765,457</b>            | <b>\$ 3,427,271</b>   | <b>\$ 11,668,686</b>                             | <b>\$ 1,507,010</b>                              | <b>\$ 5,449,581</b>                                | <b>\$ 831,109</b>                                 |
| <b>Liabilities</b>   |                                |   |  |  |  |   |
| Current liabilities  |                                |   |  |  |  |   |
| Accounts payable and accrued expenses                        | \$ 10                          | \$ 117,549  | \$ 83,517  | \$ 37,473  | \$ 30,725  | \$ 33,240   |
| Due to affiliates  | 1,403,261                      | 10,000  | 165,042  | 93,995   | 125,751  | 48,925  |
| Accrued interest   | -                              | -   | 9,297  | 3,309  | 7,689  | 247,588   |
| Accrued interest, affiliates                                 | -                              | -   | -  | -  | -  | -   |
| Current portion of notes payable                             | -                              | -   | 424,001  | 22,482   | 54,907   | -   |
| Current portion of notes payable, affiliates                 | -                              | -   | -  | -  | -  | -   |
| Deferred revenue and other liabilities                       | -                              | 3,527   | 9,562  | 1,597  | 6,332  | 162   |
| Tenant security deposits                                     | -                              | 76,483  | 62,274   | 12,194   | 52,591   | 5,000   |
| Miscellaneous current liabilities                            | -                              | -   | -  | -  | -  | -   |
| Total current liabilities                                    | 1,403,271                      | 207,559   | 753,693  | 171,050  | 277,995  | 334,915   |
| Long-term liabilities  |                                |   |  |  |  |   |
| Due to affiliates  | -                              | -   | -  | -  | -  | -   |
| Accrued interest   | -                              | 3,981,181   | 3,616,404  | 98,397   | 45,924   | -   |
| Accrued interest, affiliates                                 | 14,369                         | -   | -  | -  | -  | -   |
| Notes payable, less current portion                          | -                              | 6,635,103   | 9,533,327  | 702,981  | 1,599,891  | 611,470   |
| Notes payable, less current portion, affiliates              | 955,833                        | -   | -  | -  | -  | -   |
| Deferred revenue and other liabilities                       | -                              | -   | -  | -  | 960  | -   |
| Total long-term liabilities                                  | 970,202                        | 10,616,284  | 13,149,731                                       | 801,378  | 1,646,775  | 611,470   |
| <b>Total liabilities</b>                                     | <b>2,373,473</b>               | <b>10,823,843</b>   | <b>13,903,424</b>                                | <b>972,428</b>                                   | <b>1,924,770</b>                                   | <b>946,385</b>                                    |
| <b>Net assets</b>  |                                |   |  |  |  |   |
| Unrestricted net assets, controlling                         | (804,800)                      | (7,396,572)   | (2,234,738)                                      | 534,582  | 3,524,811  | (115,276)   |
| Unrestricted net assets, noncontrolling                      | -                              | -   | -  | -  | -  | -   |
| Total unrestricted net assets                                | (804,800)                      | (7,396,572)   | (2,234,738)                                      | 534,582  | 3,524,811  | (115,276)   |
| Temporarily restricted net assets                            | 196,784                        | -   | -  | -  | -  | -   |
| Permanently restricted net assets                            | -                              | -   | -  | -  | -  | -   |
| <b>Total net assets</b>                                      | <b>(608,016)</b>               | <b>(7,396,572)</b>  | <b>(2,234,738)</b>                               | <b>534,582</b>                                   | <b>3,524,811</b>                                   | <b>(115,276)</b>                                  |
| <b>Total liabilities and net assets</b>                      | <b>\$ 1,765,457</b>            | <b>\$ 3,427,271</b>   | <b>\$ 11,668,686</b>                             | <b>\$ 1,507,010</b>                              | <b>\$ 5,449,581</b>                                | <b>\$ 831,109</b>                                 |

Consolidating Statement of Financial Position  
Mercy Properties Inc.  
December 31, 2011

**Assets**

|  | Mercy Housing<br>California II<br>(Columbia Park) | Mercy Housing<br>Colorado VIII<br>(Valle de Merced) | Mercy Housing<br>Colorado I, LTD<br>(Grace Apartments) | Mercy Housing<br>California XI<br>(Madison Place) | Marlton Affordable<br>Housing<br>Association<br>(Marlton Manor) | Mason<br>Apartments<br>(Mason School<br>Apartments) |
|--|---|---|--|---|---|---|
| <b>Current assets</b>  |   |   |  |   |   |   |
| Cash and cash equivalents                                    | \$ 570,315  | \$ 60,968   | \$ 42,032  | \$ 26,771   | \$ 1,657,411  | \$ 41,519   |
| Cash, tenant security deposits                               | 52,900  | 17,017  | 9,548  | 27,911  | 38,252  | -   |
| Cash, restricted   | -   | -   | -  | -   | 300   | -   |
| Investments  | -   | -   | -  | -   | -   | -   |
| Investments, restricted                                      | -   | -   | -  | -   | -   | -   |
| Accounts receivable, net                                     | 150   | 13,733  | 962  | 3,851   | 1,510   | -   |
| Due from affiliate, net                                      | -   | 2,489   | -  | -   | 9   | -   |
| Pledges receivable   | -   | -   | -  | -   | -   | -   |
| Grants receivable  | -   | -   | -  | -   | -   | -   |
| Current portion of notes and interest receivable             | -   | -   | -  | -   | -   | -   |
| Current portion of notes and interest receivable, affiliates | -   | -   | -  | -   | -   | -   |
| Prepaid expenses and other assets                            | 21,160  | 9,044   | 11,056   | 16,519  | 49,713  | 7,030   |
| Inventory  | -   | -   | -  | -   | -   | -   |
| Assets held for sale   | -   | -   | -  | -   | -   | -   |
| <b>Total current assets</b>                                  | <b>644,525</b>                                    | <b>103,251</b>                                      | <b>63,598</b>  | <b>75,052</b>                                     | <b>1,747,195</b>  | <b>48,549</b>                                       |

|                                   |                  |                  |                  |                  |                  |          |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|----------|
| <b>Property and equipment</b>     |                  |                  |                  |                  |                  |          |
| Land and land improvements        | 1,464,742        | 937,456          | 160,654          | 304,958          | 1,615            | -        |
| Buildings                         | 8,120,872        | 6,391,365        | 3,037,025        | 4,003,449        | 14,290,789       | -        |
| Furniture and equipment           | 303,701          | 176,412          | 95,893           | 209,809          | 666,183          | -        |
| Predevelopment project costs      | -                | -                | -                | -                | -                | -        |
| Construction in progress          | -                | -                | -                | -                | -                | -        |
| Accumulated depreciation          | (5,143,070)      | (1,978,390)      | (1,084,464)      | (2,441,132)      | (5,464,302)      | -        |
| <b>Net property and equipment</b> | <b>4,746,245</b> | <b>5,526,843</b> | <b>2,209,108</b> | <b>2,077,084</b> | <b>9,494,285</b> | <b>-</b> |

|   |                |                |                |                |                  |          |
|---|----------------|----------------|----------------|----------------|------------------|----------|
| <b>Other long-term assets</b>             |                |                |                |                |                  |          |
| Restricted property reserves              | 537,376        | 234,781        | 76,239         | 165,163        | 952,523          | -        |
| 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                              | 27,473         | 68,946         | 31,332         | 23,970         | 124,777          | -        |
| <b>Total other long-term assets</b>       | <b>564,849</b> | <b>303,727</b> | <b>107,571</b> | <b>189,133</b> | <b>1,077,300</b> | <b>-</b> |

|                     |                     |                     |                     |                     |                      |                  |
|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|------------------|
| <b>Total Assets</b> | <b>\$ 5,955,619</b> | <b>\$ 5,933,821</b> | <b>\$ 2,380,277</b> | <b>\$ 2,341,269</b> | <b>\$ 12,318,780</b> | <b>\$ 48,549</b> |
|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|------------------|

**Liabilities**

|  |                |                |                |                |                |               |
|--|----------------|----------------|----------------|----------------|----------------|---------------|
| <b>Current liabilities</b>                   |                |                |                |                |                |               |
| Accounts payable and accrued expenses        | \$ 41,103      | \$ 38,135      | \$ 91,884      | \$ 49,596      | \$ 187,336     | \$ 25,278     |
| Due to affiliates                            | 40,521         | 225,000        | -              | 141,391        | 12,853         | 22,000        |
| Accrued interest                             | 7,175          | 10,509         | 2,374          | 2,297          | 16,363         | -             |
| Accrued interest, affiliates                 | -              | -              | -              | -              | -              | -             |
| Current portion of notes payable             | 49,848         | 22,228         | 3,128          | 20,076         | 300,091        | -             |
| Current portion of notes payable, affiliates | -              | -              | -              | -              | -              | -             |
| Deferred revenue and other liabilities       | 4              | 10             | 3,138          | 4,426          | 2,142          | -             |
| Tenant security deposits                     | 52,900         | 19,282         | 10,084         | 27,489         | 37,967         | -             |
| Miscellaneous current liabilities            | -              | -              | -              | -              | -              | -             |
| <b>Total current liabilities</b>             | <b>191,551</b> | <b>315,164</b> | <b>110,608</b> | <b>245,275</b> | <b>556,752</b> | <b>47,278</b> |

|   |                  |                  |                  |                  |                  |          |
|---|------------------|------------------|------------------|------------------|------------------|----------|
| <b>Long-term liabilities</b>                    |                  |                  |                  |                  |                  |          |
| Due to affiliates                               | -                | -                | -                | -                | -                | -        |
| Accrued interest                                | 1,988,465        | 154,571          | -                | 659,090          | -                | -        |
| Accrued interest, affiliates                    | -                | 251,638          | 4,560            | -                | -                | -        |
| Notes payable, less current portion             | 4,004,926        | 1,964,613        | 389,763          | 1,139,925        | 2,745,169        | -        |
| Notes payable, less current portion, affiliates | -                | 774,312          | 1,330,000        | -                | -                | -        |
| Deferred revenue and other liabilities          | -                | 228,956          | 211,982          | -                | -                | -        |
| <b>Total long-term liabilities</b>              | <b>5,993,391</b> | <b>3,374,090</b> | <b>1,936,305</b> | <b>1,799,015</b> | <b>2,745,169</b> | <b>-</b> |

|                          |                  |                  |                  |                  |                  |               |
|--------------------------|------------------|------------------|------------------|------------------|------------------|---------------|
| <b>Total liabilities</b> | <b>6,184,942</b> | <b>3,689,254</b> | <b>2,046,913</b> | <b>2,044,290</b> | <b>3,301,921</b> | <b>47,278</b> |
|--------------------------|------------------|------------------|------------------|------------------|------------------|---------------|

**Net assets**

|   |                  |                  |                |                |                  |              |
|---|------------------|------------------|----------------|----------------|------------------|--------------|
| Unrestricted net assets, controlling    | (229,323)        | 2,244,567        | 333,364        | 296,979        | 9,016,859        | 1,271        |
| Unrestricted net assets, noncontrolling | -                | -                | -              | -              | -                | -            |
| <b>Total unrestricted net assets</b>    | <b>(229,323)</b> | <b>2,244,567</b> | <b>333,364</b> | <b>296,979</b> | <b>9,016,859</b> | <b>1,271</b> |
| Temporarily restricted net assets       | -                | -                | -              | -              | -                | -            |
| Permanently restricted net assets       | -                | -                | -              | -              | -                | -            |

|                         |                  |                  |                |                |                  |              |
|-------------------------|------------------|------------------|----------------|----------------|------------------|--------------|
| <b>Total net assets</b> | <b>(229,323)</b> | <b>2,244,567</b> | <b>333,364</b> | <b>296,979</b> | <b>9,016,859</b> | <b>1,271</b> |
|-------------------------|------------------|------------------|----------------|----------------|------------------|--------------|

|   |                     |                     |                     |                     |                      |                  |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|------------------|
| <b>Total liabilities and net assets</b> | <b>\$ 5,955,619</b> | <b>\$ 5,933,821</b> | <b>\$ 2,380,277</b> | <b>\$ 2,341,269</b> | <b>\$ 12,318,780</b> | <b>\$ 48,549</b> |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|------------------|

Consolidating Statement of Financial Position  
Mercy Properties Inc.  
December 31, 2011

|  | Mercy Housing<br>California V<br>(Mercy Village<br>Folsom) | Park Terrace<br>Apartments | Quinn<br>Cottages, LP | Mercy Housing<br>California X<br>(The Rose) | San Felipe<br>Homes | 2220 10th<br>Avenue<br>Association<br>(Santana Apts) |
|--|--|----------------------------|-----------------------|---|---------------------|--|
| <b>Assets</b>  |  |                            |                       |   |                     |  |
| Current assets   |  |                            |                       |   |                     |  |
| Cash and cash equivalents                                    | \$ 34,959  | \$ 57,491                  | \$ 14,129             | \$ 43,183                                   | \$ 29,818           | \$ 50,857  |
| Cash, tenant security deposits                               | 50,880   | 30,150                     | 3,811                 | 18,770                                      | 9,476               | 17,398   |
| Cash, restricted   | 4,211  | 400                        | -                     | -   | -                   | -  |
| Investments  | -  | -                          | -                     | -   | -                   | -  |
| Investments, restricted                                      | -  | -                          | -                     | -   | -                   | -  |
| Accounts receivable, net                                     | 2,577  | 7,183                      | 42,809                | 48,335                                      | 109                 | 9,966  |
| 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                            | 29,724   | 12,972                     | 17,791                | 22,348                                      | 7,446               | 6,707  |
| Inventory  | -  | -                          | -                     | -   | -                   | -  |
| Assets held for sale   | -  | -                          | -                     | -   | -                   | -  |
| Total current assets   | 122,351  | 108,196                    | 78,540                | 132,636                                     | 46,849              | 84,928   |
| 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               | 311,112                                     | 6,718               | 49,211   |
| Predevelopment project costs                                 | -  | -                          | -                     | -   | -                   | -  |
| Construction in progress                                     | -  | -                          | -                     | -   | -                   | -  |
| Accumulated depreciation                                     | (3,436,422)  | (2,243,650)                | (1,874,002)           | (1,794,982)                                 | (1,120,904)         | (1,527,488)  |
| Net property and equipment                                   | 8,241,203  | 3,744,294                  | 1,601,712             | 4,445,005                                   | 827,379             | 1,764,172  |
| Other long-term assets                                       |  |                            |                       |   |                     |  |
| Restricted property reserves                                 | 331,488  | 531,748                    | 119,519               | 328,112                                     | 170,023             | 394,438  |
| 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   | 117,702  | 60,129                     | -                     | 10,359                                      | -                   | 4,757  |
| Total other long-term assets                                 | 449,190  | 591,877                    | 119,519               | 338,471                                     | 170,023             | 399,195  |
| <b>Total Assets</b>  | <b>\$ 8,812,744</b>  | <b>\$ 4,444,367</b>        | <b>\$ 1,799,771</b>   | <b>\$ 4,916,112</b>                         | <b>\$ 1,044,251</b> | <b>\$ 2,248,295</b>                                  |
| <b>Liabilities</b>   |  |                            |                       |   |                     |  |
| Current liabilities  |  |                            |                       |   |                     |  |
| Accounts payable and accrued expenses                        | \$ 55,764  | \$ 59,684                  | \$ 32,785             | \$ 72,277                                   | \$ 19,431           | \$ 43,456  |
| Due to affiliates  | 442,066  | 15,000                     | 64,564                | 219,976                                     | 50,795              | 5,000  |
| Accrued interest   | 120,921  | 2,040                      | -                     | -   | -                   | -  |
| Accrued interest, affiliates                                 | -  | -                          | -                     | -   | -                   | -  |
| Current portion of notes payable                             | 68,398   | 76,655                     | -                     | -   | -                   | -  |
| Current portion of notes payable, affiliates                 | -  | -                          | -                     | -   | -                   | -  |
| Deferred revenue and other liabilities                       | 608  | 7,237                      | 1,657                 | 872,636                                     | 21                  | 2,936  |
| Tenant security deposits                                     | 48,330   | 30,150                     | 3,661                 | 18,933                                      | 9,474               | 22,139   |
| Miscellaneous current liabilities                            | -  | -                          | -                     | -   | -                   | -  |
| Total current liabilities                                    | 736,087  | 190,766                    | 102,667               | 1,183,822                                   | 79,721              | 73,531   |
| Long-term liabilities  |  |                            |                       |   |                     |  |
| Due to affiliates  | -  | -                          | -                     | -   | -                   | -  |
| Accrued interest   | 88,878   | 102,946                    | 639,705               | 527,859                                     | 1,042,722           | 1,288,658  |
| Accrued interest, affiliates                                 | 110,939  | -                          | -                     | -   | -                   | -  |
| Notes payable, less current portion                          | 4,578,474  | 1,273,008                  | 1,644,000             | 1,430,603                                   | 1,900,000           | 2,755,923  |
| Notes payable, less current portion, affiliates              | 1,361,970  | -                          | -                     | -   | -                   | -  |
| Deferred revenue and other liabilities                       | 100,000  | -                          | -                     | -   | -                   | -  |
| Total long-term liabilities                                  | 6,240,261  | 1,375,954                  | 2,283,705             | 1,958,462                                   | 2,942,722           | 4,044,581  |
| <b>Total liabilities</b>                                     | <b>6,976,348</b>   | <b>1,566,720</b>           | <b>2,386,372</b>      | <b>3,142,284</b>                            | <b>3,022,443</b>    | <b>4,118,112</b>                                     |
| <b>Net assets</b>  |  |                            |                       |   |                     |  |
| Unrestricted net assets, controlling                         | 1,836,396  | 2,877,647                  | (586,601)             | 1,773,828                                   | (1,978,192)         | (1,869,817)  |
| Unrestricted net assets, noncontrolling                      | -  | -                          | -                     | -   | -                   | -  |
| Total unrestricted net assets                                | 1,836,396  | 2,877,647                  | (586,601)             | 1,773,828                                   | (1,978,192)         | (1,869,817)  |
| Temporarily restricted net assets                            | -  | -                          | -                     | -   | -                   | -  |
| Permanently restricted net assets                            | -  | -                          | -                     | -   | -                   | -  |
| <b>Total net assets</b>                                      | <b>1,836,396</b>   | <b>2,877,647</b>           | <b>(586,601)</b>      | <b>1,773,828</b>                            | <b>(1,978,192)</b>  | <b>(1,869,817)</b>                                   |
| <b>Total liabilities and net assets</b>                      | <b>\$ 8,812,744</b>  | <b>\$ 4,444,367</b>        | <b>\$ 1,799,771</b>   | <b>\$ 4,916,112</b>                         | <b>\$ 1,044,251</b> | <b>\$ 2,248,295</b>                                  |

Consolidating Statement of Financial Position  
Mercy Properties Inc.  
December 31, 2011

|  | Mercy Housing<br>California VIII<br>(School House<br>Station) | Mercy Housing<br>Iowa II, LP<br>(Sherwood Place<br>Apartments) | Mercy Housing<br>California I<br>(St. Francis Terrace) | Mercy Housing<br>Arizona I<br>(Villas de Merced) | Mercy Housing<br>Georgia II LLLP<br>(Orchard Grove) | Mercy Housing<br>Colorado IX, LLLP<br>(Parkside Apts) |
|--|---|--|--|--|---|---|
| <b>Assets</b>  |   |  |  |  |   |   |
| Current assets   |   |  |  |  |   |   |
| Cash and cash equivalents                                    | \$ 336,341  | \$ 111,871   | \$ 1,019   | \$ 17,270  | \$ 10,848   | \$ 43,908   |
| Cash, tenant security deposits                               | 68,732  | 6,750  | 32,689   | 6,701  | 7,550   | 14,597  |
| Cash, restricted   | -   | 100  | 160  | -  | -   | -   |
| Investments  | -   | -  | -  | -  | -   | -   |
| Investments, restricted                                      | -   | -  | -  | -  | -   | -   |
| Accounts receivable, net                                     | 24,534  | 393  | 3,913  | 12,079   | 7,327   | 2,737   |
| 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                            | 11,635  | 5,554  | 14,235   | 30,111   | 10,393  | 14,248  |
| Inventory  | -   | -  | -  | -  | -   | -   |
| Assets held for sale   | -   | -  | -  | -  | -   | -   |
| <b>Total current assets</b>                                  | <b>441,242</b>  | <b>124,668</b>   | <b>52,016</b>  | <b>66,161</b>                                    | <b>36,118</b>                                       | <b>75,490</b>   |
| 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  | 237,699  | 204,693  | 182,437   | 232,436   |
| Predevelopment project costs                                 | -   | -  | -  | -  | -   | -   |
| Construction in progress                                     | -   | -  | -  | -  | -   | -   |
| Accumulated depreciation                                     | (5,069,764)   | (1,138,550)  | (4,259,408)  | (2,922,009)                                      | (1,447,951)   | (2,293,640)   |
| <b>Net property and equipment</b>                            | <b>5,709,344</b>  | <b>1,829,677</b>   | <b>1,693,699</b>                                       | <b>4,347,968</b>                                 | <b>3,380,402</b>                                    | <b>7,090,332</b>                                      |
| Other long-term assets                                       |   |  |  |  |   |   |
| Restricted property reserves                                 | 397,954   | 99,130   | 249,804  | 117,497  | 248,623   | 141,632   |
| 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   | 49,731  | 2,319  | 5,532  | 259,925  | 35,292  | 77,896  |
| <b>Total other long-term assets</b>                          | <b>447,685</b>  | <b>101,449</b>   | <b>255,336</b>   | <b>377,422</b>                                   | <b>283,915</b>                                      | <b>219,528</b>  |
| <b>Total Assets</b>  | <b>\$ 6,598,271</b>   | <b>\$ 2,055,794</b>  | <b>\$ 2,001,051</b>                                    | <b>\$ 4,791,551</b>                              | <b>\$ 3,700,435</b>                                 | <b>\$ 7,385,350</b>                                   |
| <b>Liabilities</b>   |   |  |  |  |   |   |
| Current liabilities  |   |  |  |  |   |   |
| Accounts payable and accrued expenses                        | \$ 26,314   | \$ 51,951  | \$ 64,329  | \$ 109,429                                       | \$ 141,821  | \$ 66,299   |
| Due to affiliates  | 15,000  | 107,852  | 70,022   | 206,221  | 84,390  | 18,346  |
| Accrued interest   | 10,610  | 3,199  | 1,687  | 19,963   | -   | 12,435  |
| Accrued interest, affiliates                                 | -   | -  | -  | -  | -   | -   |
| Current portion of notes payable                             | 88,408  | 11,246   | 15,763   | 70,525   | 4,602   | 35,970  |
| Current portion of notes payable, affiliates                 | -   | -  | -  | -  | -   | -   |
| Deferred revenue and other liabilities                       | 4,594   | 1,672  | 127  | 24,303   | 177   | 4,753   |
| Tenant security deposits                                     | 68,582  | 6,750  | 27,026   | 6,501  | 7,550   | 13,897  |
| Miscellaneous current liabilities                            | -   | -  | -  | -  | -   | -   |
| <b>Total current liabilities</b>                             | <b>213,508</b>  | <b>182,670</b>   | <b>178,954</b>   | <b>436,942</b>                                   | <b>238,540</b>                                      | <b>151,700</b>  |
| Long-term liabilities  |   |  |  |  |   |   |
| Due to affiliates  | -   | -  | -  | -  | -   | -   |
| Accrued interest   | 236,941   | -  | 1,397,209  | 231,167  | -   | -   |
| Accrued interest, affiliates                                 | -   | 9,413  | -  | 160,747  | -   | 414,252   |
| Notes payable, less current portion                          | 3,641,335   | 907,207  | 2,952,799  | 4,386,141  | 590,450   | 1,991,528   |
| Notes payable, less current portion, affiliates              | -   | 126,779  | 281,000  | 229,447  | 386,000   | 2,283,443   |
| Deferred revenue and other liabilities                       | -   | -  | -  | -  | 345,187   | -   |
| <b>Total long-term liabilities</b>                           | <b>3,878,276</b>  | <b>1,043,399</b>   | <b>4,631,008</b>                                       | <b>5,007,502</b>                                 | <b>1,321,637</b>                                    | <b>4,689,223</b>                                      |
| <b>Total liabilities</b>                                     | <b>4,091,784</b>  | <b>1,226,069</b>   | <b>4,809,962</b>                                       | <b>5,444,444</b>                                 | <b>1,560,177</b>                                    | <b>4,840,923</b>                                      |
| <b>Net assets</b>  |   |  |  |  |   |   |
| Unrestricted net assets, controlling                         | 2,506,487   | 829,725  | (2,808,911)  | (652,893)  | 2,140,258   | 2,544,427   |
| Unrestricted net assets, noncontrolling                      | -   | -  | -  | -  | -   | -   |
| <b>Total unrestricted net assets</b>                         | <b>2,506,487</b>  | <b>829,725</b>   | <b>(2,808,911)</b>                                     | <b>(652,893)</b>                                 | <b>2,140,258</b>                                    | <b>2,544,427</b>                                      |
| Temporarily restricted net assets                            | -   | -  | -  | -  | -   | -   |
| Permanently restricted net assets                            | -   | -  | -  | -  | -   | -   |
| <b>Total net assets</b>                                      | <b>2,506,487</b>  | <b>829,725</b>   | <b>(2,808,911)</b>                                     | <b>(652,893)</b>                                 | <b>2,140,258</b>                                    | <b>2,544,427</b>                                      |
| <b>Total liabilities and net assets</b>                      | <b>\$ 6,598,271</b>   | <b>\$ 2,055,794</b>  | <b>\$ 2,001,051</b>                                    | <b>\$ 4,791,551</b>                              | <b>\$ 3,700,435</b>                                 | <b>\$ 7,385,350</b>                                   |

Consolidating Statement of Financial Position  
Mercy Properties Inc.  
December 31, 2011

|  | Mercy Housing<br>Arizona II<br>(Page Commons) | Parkside<br>Terrace<br>Apartments LLC | Parkside<br>Terrace LP | Mulberry<br>Court LLC | Mercy Housing<br>South Carolina I<br>(Mulberry Court<br>Apartments) | Savannah Rose<br>of Sharon, LLC |
|--|---|---------------------------------------|------------------------|-----------------------|---|---------------------------------|
| <b>Assets</b>  |   |                                       |                        |                       |   |                                 |
| Current assets   |   |                                       |                        |                       |   |                                 |
| Cash and cash equivalents                                    | \$ 67,094                                     | \$ -                                  | \$ 6,374               | \$ -                  | \$ 44,476   | \$ -                            |
| Cash, tenant security deposits                               | 14,915  | -                                     | 31,336                 | -                     | 5,865   | -                               |
| Cash, restricted   | -   | -                                     | -                      | -                     | -   | -                               |
| Investments  | -   | -                                     | -                      | -                     | -   | -                               |
| Investments, restricted                                      | -   | -                                     | -                      | -                     | -   | -                               |
| Accounts receivable, net                                     | 16,637  | -                                     | 19,667                 | -                     | 8,404   | -                               |
| Due from affiliate, net                                      | -   | -                                     | -                      | -                     | -   | 35,320                          |
| Pledges receivable   | -   | -                                     | -                      | -                     | -   | -                               |
| Grants receivable  | -   | -                                     | -                      | -                     | -   | -                               |
| Current portion of notes and interest receivable             | -   | -                                     | -                      | -                     | -   | -                               |
| Current portion of notes and interest receivable, affiliates | -   | -                                     | -                      | -                     | -   | -                               |
| Prepaid expenses and other assets                            | 15,753  | -                                     | 16,242                 | -                     | 7,625   | -                               |
| Inventory  | -   | -                                     | -                      | -                     | -   | -                               |
| Assets held for sale   | -   | -                                     | -                      | -                     | -   | -                               |
| Total current assets   | 114,399                                       | -                                     | 73,619                 | -                     | 66,370  | 35,320                          |
| Property and equipment                                       |   |                                       |                        |                       |   |                                 |
| Land and land improvements                                   | 862,581                                       | -                                     | 48,604                 | -                     | 834,890   | -                               |
| Buildings  | 7,156,523                                     | -                                     | 3,405,798              | -                     | 3,902,585   | -                               |
| Furniture and equipment                                      | 344,141                                       | -                                     | 71,354                 | -                     | 23,297  | -                               |
| Predevelopment project costs                                 | -   | -                                     | -                      | -                     | -   | -                               |
| Construction in progress                                     | -   | -                                     | -                      | -                     | -   | -                               |
| Accumulated depreciation                                     | (2,435,720)                                   | -                                     | (1,747,322)            | -                     | (718,975)   | -                               |
| Net property and equipment                                   | 5,927,525                                     | -                                     | 1,778,434              | -                     | 4,041,797   | -                               |
| Other long-term assets                                       |   |                                       |                        |                       |   |                                 |
| Restricted property reserves                                 | 337,075                                       | -                                     | 438,073                | -                     | 123,784   | -                               |
| Cash, restricted   | -   | -                                     | -                      | -                     | -   | -                               |
| Long-term investments  | -   | -                                     | -                      | -                     | -   | -                               |
| Long-term investments, restricted                            | -   | -                                     | -                      | -                     | -   | -                               |
| Due from affiliates  | -   | -                                     | -                      | -                     | -   | -                               |
| Pledges receivable, net                                      | -   | -                                     | -                      | -                     | -   | -                               |
| Grants receivable  | -   | -                                     | -                      | -                     | -   | -                               |
| Investments in limited partnerships                          | -   | (21)                                  | -                      | 49,896                | -   | (129)                           |
| Notes and interest receivable, net                           | -   | -                                     | -                      | -                     | -   | -                               |
| Notes and interest receivable, affiliates                    | -   | -                                     | -                      | -                     | -   | -                               |
| Allowance for impaired assets                                | -   | -                                     | -                      | -                     | -   | -                               |
| Other assets   | 54,304  | -                                     | 16,387                 | -                     | 82,871  | -                               |
| Total other long-term assets                                 | 391,379                                       | (21)                                  | 454,460                | 49,896                | 206,655   | (129)                           |
| <b>Total Assets</b>  | <b>\$ 6,433,303</b>                           | <b>\$ (21)</b>                        | <b>\$ 2,306,513</b>    | <b>\$ 49,896</b>      | <b>\$ 4,314,822</b>   | <b>\$ 35,191</b>                |
| <b>Liabilities</b>   |   |                                       |                        |                       |   |                                 |
| Current liabilities  |   |                                       |                        |                       |   |                                 |
| Accounts payable and accrued expenses                        | \$ 28,586                                     | \$ -                                  | \$ 117,151             | \$ -                  | \$ 116,293  | \$ -                            |
| Due to affiliates  | 40,880  | 15,623                                | 70,480                 | 44,020                | -   | 67,782                          |
| Accrued interest   | 10,884  | -                                     | 3,063                  | -                     | 4,320   | -                               |
| Accrued interest, affiliates                                 | -   | -                                     | -                      | -                     | -   | -                               |
| Current portion of notes payable                             | 30,013  | -                                     | 25,874                 | -                     | 11,020  | -                               |
| Current portion of notes payable, affiliates                 | -   | -                                     | 40,000                 | -                     | 149,832   | -                               |
| Deferred revenue and other liabilities                       | 22,414  | -                                     | 5,646                  | -                     | 4,688   | -                               |
| Tenant security deposits                                     | 14,425  | -                                     | 31,348                 | -                     | 5,609   | -                               |
| Miscellaneous current liabilities                            | -   | -                                     | -                      | -                     | -   | -                               |
| Total current liabilities                                    | 147,202                                       | 15,623                                | 293,562                | 44,020                | 291,762   | 67,782                          |
| Long-term liabilities  |   |                                       |                        |                       |   |                                 |
| Due to affiliates  | -   | -                                     | -                      | -                     | -   | -                               |
| Accrued interest   | -   | -                                     | -                      | -                     | -   | -                               |
| Accrued interest, affiliates                                 | -   | -                                     | -                      | -                     | 108,328   | -                               |
| Notes payable, less current portion                          | 2,802,573                                     | -                                     | 3,866,281              | -                     | 657,842   | -                               |
| Notes payable, less current portion, affiliates              | -   | -                                     | -                      | -                     | 489,778   | -                               |
| Deferred revenue and other liabilities                       | -   | -                                     | -                      | -                     | -   | -                               |
| Total long-term liabilities                                  | 2,802,573                                     | -                                     | 3,866,281              | -                     | 1,255,948   | -                               |
| <b>Total liabilities</b>                                     | <b>2,949,775</b>                              | <b>15,623</b>                         | <b>4,159,843</b>       | <b>44,020</b>         | <b>1,547,710</b>  | <b>67,782</b>                   |
| <b>Net assets</b>  |   |                                       |                        |                       |   |                                 |
| Unrestricted net assets, controlling                         | 3,483,528                                     | (15,644)                              | (1,853,330)            | 5,876                 | 2,767,112   | (32,591)                        |
| Unrestricted net assets, noncontrolling                      | -   | -                                     | -                      | -                     | -   | -                               |
| Total unrestricted net assets                                | 3,483,528                                     | (15,644)                              | (1,853,330)            | 5,876                 | 2,767,112   | (32,591)                        |
| Temporarily restricted net assets                            | -   | -                                     | -                      | -                     | -   | -                               |
| Permanently restricted net assets                            | -   | -                                     | -                      | -                     | -   | -                               |
| <b>Total net assets</b>                                      | <b>3,483,528</b>                              | <b>(15,644)</b>                       | <b>(1,853,330)</b>     | <b>5,876</b>          | <b>2,767,112</b>  | <b>(32,591)</b>                 |
| <b>Total liabilities and net assets</b>                      | <b>\$ 6,433,303</b>                           | <b>\$ (21)</b>                        | <b>\$ 2,306,513</b>    | <b>\$ 49,896</b>      | <b>\$ 4,314,822</b>   | <b>\$ 35,191</b>                |

Consolidating Statement of Financial Position  
Mercy Properties Inc.  
December 31, 2011

**Assets**

|  | Mercy Housing<br>Georgia III<br>(Rose of Sharon) | Mercy Housing<br>South Dakota I, LLC<br>(Driftwood Estates) | Mercy Housing<br>South Dakota II, LLC<br>(Northern Heights) | Mercy Housing<br>Colorado XI, LLC<br>(Pinon Terrace) | Commons on<br>Main GP LLC | Commons<br>on Main LP |
|--|--|---|---|--|---------------------------|-----------------------|
| <b>Current assets</b>  |  |   |   |  |                           |                       |
| Cash and cash equivalents                                    | \$ 174,412                                       | \$ 130,096  | \$ 155,258  | \$ 40,479  | \$ -                      | \$ 46,468             |
| Cash, tenant security deposits                               | 80,017   | 9,375   | 16,760  | 24,095   | -                         | 7,120                 |
| Cash, restricted   | -  | -   | -   | 276  | -                         | -                     |
| Investments  | -  | -   | -   | -  | -                         | -                     |
| Investments, restricted                                      | -  | -   | -   | -  | -                         | -                     |
| Accounts receivable, net                                     | 37,977   | 8,459   | 4,318   | 27,900   | -                         | 15,785                |
| Due from affiliate, net                                      | 3,517  | -   | -   | -  | -                         | -                     |
| Pledges receivable   | -  | -   | -   | -  | -                         | -                     |
| Grants receivable  | -  | -   | -   | -  | -                         | -                     |
| Current portion of notes and interest receivable             | -  | -   | -   | -  | -                         | -                     |
| Current portion of notes and interest receivable, affiliates | -  | -   | -   | -  | -                         | -                     |
| Prepaid expenses and other assets                            | 90,936   | 8,254   | 13,564  | 14,949   | -                         | 22,448                |
| Inventory  | -  | -   | -   | -  | -                         | -                     |
| Assets held for sale   | -  | -   | -   | -  | -                         | -                     |
| <b>Total current assets</b>                                  | <b>386,859</b>                                   | <b>156,184</b>  | <b>189,900</b>  | <b>107,699</b>                                       | <b>-</b>                  | <b>91,821</b>         |
| <b>Property and equipment</b>                                |  |   |   |  |                           |                       |
| 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                                      | 168,205  | 266,702   | 189,210   | 178,264  | -                         | 26,009                |
| Predevelopment project costs                                 | -  | -   | -   | -  | -                         | -                     |
| Construction in progress                                     | -  | -   | -   | -  | -                         | -                     |
| Accumulated depreciation                                     | (1,890,190)                                      | (1,059,676)   | (1,058,061)   | (1,700,601)  | -                         | (108,937)             |
| <b>Net property and equipment</b>                            | <b>8,714,689</b>                                 | <b>4,000,869</b>  | <b>4,386,812</b>  | <b>10,233,135</b>                                    | <b>-</b>                  | <b>2,204,349</b>      |
| <b>Other long-term assets</b>                                |  |   |   |  |                           |                       |
| Restricted property reserves                                 | 884,268  | 434,501   | 336,359   | 233,517  | -                         | 364,653               |
| Cash, restricted   | -  | -   | -   | -  | -                         | -                     |
| Long-term investments  | -  | -   | -   | -  | -                         | -                     |
| Long-term investments, restricted                            | -  | -   | -   | -  | -                         | -                     |
| Due from affiliates  | -  | -   | -   | -  | -                         | -                     |
| Pledges receivable, net                                      | -  | -   | -   | -  | -                         | -                     |
| Grants receivable  | -  | -   | -   | -  | -                         | -                     |
| Investments in limited partnerships                          | -  | -   | -   | -  | 3,828,702                 | -                     |
| Notes and interest receivable, net                           | -  | -   | -   | -  | -                         | -                     |
| Notes and interest receivable, affiliates                    | -  | -   | -   | -  | -                         | -                     |
| Allowance for impaired assets                                | -  | -   | -   | -  | -                         | -                     |
| Other assets   | 686,079  | 21,906  | 39,207  | 192,569  | -                         | 68,789                |
| <b>Total other long-term assets</b>                          | <b>1,570,347</b>                                 | <b>456,407</b>  | <b>375,566</b>  | <b>426,086</b>                                       | <b>3,828,702</b>          | <b>433,442</b>        |
| <b>Total Assets</b>  | <b>\$ 10,671,895</b>                             | <b>\$ 4,613,460</b>   | <b>\$ 4,952,278</b>   | <b>\$ 10,766,920</b>                                 | <b>\$ 3,828,702</b>       | <b>\$ 2,729,612</b>   |
| <b>Liabilities</b>   |  |   |   |  |                           |                       |
| <b>Current liabilities</b>                                   |  |   |   |  |                           |                       |
| Accounts payable and accrued expenses                        | \$ 180,609                                       | \$ 82,922   | \$ 102,145  | \$ 64,159  | \$ -                      | \$ 59,261             |
| Due to affiliates  | 119,951  | 64,684  | 97,026  | 13,113   | 59,719                    | 325,149               |
| Accrued interest   | 25,899   | 10,090  | 4,689   | 3,971  | -                         | 237                   |
| Accrued interest, affiliates                                 | -  | -   | -   | -  | -                         | -                     |
| Current portion of notes payable                             | 260,107  | 55,049  | 9,866   | 9,418  | -                         | 4,230                 |
| Current portion of notes payable, affiliates                 | -  | -   | -   | -  | -                         | 219,097               |
| Deferred revenue and other liabilities                       | 4,412  | 1,893   | 2,251   | 2,829  | -                         | 6,460                 |
| Tenant security deposits                                     | 79,440   | 9,060   | 16,340  | 25,016   | -                         | 7,462                 |
| Miscellaneous current liabilities                            | -  | -   | -   | -  | -                         | -                     |
| <b>Total current liabilities</b>                             | <b>670,418</b>                                   | <b>223,698</b>  | <b>232,317</b>  | <b>118,506</b>                                       | <b>59,719</b>             | <b>621,896</b>        |
| <b>Long-term liabilities</b>                                 |  |   |   |  |                           |                       |
| Due to affiliates  | -  | -   | -   | -  | -                         | -                     |
| Accrued interest   | 542,624  | -   | -   | 9,483  | -                         | 23,845                |
| Accrued interest, affiliates                                 | -  | 284,925   | 14,154  | 136,008  | -                         | -                     |
| Notes payable, less current portion                          | 6,729,267  | 1,075,660   | 750,666   | 969,679  | -                         | 427,482               |
| Notes payable, less current portion, affiliates              | -  | 1,271,688   | 987,517   | 1,057,500  | -                         | -                     |
| Deferred revenue and other liabilities                       | -  | -   | -   | -  | -                         | 138,681               |
| <b>Total long-term liabilities</b>                           | <b>7,271,891</b>                                 | <b>2,632,273</b>  | <b>1,752,337</b>  | <b>2,172,670</b>                                     | <b>-</b>                  | <b>590,008</b>        |
| <b>Total liabilities</b>                                     | <b>7,942,309</b>                                 | <b>2,855,971</b>  | <b>1,984,654</b>  | <b>2,291,176</b>                                     | <b>59,719</b>             | <b>1,211,904</b>      |
| <b>Net assets</b>  |  |   |   |  |                           |                       |
| Unrestricted net assets, controlling                         | 2,729,586  | 1,757,489   | 2,967,624   | 8,475,744  | 3,768,983                 | 1,517,708             |
| Unrestricted net assets, noncontrolling                      | -  | -   | -   | -  | -                         | -                     |
| <b>Total unrestricted net assets</b>                         | <b>2,729,586</b>                                 | <b>1,757,489</b>  | <b>2,967,624</b>  | <b>8,475,744</b>                                     | <b>3,768,983</b>          | <b>1,517,708</b>      |
| Temporarily restricted net assets                            | -  | -   | -   | -  | -                         | -                     |
| Permanently restricted net assets                            | -  | -   | -   | -  | -                         | -                     |
| <b>Total net assets</b>                                      | <b>2,729,586</b>                                 | <b>1,757,489</b>  | <b>2,967,624</b>  | <b>8,475,744</b>                                     | <b>3,768,983</b>          | <b>1,517,708</b>      |
| <b>Total liabilities and net assets</b>                      | <b>\$ 10,671,895</b>                             | <b>\$ 4,613,460</b>   | <b>\$ 4,952,278</b>   | <b>\$ 10,766,920</b>                                 | <b>\$ 3,828,702</b>       | <b>\$ 2,729,612</b>   |

Consolidating Statement of Financial Position  
Mercy Properties Inc.  
December 31, 2011

|  | Aromor<br>Mercy LLC<br>(Aromor Apartments) | Mercy<br>Galewood SLF, Inc. | FHD<br>Holdings LLC | Franciscan<br>Homes III, LP | Franciscan<br>Homes IV, LP | Eliminations          | Consolidated<br>Mercy<br>Properties, Inc |
|--|--|-----------------------------|---------------------|-----------------------------|----------------------------|-----------------------|--|
| <b>Assets</b>  |  |                             |                     |                             |                            |                       |  |
| Current assets   |  |                             |                     |                             |                            |                       |  |
| Cash and cash equivalents                                    | \$ 15,963                                  | \$ -                        | \$ 5,883            | \$ 29,891                   | \$ 27,454                  | \$ -                  | \$ 4,271,155                             |
| Cash, tenant security deposits                               | 6,040                                      | -                           | -                   | 4,622                       | 4,075                      | -                     | 826,319                                  |
| Cash, restricted   | -  | -                           | -                   | -                           | -                          | -                     | 5,747                                    |
| Investments  | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Investments, restricted                                      | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Accounts receivable, net                                     | 17,984                                     | -                           | -                   | 5,767                       | 7,408                      | -                     | 405,351                                  |
| Due from affiliate, net                                      | -  | -                           | 38,000              | 350                         | 116                        | (774,012)             | 59,075                                   |
| Pledges receivable   | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Grants receivable  | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Current portion of notes and interest receivable             | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Current portion of notes and interest receivable, affiliates | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Prepaid expenses and other assets                            | 12,015                                     | -                           | -                   | 8,546                       | 11,168                     | -                     | 674,207                                  |
| Inventory  | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Assets held for sale   | -  | -                           | -                   | -                           | -                          | -                     | 692,149                                  |
| Total current assets   | 52,002                                     | -                           | 43,883              | 49,176                      | 50,221                     | (774,012)             | 6,934,003                                |
| Property and equipment                                       |  |                             |                     |                             |                            |                       |  |
| Land and land improvements                                   | 762,319                                    | -                           | -                   | 42,857                      | 43,481                     | -                     | 19,563,552                               |
| Buildings  | 7,300,869                                  | -                           | -                   | -                           | -                          | (17,003)              | 186,640,865                              |
| Furniture and equipment                                      | 541,510                                    | -                           | -                   | -                           | -                          | -                     | 7,140,725                                |
| Predevelopment project costs                                 | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Construction in progress                                     | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Accumulated depreciation                                     | (892,188)                                  | -                           | -                   | -                           | -                          | 2,550                 | (76,842,159)                             |
| Net property and equipment                                   | 7,712,510                                  | -                           | -                   | 42,857                      | 43,481                     | (14,453)              | 136,502,983                              |
| Other long-term assets                                       |  |                             |                     |                             |                            |                       |  |
| Restricted property reserves                                 | 274,950                                    | -                           | -                   | 47,104                      | 23,804                     | -                     | 11,153,303                               |
| Cash, restricted   | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Long-term investments  | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Long-term investments, restricted                            | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Due from affiliates  | -  | -                           | 403,437             | -                           | -                          | (403,437)             | -  |
| Pledges receivable, net                                      | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Grants receivable  | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Investments in limited partnerships                          | -  | (2,941)                     | 90,932              | -                           | -                          | (4,674,596)           | (2,904)                                  |
| Notes and interest receivable, net                           | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Notes and interest receivable, affiliates                    | -  | -                           | -                   | -                           | -                          | (281,000)             | -  |
| Allowance for impaired assets                                | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Other assets   | 44,776                                     | -                           | -                   | -                           | 2,433                      | -                     | 2,271,734                                |
| Total other long-term assets                                 | 319,726                                    | (2,941)                     | 494,369             | 47,104                      | 26,237                     | (5,359,033)           | 13,422,133                               |
| <b>Total Assets</b>  | <b>\$ 8,084,238</b>                        | <b>\$ (2,941)</b>           | <b>\$ 538,252</b>   | <b>\$ 139,137</b>           | <b>\$ 119,939</b>          | <b>\$ (6,147,498)</b> | <b>\$ 156,859,119</b>                    |
| <b>Liabilities</b>   |  |                             |                     |                             |                            |                       |  |
| Current liabilities  |  |                             |                     |                             |                            |                       |  |
| Accounts payable and accrued expenses                        | \$ 39,014                                  | \$ -                        | \$ -                | \$ 54,680                   | \$ 60,897                  | \$ -                  | \$ 2,385,103                             |
| Due to affiliates  | 18,127                                     | 4,503                       | -                   | 432,839                     | 703,987                    | (1,854,529)           | 3,811,325                                |
| Accrued interest   | -  | -                           | -                   | -                           | 476                        | -                     | 541,085                                  |
| Accrued interest, affiliates                                 | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Current portion of notes payable                             | -  | -                           | -                   | 8,000                       | 8,049                      | -                     | 1,689,954                                |
| Current portion of notes payable, affiliates                 | -  | -                           | -                   | 53,389                      | -                          | -                     | 462,318                                  |
| Deferred revenue and other liabilities                       | 6,513                                      | -                           | -                   | 1,751                       | 2,757                      | -                     | 1,013,235                                |
| Tenant security deposits                                     | 5,743                                      | -                           | -                   | 4,772                       | 4,492                      | -                     | 822,964                                  |
| Miscellaneous current liabilities                            | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Total current liabilities                                    | 69,397                                     | 4,503                       | -                   | 555,431                     | 780,658                    | (1,854,529)           | 10,725,984                               |
| Long-term liabilities  |  |                             |                     |                             |                            |                       |  |
| Due to affiliates  | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Accrued interest   | -  | -                           | -                   | 134,137                     | 632,325                    | -                     | 17,442,531                               |
| Accrued interest, affiliates                                 | 353,439                                    | -                           | -                   | -                           | -                          | (82,493)              | 1,780,279                                |
| Notes payable, less current portion                          | -  | -                           | -                   | 1,144,735                   | 1,596,216                  | -                     | 77,399,037                               |
| Notes payable, less current portion, affiliates              | 2,551,500                                  | -                           | -                   | 355,478                     | 167,410                    | (1,300,258)           | 13,309,397                               |
| Deferred revenue and other liabilities                       | -  | -                           | -                   | -                           | 88,831                     | (88,831)              | 1,025,766                                |
| Total long-term liabilities                                  | 2,904,939                                  | -                           | -                   | 1,634,350                   | 2,484,782                  | (1,471,582)           | 110,957,010                              |
| <b>Total liabilities</b>                                     | <b>2,974,336</b>                           | <b>4,503</b>                | <b>-</b>            | <b>2,189,781</b>            | <b>3,265,440</b>           | <b>(3,326,111)</b>    | <b>121,682,994</b>                       |
| <b>Net assets</b>  |  |                             |                     |                             |                            |                       |  |
| Unrestricted net assets, controlling                         | 5,109,902                                  | (7,444)                     | 538,252             | (2,050,644)                 | (3,145,501)                | (2,821,387)           | 34,979,341                               |
| Unrestricted net assets, noncontrolling                      | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Total unrestricted net assets                                | 5,109,902                                  | (7,444)                     | 538,252             | (2,050,644)                 | (3,145,501)                | (2,821,387)           | 34,979,341                               |
| Temporarily restricted net assets                            | -  | -                           | -                   | -                           | -                          | -                     | 196,784                                  |
| Permanently restricted net assets                            | -  | -                           | -                   | -                           | -                          | -                     | -  |
| <b>Total net assets</b>                                      | <b>5,109,902</b>                           | <b>(7,444)</b>              | <b>538,252</b>      | <b>(2,050,644)</b>          | <b>(3,145,501)</b>         | <b>(2,821,387)</b>    | <b>35,176,125</b>                        |
| <b>Total liabilities and net assets</b>                      | <b>\$ 8,084,238</b>                        | <b>\$ (2,941)</b>           | <b>\$ 538,252</b>   | <b>\$ 139,137</b>           | <b>\$ 119,939</b>          | <b>\$ (6,147,498)</b> | <b>\$ 156,859,119</b>                    |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Inc.  
For the year ended December 31, 2011

|  | Mercy Properties<br>Inc. (MPI) | 111 Jones Street<br>Association<br>(111 Jones<br>Street Apartments) | Britton Street<br>Association<br>(Britton Court) | Mercy Housing<br>Nebraska I<br>(Capital Corners) | Mercy Housing<br>California VII<br>(Casa San Juan) |
|--|--------------------------------|---|--|--|--|
| <b>Revenues</b>                                      |                                |   |  |  |  |
| Rent - net of vacancies                              | \$ -                           | \$ 1,114,638  | \$ 1,373,225                                     | \$ 188,250                                       | \$ 719,021   |
| Developer fees                                       | -                              | -   | -  | -  | -  |
| Services fees  | 375,928                        | -   | -  | -  | -  |
| Philanthropy   | -                              | -   | -  | -  | -  |
| Capital grants                                       | -                              | -   | -  | -  | -  |
| Consulting   | -                              | -   | -  | -  | -  |
| Interest   | 35,056                         | 3,316   | 1,508  | 114  | 326  |
| Other revenue  | 115,712                        | 17,505  | 21,973   | 2,237  | 17,120   |
| <b>Total revenues</b>                                | <u>526,696</u>                 | <u>1,135,459</u>  | <u>1,396,706</u>                                 | <u>190,601</u>                                   | <u>736,467</u>                                     |
| <b>Expenses and losses</b>                           |                                |   |  |  |  |
| Compensation   | -                              | 375,717   | 282,189  | 26,726   | 77,424   |
| Administrative                                       | 420,601                        | 140,757   | 119,718  | 26,590   | 87,770   |
| Professional services                                | 4,376                          | 88,970  | 14,350   | 8,384  | 71,937   |
| Depreciation and amortization                        | -                              | 300,403   | 589,925  | 75,463   | 289,703  |
| Grants   | 144,923                        | -   | -  | -  | -  |
| Facility   | -                              | 496,842   | 423,388  | 87,314   | 212,069  |
| Interest and fees                                    | 26,636                         | 199,098   | 401,699  | 47,981   | 101,802  |
| Bad debts  | 53,055                         | 240   | 10,774   | 3,516  | 1,125  |
| Provision for impaired assets                        | (96,702)                       | -   | -  | -  | -  |
| Project expenses                                     | -                              | -   | -  | -  | -  |
| Allocation   | -                              | -   | -  | -  | -  |
| (Gain) loss on sale of assets                        | -                              | -   | -  | -  | -  |
| (Gain) loss on investment in limited partnership     | 10,563                         | -   | -  | -  | -  |
| <b>Total expenses and losses</b>                     | <u>563,452</u>                 | <u>1,602,027</u>  | <u>1,842,043</u>                                 | <u>275,974</u>                                   | <u>841,830</u>                                     |
| <b>Excess (deficiency) of revenues over expenses</b> | (36,756)                       | (466,568)   | (445,337)  | (85,373)   | (105,363)  |
| Net assets at beginning of year                      | (451,558)                      | (6,930,004)   | (1,789,401)                                      | 619,955  | 3,630,174  |
| Other transfers to (from) net assets                 | (119,702)                      | -   | -  | -  | -  |
| Net assets at end of year                            | <u>\$ (608,016)</u>            | <u>\$ (7,396,572)</u>   | <u>\$ (2,234,738)</u>                            | <u>\$ 534,582</u>                                | <u>\$ 3,524,811</u>                                |



Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Inc.  
For the year ended December 31, 2011

|  | Mercy Housing<br>California II<br>(Columbia Park) | Mercy Housing<br>Colorado VIII<br>(Valle de Merced) | Mercy Housing<br>Colorado I, LTD<br>(Grace Apartments) | Mercy Housing<br>California XI<br>(Madison Place) | Marlton Affordable<br>Housing<br>Association<br>(Marlton Manor) | Mason<br>Apartments<br>(Mason School<br>Apartments) |
|--|---|---|--|---|---|---|
| <b>Revenues</b>                                      |   |   |  |   |   |   |
| Rent - net of vacancies                              | \$ 761,009  | \$ 371,716  | \$ 435,887   | \$ 295,788  | \$ 2,449,773  | \$ 199,964  |
| Developer fees                                       | -   | -   | -  | -   | -   | -   |
| Services fees  | -   | -   | -  | -   | -   | -   |
| Philanthropy   | -   | -   | -  | -   | -   | -   |
| Capital grants                                       | -   | -   | -  | -   | -   | -   |
| Consulting   | -   | -   | -  | -   | -   | -   |
| Interest   | 619   | 315   | 71   | 169   | 4,596   | 25  |
| Other revenue  | 14,948  | 14,562  | 14,061   | 15,239  | 10,083  | 57,771  |
| <b>Total revenues</b>                                | <u>776,576</u>                                    | <u>386,593</u>                                      | <u>450,019</u>   | <u>311,196</u>                                    | <u>2,464,452</u>  | <u>257,760</u>                                      |
| <b>Expenses and losses</b>                           |   |   |  |   |   |   |
| Compensation   | 118,333   | 100,241   | 113,833  | 74,401  | 586,179   | 29,492  |
| Administrative                                       | 91,957  | 77,904  | 56,043   | 57,580  | 273,198   | 42,619  |
| Professional services                                | 77,769  | 8,983   | 31,783   | 10,484  | 24,331  | 36,829  |
| Depreciation and amortization                        | 322,815   | 289,190   | 120,589  | 183,325   | 559,256   | 69,444  |
| Grants   | -   | -   | -  | -   | -   | 735,000   |
| Facility   | 165,198   | 122,310   | 197,920  | 128,930   | 700,292   | 99,367  |
| Interest and fees                                    | 246,645   | 120,186   | 36,429   | 97,311  | 203,997   | 55,217  |
| Bad debts  | (414)   | 1,945   | 969  | 1,696   | -   | 26  |
| Provision for impaired assets                        | -   | -   | -  | -   | -   | -   |
| Project expenses                                     | -   | -   | -  | -   | -   | -   |
| Allocation   | -   | -   | -  | -   | -   | -   |
| (Gain) loss on sale of assets                        | -   | -   | -  | -   | -   | (474,480)   |
| (Gain) loss on investment in limited partnership     | -   | -   | -  | -   | -   | -   |
| <b>Total expenses and losses</b>                     | <u>1,022,303</u>                                  | <u>720,759</u>                                      | <u>557,566</u>   | <u>553,727</u>                                    | <u>2,347,253</u>  | <u>593,514</u>                                      |
| <b>Excess (deficiency) of revenues over expenses</b> | (245,727)   | (334,166)   | (107,547)  | (242,531)   | 117,199   | (335,754)   |
| Net assets at beginning of year                      | 16,404  | 2,578,733   | 440,911  | 539,510   | 9,074,756   | 337,025   |
| Other transfers to (from) net assets                 | -   | -   | -  | -   | (175,096)   | -   |
| Net assets at end of year                            | <u>\$ (229,323)</u>                               | <u>\$ 2,244,567</u>                                 | <u>\$ 333,364</u>                                      | <u>\$ 296,979</u>                                 | <u>\$ 9,016,859</u>   | <u>\$ 1,271</u>                                     |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Inc.  
For the year ended December 31, 2011

|  | Mercy Housing<br>California V<br>(Mercy Village<br>Folsom) | Park Terrace<br>Apartments | Quinn<br>Cottages, LP | Mercy Housing<br>California X<br>(The Rose) | San Felipe<br>Homes   | 2220 10th<br>Avenue<br>Association<br>(Santana Apts) |
|--|--|----------------------------|-----------------------|---|-----------------------|--|
| <b>Revenues</b>                                      |  |                            |                       |   |                       |  |
| Rent - net of vacancies                              | \$ 576,008   | \$ 424,928                 | \$ 223,403            | \$ 793,080                                  | \$ 175,804            | \$ 276,927   |
| Developer fees                                       | -  | -                          | -                     | -   | -                     | -  |
| Services fees  | -  | -                          | -                     | -   | -                     | -  |
| Philanthropy   | -  | -                          | -                     | 23,919                                      | -                     | -  |
| Capital grants                                       | -  | -                          | -                     | -   | -                     | -  |
| Consulting   | -  | -                          | -                     | -   | -                     | -  |
| Interest   | 2,829  | 62,157                     | 21                    | 85  | 100                   | 102  |
| Other revenue  | 9,830  | 21,149                     | 75,158                | 18,754                                      | 4,442                 | 2,126  |
| <b>Total revenues</b>                                | <u>588,667</u>   | <u>508,234</u>             | <u>298,582</u>        | <u>835,838</u>                              | <u>180,346</u>        | <u>279,155</u>                                       |
| <b>Expenses and losses</b>                           |  |                            |                       |   |                       |  |
| Compensation   | 87,523   | 93,715                     | 154,355               | 334,510                                     | 40,993                | 76,150   |
| Administrative                                       | 79,661   | 68,690                     | 56,616                | 110,840                                     | 32,361                | 46,556   |
| Professional services                                | 68,268   | 69,475                     | 21,107                | 87,577                                      | 8,831                 | 27,962   |
| Depreciation and amortization                        | 428,980  | 209,993                    | 122,751               | 121,451                                     | 30,875                | 87,705   |
| Grants   | -  | -                          | -                     | -   | -                     | -  |
| Facility   | 130,998  | 132,509                    | 115,563               | 227,897                                     | 90,282                | 127,059  |
| Interest and fees                                    | 184,365  | 36,710                     | 42,120                | 33,600                                      | 57,850                | 80,131   |
| Bad debts  | 150  | 1,044                      | 864                   | 84  | -                     | 3,636  |
| Provision for impaired assets                        | -  | -                          | -                     | -   | -                     | -  |
| Project expenses                                     | -  | -                          | -                     | -   | -                     | -  |
| Allocation   | -  | -                          | -                     | -   | -                     | -  |
| (Gain) loss on sale of assets                        | -  | -                          | -                     | -   | -                     | -  |
| (Gain) loss on investment in limited partnership     | -  | -                          | -                     | -   | -                     | -  |
| <b>Total expenses and losses</b>                     | <u>979,945</u>   | <u>612,136</u>             | <u>513,376</u>        | <u>915,959</u>                              | <u>261,192</u>        | <u>449,199</u>                                       |
| <b>Excess (deficiency) of revenues over expenses</b> | (391,278)  | (103,902)                  | (214,794)             | (80,121)                                    | (80,846)              | (170,044)  |
| Net assets at beginning of year                      | 2,227,674  | 2,981,549                  | (371,807)             | 1,853,949                                   | (1,897,346)           | (1,699,773)  |
| Other transfers to (from) net assets                 | -  | -                          | -                     | -   | -                     | -  |
| Net assets at end of year                            | <u>\$ 1,836,396</u>  | <u>\$ 2,877,647</u>        | <u>\$ (586,601)</u>   | <u>\$ 1,773,828</u>                         | <u>\$ (1,978,192)</u> | <u>\$ (1,869,817)</u>                                |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Inc.  
For the year ended December 31, 2011

|  | Mercy Housing<br>California VIII<br>(School House<br>Station) | Mercy Housing<br>Iowa II, LP<br>(Sherwood Place<br>Apartments) | Mercy Housing<br>California I<br>(St. Francis Terrace) | Mercy Housing<br>Arizona I<br>(Villas de Merced) | Mercy Housing<br>Georgia II LLLP<br>(Orchard Grove) | Mercy Housing<br>Colorado IX, LLLP<br>(Parkside Apts) |
|--|---|--|--|--|---|---|
| <b>Revenues</b>                                      |   |  |  |  |   |   |
| Rent - net of vacancies                              | \$ 852,362  | \$ 201,296   | \$ 325,272   | \$ 757,952                                       | \$ 316,929  | \$ 507,959  |
| Developer fees                                       | -   | -  | -  | -  | -   | -   |
| Services fees  | -   | -  | -  | -  | -   | -   |
| Philanthropy   | -   | -  | -  | -  | -   | -   |
| Capital grants                                       | -   | -  | -  | -  | -   | -   |
| Consulting   | -   | -  | -  | -  | -   | -   |
| Interest   | 330   | 57   | 620  | 120  | 19  | 81  |
| Other revenue  | 62,601  | 1,350  | 2,560  | 20,842   | 7,797   | 14,628  |
| <b>Total revenues</b>                                | <b>915,293</b>  | <b>202,703</b>   | <b>328,452</b>   | <b>778,914</b>                                   | <b>324,745</b>                                      | <b>522,668</b>  |
| <b>Expenses and losses</b>                           |   |  |  |  |   |   |
| Compensation   | 123,476   | 34,984   | 94,861   | 142,915  | 84,073  | 118,304   |
| Administrative                                       | 109,876   | 40,975   | 44,004   | 77,576   | 47,529  | 92,927  |
| Professional services                                | 128,813   | 8,505  | 11,754   | 15,936   | 23,859  | 13,457  |
| Depreciation and amortization                        | 355,270   | 107,515  | 190,716  | 248,413  | 194,891   | 364,588   |
| Grants   | -   | -  | -  | -  | -   | -   |
| Facility   | 217,193   | 68,152   | 123,752  | 315,355  | 168,981   | 129,594   |
| Interest and fees                                    | 144,565   | 39,816   | 107,664  | 281,126  | 991   | 212,314   |
| Bad debts  | 1,142   | 1,004  | -  | 10,292   | 6,298   | 3,186   |
| Provision for impaired assets                        | -   | -  | -  | -  | -   | -   |
| Project expenses                                     | -   | -  | -  | -  | -   | -   |
| Allocation   | -   | -  | -  | -  | -   | -   |
| (Gain) loss on sale of assets                        | -   | -  | -  | -  | -   | -   |
| (Gain) loss on investment in limited partnership     | -   | -  | -  | -  | -   | -   |
| <b>Total expenses and losses</b>                     | <b>1,080,335</b>  | <b>300,951</b>   | <b>572,751</b>   | <b>1,091,613</b>                                 | <b>526,622</b>                                      | <b>934,370</b>  |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(165,042)</b>  | <b>(98,248)</b>  | <b>(244,299)</b>                                       | <b>(312,699)</b>                                 | <b>(201,877)</b>                                    | <b>(411,702)</b>                                      |
| Net assets at beginning of year                      | 2,671,529   | 927,973  | (2,564,612)  | (340,194)  | 2,342,135   | 2,956,129   |
| Other transfers to (from) net assets                 | -   | -  | -  | -  | -   | -   |
| Net assets at end of year                            | <u>\$ 2,506,487</u>   | <u>\$ 829,725</u>  | <u>\$ (2,808,911)</u>                                  | <u>\$ (652,893)</u>                              | <u>\$ 2,140,258</u>                                 | <u>\$ 2,544,427</u>                                   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Inc.  
For the year ended December 31, 2011

|  | Mercy Housing<br>Arizona II<br>(Page Commons) | Parkside<br>Terrace<br>Apartments LLC | Parkside<br>Terrace LP | Mulberry<br>Court LLC | Mercy Housing<br>South Carolina I<br>(Mulberry Court<br>Apartments) | Savannah Rose<br>of Sharon, LLC |
|--|---|---------------------------------------|------------------------|-----------------------|---|---------------------------------|
| <b>Revenues</b>                                      |   |                                       |                        |                       |   |                                 |
| Rent - net of vacancies                              | \$ 642,179                                    | \$ -                                  | \$ 438,436             | \$ -                  | \$ 257,183  | \$ -                            |
| Developer fees                                       | -   | -                                     | -                      | -                     | -   | -                               |
| Services fees  | -   | -                                     | -                      | -                     | -   | 15,000                          |
| Philanthropy   | -   | -                                     | -                      | -                     | -   | -                               |
| Capital grants                                       | -   | -                                     | -                      | -                     | -   | -                               |
| Consulting   | -   | -                                     | -                      | -                     | -   | -                               |
| Interest   | 331   | -                                     | 1,736                  | -                     | 24  | -                               |
| Other revenue  | 15,531  | -                                     | 9,525                  | -                     | 2,680   | -                               |
| <b>Total revenues</b>                                | <b>658,041</b>                                | <b>-</b>                              | <b>449,697</b>         | <b>-</b>              | <b>259,887</b>  | <b>15,000</b>                   |
| <b>Expenses and losses</b>                           |   |                                       |                        |                       |   |                                 |
| Compensation   | 109,454                                       | -                                     | 62,172                 | -                     | 35,482  | -                               |
| Administrative                                       | 127,036                                       | -                                     | 65,364                 | 8,400                 | 36,521  | 41,210                          |
| Professional services                                | 61,723  | 540                                   | 10,790                 | 1,090                 | 20,769  | 1,618                           |
| Depreciation and amortization                        | 327,655                                       | -                                     | 76,089                 | -                     | 179,222   | -                               |
| Grants   | -   | -                                     | -                      | -                     | -   | -                               |
| Facility   | 133,879                                       | -                                     | 235,547                | -                     | 118,470   | -                               |
| Interest and fees                                    | 138,437                                       | 733                                   | 41,091                 | 196                   | 87,280  | 251                             |
| Bad debts  | 880   | -                                     | 7,695                  | -                     | 3,609   | -                               |
| Provision for impaired assets                        | -   | -                                     | -                      | -                     | -   | -                               |
| Project expenses                                     | -   | -                                     | -                      | -                     | -   | -                               |
| Allocation   | -   | -                                     | -                      | -                     | -   | -                               |
| (Gain) loss on sale of assets                        | -   | -                                     | -                      | -                     | -   | -                               |
| (Gain) loss on investment in limited partnership     | -   | 49                                    | -                      | 22                    | -   | 31                              |
| <b>Total expenses and losses</b>                     | <b>899,064</b>                                | <b>1,322</b>                          | <b>498,748</b>         | <b>9,708</b>          | <b>481,353</b>  | <b>43,110</b>                   |
| <b>Excess (deficiency) of revenues over expenses</b> | <b>(241,023)</b>                              | <b>(1,322)</b>                        | <b>(49,051)</b>        | <b>(9,708)</b>        | <b>(221,466)</b>  | <b>(28,110)</b>                 |
| Net assets at beginning of year                      | 3,726,579                                     | (14,322)                              | (1,804,279)            | 15,584                | 2,988,578   | (4,481)                         |
| Other transfers to (from) net assets                 | (2,028)                                       | -                                     | -                      | -                     | -   | -                               |
| Net assets at end of year                            | <u>\$ 3,483,528</u>                           | <u>\$ (15,644)</u>                    | <u>\$ (1,853,330)</u>  | <u>\$ 5,876</u>       | <u>\$ 2,767,112</u>   | <u>\$ (32,591)</u>              |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Inc.  
For the year ended December 31, 2011

|  | Mercy Housing<br>Georgia III<br>(Rose of Sharon) | Mercy Housing<br>South Dakota I, LLC<br>(Dritfwood Estates) | Mercy Housing<br>South Dakota II, LLC<br>(Northern Heights) | Mercy Housing<br>Colorado XI, LLC<br>(Pinon Terrace) | Commons on<br>Main GP LLC | Commons<br>on Main LP |
|--|--|---|---|--|---------------------------|-----------------------|
| <b>Revenues</b>                                      |  |   |   |  |                           |                       |
| Rent - net of vacancies                              | \$ 1,309,784                                     | \$ 501,143  | \$ 573,844  | \$ 465,948   | \$ -                      | \$ 327,050            |
| Developer fees                                       | -  | -   | -   | -  | -                         | -                     |
| Services fees  | -  | -   | -   | -  | -                         | -                     |
| Philanthropy   | 13,315   | -   | -   | -  | -                         | -                     |
| Capital grants                                       | -  | -   | -   | -  | -                         | -                     |
| Consulting   | -  | -   | -   | -  | -                         | -                     |
| Interest   | 206,908  | 355   | 249   | 361  | -                         | 43                    |
| Other revenue  | 68,590   | 5,425   | 9,506   | 21,913   | -                         | 204,966               |
| <b>Total revenues</b>                                | <u>1,598,597</u>                                 | <u>506,923</u>  | <u>583,599</u>  | <u>488,222</u>                                       | <u>-</u>                  | <u>532,059</u>        |
| <b>Expenses and losses</b>                           |  |   |   |  |                           |                       |
| Compensation   | 216,035  | 83,543  | 107,677   | 93,365   | -                         | 146,234               |
| Administrative                                       | 191,288  | 81,555  | 110,729   | 101,448  | 14,000                    | 76,202                |
| Professional services                                | 81,682   | 12,511  | 11,930  | 45,016   | 1,005                     | 27,438                |
| Depreciation and amortization                        | 416,676  | 201,231   | 205,725   | 392,143  | -                         | 112,316               |
| Grants   | -  | -   | -   | -  | -                         | -                     |
| Facility   | 633,200  | 185,056   | 203,311   | 173,970  | -                         | 183,203               |
| Interest and fees                                    | 374,460  | 149,469   | 105,576   | 119,881  | 259                       | 53,740                |
| Bad debts  | 2,498  | 2,350   | 5,584   | 2,572  | -                         | 20,446                |
| Provision for impaired assets                        | -  | -   | -   | -  | -                         | -                     |
| Project expenses                                     | -  | -   | -   | -  | -                         | -                     |
| Allocation   | -  | -   | -   | -  | -                         | -                     |
| (Gain) loss on sale of assets                        | -  | -   | -   | -  | -                         | -                     |
| (Gain) loss on investment in limited partnership     | -  | -   | -   | -  | 9                         | -                     |
| <b>Total expenses and losses</b>                     | <u>1,915,839</u>                                 | <u>715,715</u>  | <u>750,532</u>  | <u>928,395</u>                                       | <u>15,273</u>             | <u>619,579</u>        |
| <b>Excess (deficiency) of revenues over expenses</b> | (317,242)  | (208,792)   | (166,933)   | (440,173)  | (15,273)                  | (87,520)              |
| Net assets at beginning of year                      | 3,046,828  | 1,966,281   | 3,134,557   | 8,915,917  | 3,784,256                 | 1,605,228             |
| Other transfers to (from) net assets                 | -  | -   | -   | -  | -                         | -                     |
| Net assets at end of year                            | <u>\$ 2,729,586</u>                              | <u>\$ 1,757,489</u>   | <u>\$ 2,967,624</u>   | <u>\$ 8,475,744</u>                                  | <u>\$ 3,768,983</u>       | <u>\$ 1,517,708</u>   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties Inc.  
For the year ended December 31, 2011

|  | Aromor<br>Mercy LLC<br>(Aromor Apartments) | Mercy<br>Galewood SLF, Inc. | FHD<br>Holdings LLC | Franciscan<br>Homes III, LP | Franciscan<br>Homes IV, LP | Eliminations          | Consolidated<br>Mercy<br>Properties, Inc |
|--|--|-----------------------------|---------------------|-----------------------------|----------------------------|-----------------------|--|
| <b>Revenues</b>                                      |  |                             |                     |                             |                            |                       |  |
| Rent - net of vacancies                              | \$ 427,849                                 | \$ -                        | \$ -                | \$ 158,128                  | \$ 156,609                 | \$ -                  | \$ 18,725,652                            |
| Developer fees                                       | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Services fees  | -  | -                           | 9,500               | -                           | -                          | (365,952)             | 34,476                                   |
| Philanthropy   | -  | -                           | -                   | -                           | -                          | -                     | 37,234                                   |
| Capital grants                                       | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Consulting   | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Interest   | 29   | -                           | -                   | 17                          | 2                          | (20,626)              | 302,176                                  |
| Other revenue  | 2,192                                      | -                           | 500,000             | 120,290                     | 176,474                    | (131,119)             | 1,549,026                                |
| <b>Total revenues</b>                                | <u>430,070</u>                             | <u>-</u>                    | <u>509,500</u>      | <u>278,435</u>              | <u>333,085</u>             | <u>(517,697)</u>      | <u>20,648,564</u>                        |
| <b>Expenses and losses</b>                           |  |                             |                     |                             |                            |                       |  |
| Compensation   | 187,559                                    | -                           | -                   | 73,938                      | 73,905                     | -                     | 4,393,944                                |
| Administrative                                       | 81,044                                     | -                           | -                   | 45,949                      | 37,594                     | (365,951)             | 2,873,683                                |
| Professional services                                | 21,600                                     | 934                         | 164                 | 16,165                      | 12,241                     | -                     | 1,203,670                                |
| Depreciation and amortization                        | 348,478                                    | -                           | -                   | -                           | 511                        | (618)                 | 7,574,784                                |
| Grants   | -  | -                           | -                   | -                           | -                          | -                     | 879,923                                  |
| Facility   | 119,028                                    | -                           | -                   | 107,820                     | 114,312                    | -                     | 6,748,007                                |
| Interest and fees                                    | 113,525                                    | 187                         | (77)                | 32,756                      | 119,194                    | (20,626)              | 4,095,528                                |
| Bad debts  | 3,147                                      | -                           | -                   | 4,843                       | 6,671                      | (53,055)              | 108,075                                  |
| Provision for impaired assets                        | -  | -                           | -                   | -                           | -                          | (20,626)              | (117,328)                                |
| Project expenses                                     | -  | -                           | -                   | -                           | -                          | -                     | -  |
| Allocation   | -  | -                           | -                   | -                           | -                          | -                     | -  |
| (Gain) loss on sale of assets                        | -  | -                           | -                   | -                           | -                          | -                     | (474,480)                                |
| (Gain) loss on investment in limited partnership     | -  | 2,893                       | 61                  | -                           | -                          | (10,727)              | 2,901                                    |
| <b>Total expenses and losses</b>                     | <u>874,381</u>                             | <u>4,014</u>                | <u>148</u>          | <u>281,471</u>              | <u>364,428</u>             | <u>(471,603)</u>      | <u>27,288,707</u>                        |
| <b>Excess (deficiency) of revenues over expenses</b> | (444,311)                                  | (4,014)                     | 509,352             | (3,036)                     | (31,343)                   | (46,094)              | (6,640,143)                              |
| Net assets at beginning of year                      | 5,554,213                                  | (3,430)                     | 28,900              | (2,047,608)                 | (3,114,158)                | (2,554,549)           | 42,333,838                               |
| Other transfers to (from) net assets                 | -  | -                           | -                   | -                           | -                          | (220,744)             | (517,570)                                |
| Net assets at end of year                            | <u>\$ 5,109,902</u>                        | <u>\$ (7,444)</u>           | <u>\$ 538,252</u>   | <u>\$ (2,050,644)</u>       | <u>\$ (3,145,501)</u>      | <u>\$ (2,821,387)</u> | <u>\$ 35,176,125</u>                     |

Consolidating Statement of Financial Position  
Mercy Properties II, Inc.  
December 31, 2011

|  | Mercy<br>Properties II, Inc. | Mercy Housing<br>Utah I<br>(Francis<br>Peak View) | Mercy Housing<br>Idaho IV<br>(Skyview<br>Terrace) | Mercy Housing<br>Idaho V<br>(Sisters<br>Villa) | Eliminations       | Consolidated<br>Mercy<br>Properties II, Inc. |
|--|------------------------------|---|---|--|--------------------|--|
| <b>Assets</b>  |                              |   |   |  |                    |  |
| Current assets   |                              |   |   |  |                    |  |
| Cash and cash equivalents                                    | \$ -                         | \$ 199,416  | \$ 19,699   | \$ 60,806                                      | \$ -               | \$ 279,921                                   |
| Cash, tenant security deposits                               | -                            | 32,753  | 14,354  | 15,325   | -                  | 62,432                                       |
| Cash, restricted   | -                            | -   | -   | -  | -                  | -  |
| Investments  | -                            | -   | -   | -  | -                  | -  |
| Investments, restricted                                      | -                            | -   | -   | -  | -                  | -  |
| Accounts receivable, net                                     | -                            | 28,282  | 221   | 78   | -                  | 28,581                                       |
| Due from affiliate, net                                      | 47,639                       | 1,424   | -   | -  | (47,640)           | 1,423  |
| Pledges receivable   | -                            | -   | -   | -  | -                  | -  |
| Grants receivable  | -                            | -   | -   | -  | -                  | -  |
| Current portion of notes and interest receivable             | -                            | -   | -   | -  | -                  | -  |
| Current portion of notes and interest receivable, affiliates | -                            | -   | -   | -  | -                  | -  |
| Prepaid expenses and other assets                            | -                            | 25,460  | 12,271  | 8,309  | -                  | 46,040                                       |
| Inventory  | -                            | -   | -   | -  | -                  | -  |
| Assets held for sale   | -                            | -   | -   | -  | -                  | -  |
| Total current assets   | 47,639                       | 287,335   | 46,545  | 84,518   | (47,640)           | 418,397                                      |
| 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   | 56,169   | -                  | 533,190                                      |
| Predevelopment project costs                                 | -                            | -   | -   | -  | -                  | -  |
| Construction in progress                                     | -                            | -   | -   | -  | -                  | -  |
| Accumulated depreciation                                     | -                            | (2,600,022)                                       | (1,777,278)                                       | (1,327,224)                                    | -                  | (5,704,524)                                  |
| Net property and equipment                                   | -                            | 5,412,760   | 1,594,442   | 3,618,198                                      | -                  | 10,625,400                                   |
| Other long-term assets                                       |                              |   |   |  |                    |  |
| Restricted property reserves                                 | -                            | 409,731   | 95,631  | 154,011  | -                  | 659,373                                      |
| Cash, restricted   | -                            | -   | -   | -  | -                  | -  |
| Long-term investments  | -                            | -   | -   | -  | -                  | -  |
| Long-term investments, restricted                            | -                            | -   | -   | -  | -                  | -  |
| Due from affiliates  | -                            | -   | -   | -  | -                  | -  |
| Pledges receivable, net                                      | -                            | -   | -   | -  | -                  | -  |
| Grants receivable  | -                            | -   | -   | -  | -                  | -  |
| Investments in limited partnerships                          | (314)                        | -   | -   | -  | 314                | -  |
| Notes and interest receivable, net                           | -                            | -   | -   | -  | -                  | -  |
| Notes and interest receivable, affiliates                    | -                            | -   | -   | -  | -                  | -  |
| Allowance for impaired assets                                | -                            | -   | -   | -  | -                  | -  |
| Other assets   | -                            | 29,421  | 4,063   | 87,022   | -                  | 120,506                                      |
| Total other long-term assets                                 | (314)                        | 439,152   | 99,694  | 241,033  | 314                | 779,879                                      |
| <b>Total assets</b>  | <b>\$ 47,325</b>             | <b>\$ 6,139,247</b>                               | <b>\$ 1,740,681</b>                               | <b>\$ 3,943,749</b>                            | <b>\$ (47,326)</b> | <b>\$ 11,823,676</b>                         |
| <b>Liabilities</b>   |                              |   |   |  |                    |  |
| Current liabilities  |                              |   |   |  |                    |  |
| Accounts payable and accrued expenses                        | \$ -                         | \$ 36,987   | \$ 63,109   | \$ 54,201                                      | \$ -               | \$ 154,297                                   |
| Due to affiliates  | 146,578                      | 21,056  | 129,396   | 14,049   | (77,311)           | 233,768                                      |
| Accrued interest   | -                            | 39,120  | 4,075   | 6,620  | -                  | 49,815                                       |
| Accrued interest, affiliates                                 | -                            | -   | -   | -  | -                  | -  |
| Current portion of notes payable                             | -                            | 74,057  | 18,750  | 16,063   | -                  | 108,870                                      |
| Current portion of notes payable, affiliates                 | -                            | -   | 20,000  | -  | -                  | 20,000                                       |
| Deferred revenue and other liabilities                       | -                            | 2,290   | 3,332   | 549  | -                  | 6,171  |
| Tenant security deposits                                     | -                            | 32,750  | 14,275  | 14,924   | -                  | 61,949                                       |
| Miscellaneous current liabilities                            | -                            | -   | -   | -  | -                  | -  |
| Total current liabilities                                    | 146,578                      | 206,260   | 252,937   | 106,406  | (77,311)           | 634,870                                      |
| Long-term liabilities  |                              |   |   |  |                    |  |
| Due to affiliates  | -                            | -   | -   | -  | -                  | -  |
| Accrued interest   | -                            | 8,000   | 65,894  | -  | -                  | 73,894                                       |
| Accrued interest, affiliates                                 | -                            | -   | 92,341  | 31,143   | -                  | 123,484                                      |
| Notes payable, less current portion                          | -                            | 4,034,874   | 1,108,785   | 1,827,857                                      | -                  | 6,971,516                                    |
| Notes payable, less current portion, affiliates              | -                            | -   | 628,482   | 414,246  | -                  | 1,042,728                                    |
| Deferred revenue and other liabilities                       | -                            | -   | -   | -  | -                  | -  |
| Total long-term liabilities                                  | -                            | 4,042,874   | 1,895,502   | 2,273,246                                      | -                  | 8,211,622                                    |
| <b>Total liabilities</b>                                     | <b>146,578</b>               | <b>4,249,134</b>                                  | <b>2,148,439</b>                                  | <b>2,379,652</b>                               | <b>(77,311)</b>    | <b>8,846,492</b>                             |
| <b>Net assets</b>  |                              |   |   |  |                    |  |
| Unrestricted net assets, controlling                         | (99,253)                     | 1,890,113   | (407,758)   | 1,564,097                                      | 29,985             | 2,977,184                                    |
| Unrestricted net assets, noncontrolling                      | -                            | -   | -   | -  | -                  | -  |
| Total unrestricted net assets                                | -                            | -   | -   | -  | -                  | -  |
| <b>Total net assets</b>                                      | <b>(99,253)</b>              | <b>1,890,113</b>                                  | <b>(407,758)</b>                                  | <b>1,564,097</b>                               | <b>29,985</b>      | <b>2,977,184</b>                             |
| <b>Total liabilities and net assets</b>                      | <b>\$ 47,325</b>             | <b>\$ 6,139,247</b>                               | <b>\$ 1,740,681</b>                               | <b>\$ 3,943,749</b>                            | <b>\$ (47,326)</b> | <b>\$ 11,823,676</b>                         |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Properties II, Inc.  
For the year ended December 31, 2011

|  | Mercy<br>Properties II, Inc. | Mercy Housing<br>Utah I<br>(Francis<br>Peak View) | Mercy Housing<br>Idaho IV<br>(Skyview<br>Terrace) | Mercy Housing<br>Idaho V<br>(Sisters<br>Villa) | Eliminations     | Consolidated<br>Mercy<br>Properties II, Inc. |
|--|------------------------------|---|---|--|------------------|--|
| <b>Revenues</b>                                      |                              |   |   |  |                  |  |
| Rent - net of vacancies                              | \$ -                         | \$ 881,077  | \$ 287,291  | \$ 324,532                                     | \$ -             | \$ 1,492,900                                 |
| Developer fees                                       | -                            | -   | -   | -  | -                | -  |
| Services fees  | 31,809                       | -   | -   | -  | (31,809)         | -  |
| Philanthropy   | -                            | -   | -   | -  | -                | -  |
| Capital grants                                       | -                            | -   | -   | -  | -                | -  |
| Consulting   | -                            | -   | -   | -  | -                | -  |
| Interest   | -                            | 538   | 62  | 97   | -                | 697  |
| Other  | -                            | 19,353  | 8,788   | 40,593   | -                | 68,734                                       |
| <b>Total revenues</b>                                | <u>31,809</u>                | <u>900,968</u>                                    | <u>296,141</u>                                    | <u>365,222</u>                                 | <u>(31,809)</u>  | <u>1,562,331</u>                             |
| <b>Expenses and losses</b>                           |                              |   |   |  |                  |  |
| Compensation   | -                            | 160,415   | 69,489  | 51,429   | -                | 281,333                                      |
| Administrative                                       | 45,533                       | 141,925   | 54,123  | 58,201   | (31,809)         | 267,973                                      |
| Professional services                                | 1,092                        | 53,655  | 10,844  | 16,625   | -                | 82,216                                       |
| Depreciation and amortization                        | -                            | 301,229   | 111,110   | 163,574  | -                | 575,913                                      |
| Grants   | -                            | -   | -   | -  | -                | -  |
| Facility   | -                            | 208,385   | 129,907   | 89,079   | -                | 427,371                                      |
| Interest and fees                                    | 2,656                        | 217,953   | 61,661  | 76,634   | -                | 358,904                                      |
| Bad debts  | -                            | 3,747   | 1,209   | -  | -                | 4,956  |
| Provision for impaired assets                        | -                            | -   | -   | -  | -                | -  |
| Project expenses                                     | -                            | -   | -   | -  | -                | -  |
| Allocation   | -                            | -   | -   | -  | -                | -  |
| (Gain) loss on sale of assets                        | -                            | -   | -   | -  | -                | -  |
| (Gain) loss on investment in limited partnership     | 42                           | -   | -   | -  | (42)             | -  |
| <b>Total expenses and losses</b>                     | <u>49,323</u>                | <u>1,087,309</u>                                  | <u>438,343</u>                                    | <u>455,542</u>                                 | <u>(31,851)</u>  | <u>1,998,666</u>                             |
| <b>Excess (deficiency) of revenues over expenses</b> | (17,514)                     | (186,341)   | (142,202)   | (90,320)                                       | 42               | (436,335)                                    |
| Net assets at beginning of year                      | (81,739)                     | 2,095,156   | (265,556)   | 1,654,417                                      | 29,943           | 3,432,221                                    |
| Other transfers to (from) net assets                 | -                            | (18,702)  | -   | -  | -                | (18,702)                                     |
| <b>Net assets at end of year</b>                     | <u>\$ (99,253)</u>           | <u>\$ 1,890,113</u>                               | <u>\$ (407,758)</u>                               | <u>\$ 1,564,097</u>                            | <u>\$ 29,985</u> | <u>\$ 2,977,184</u>                          |



Consolidating Statement of Financial Position  
2101 Telegraph Avenue, Inc.  
December 31, 2011

|  | 2101 Telegraph<br>Avenue, Inc. | 2101 Telegraph<br>Avenue Associates<br>(Hamilton Apartments) | Eliminations        | Consolidated<br>2101 Telegraph<br>Avenue, Inc. |
|--|--------------------------------|--|---------------------|--|
| <b>Assets</b>  |                                |  |                     |  |
| Current assets   |                                |  |                     |  |
| Cash and cash equivalents                                    | \$ -                           | \$ 120,394   | \$ -                | \$ 120,394                                     |
| Cash, tenant security deposits                               | -                              | 20,663   | -                   | 20,663   |
| Cash, restricted   | -                              | 10,940   | -                   | 10,940   |
| Investments  | -                              | -  | -                   | -  |
| Investments, restricted                                      | -                              | -  | -                   | -  |
| Accounts receivable, net                                     | -                              | 44,267   | -                   | 44,267   |
| 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                            | -                              | 22,394   | -                   | 22,394   |
| Inventory  | -                              | -  | -                   | -  |
| Assets held for sale   | -                              | -  | -                   | -  |
| Total current assets   | 1,250                          | 218,658  | (1,250)             | 218,658  |
| Property and equipment                                       |                                |  |                     |  |
| Land and land improvements                                   | -                              | 486,516  | -                   | 486,516  |
| Buildings  | -                              | 9,228,151  | -                   | 9,228,151                                      |
| Furniture and equipment                                      | -                              | 392,323  | -                   | 392,323  |
| Predevelopment project costs                                 | -                              | -  | -                   | -  |
| Construction in progress                                     | -                              | -  | -                   | -  |
| Accumulated depreciation                                     | -                              | (5,144,862)  | -                   | (5,144,862)                                    |
| Net property and equipment                                   | -                              | 4,962,128  | -                   | 4,962,128                                      |
| Other long-term assets                                       |                                |  |                     |  |
| Restricted property reserves                                 | -                              | 951,137  | -                   | 951,137  |
| Cash, restricted   | -                              | -  | -                   | -  |
| Long-term investments  | -                              | -  | -                   | -  |
| Long-term investments, restricted                            | -                              | -  | -                   | -  |
| Due from affiliates  | -                              | -  | -                   | -  |
| Pledges receivable, net                                      | -                              | -  | -                   | -  |
| Grants receivable  | -                              | -  | -                   | -  |
| Investments in limited partnerships                          | (79,055)                       | -  | 79,055              | -  |
| Notes and interest receivable, net                           | -                              | -  | -                   | -  |
| Notes and interest receivable, affiliates                    | 317,391                        | -  | (317,391)           | -  |
| Allowance for impaired assets                                | -                              | -  | -                   | -  |
| Other assets   | -                              | 7,131  | -                   | 7,131  |
| Total other long-term assets                                 | 238,336                        | 958,268  | (238,336)           | 958,268  |
| <b>Total assets</b>  | <b>\$ 239,586</b>              | <b>\$ 6,139,054</b>  | <b>\$ (239,586)</b> | <b>\$ 6,139,054</b>                            |
| <b>Liabilities</b>   |                                |  |                     |  |
| Current liabilities  |                                |  |                     |  |
| Accounts payable and accrued expenses                        | \$ -                           | \$ 85,589  | \$ -                | \$ 85,589                                      |
| Due to affiliates  | 64,809                         | 5,000  | (5,000)             | 64,809   |
| Accrued interest   | -                              | -  | -                   | -  |
| Accrued interest, affiliates                                 | -                              | -  | -                   | -  |
| Current portion of notes payable                             | -                              | -  | -                   | -  |
| Current portion of notes payable, affiliates                 | -                              | -  | -                   | -  |
| Deferred revenue and other liabilities                       | -                              | 30,566   | -                   | 30,566   |
| Tenant security deposits                                     | -                              | 20,410   | -                   | 20,410   |
| Miscellaneous current liabilities                            | -                              | -  | -                   | -  |
| Total current liabilities                                    | 64,809                         | 141,565  | (5,000)             | 201,374  |
| Long-term liabilities  |                                |  |                     |  |
| Due to affiliates  | -                              | -  | -                   | -  |
| Accrued interest   | -                              | 2,635,075  | -                   | 2,635,075                                      |
| Accrued interest, affiliates                                 | -                              | 159,645  | (159,645)           | -  |
| 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                                  | -                              | 6,751,016  | (583,765)           | 6,167,251                                      |
| <b>Total liabilities</b>                                     | <b>64,809</b>                  | <b>6,892,581</b>   | <b>(588,765)</b>    | <b>6,368,625</b>                               |
| <b>Net assets</b>  |                                |  |                     |  |
| Unrestricted net assets, controlling                         | 174,777                        | (753,527)  | 349,179             | (229,571)                                      |
| Unrestricted net assets, noncontrolling                      | -                              | -  | -                   | -  |
| Total unrestricted net assets                                | 174,777                        | (753,527)  | 349,179             | (229,571)                                      |
| Temporarily restricted net assets                            | -                              | -  | -                   | -  |
| Permanently restricted net assets                            | -                              | -  | -                   | -  |
| <b>Total net assets</b>                                      | <b>174,777</b>                 | <b>(753,527)</b>   | <b>349,179</b>      | <b>(229,571)</b>                               |
| <b>Total liabilities and net assets</b>                      | <b>\$ 239,586</b>              | <b>\$ 6,139,054</b>  | <b>\$ (239,586)</b> | <b>\$ 6,139,054</b>                            |

Consolidating Statement of Activities  
and Changes in Net Assets  
2101 Telegraph Avenue, Inc.  
For the year ended December 31, 2011

|  | 2101 Telegraph<br>Avenue, Inc. | 2101 Telegraph<br>Avenue Associates<br>(Hamilton Apartments) | Eliminations      | Consolidated<br>2101 Telegraph<br>Avenue, Inc. |
|--|--------------------------------|--|-------------------|--|
| <b>Revenues</b>                                      |                                |  |                   |  |
| Rent - net of vacancies                              | \$ -                           | \$ 916,717   | \$ -              | \$ 916,717                                     |
| Developer fees                                       | -                              | -  | -                 | -  |
| Services fees  | 10,000                         | -  | (10,000)          | -  |
| Philanthropy   | -                              | -  | -                 | -  |
| Capital grants                                       | -                              | -  | -                 | -  |
| Consulting   | -                              | -  | -                 | -  |
| Interest   | 14,527                         | 845  | (14,527)          | 845  |
| Other  | -                              | 6,730  | -                 | 6,730  |
| <b>Total revenues</b>                                | <u>24,527</u>                  | <u>924,292</u>   | <u>(24,527)</u>   | <u>924,292</u>                                 |
| <b>Expenses and losses</b>                           |                                |  |                   |  |
| Compensation   | -                              | 318,641  | -                 | 318,641  |
| Administrative                                       | 18,600                         | 121,269  | (10,000)          | 129,869  |
| Professional services                                | 1,007                          | 113,479  | -                 | 114,486  |
| Depreciation and amortization                        | -                              | 356,421  | -                 | 356,421  |
| Grants   | -                              | -  | -                 | -  |
| Facility   | -                              | 252,841  | -                 | 252,841  |
| Interest and fees                                    | 775                            | 231,335  | (14,527)          | 217,583  |
| Bad debts  | -                              | 1,341  | -                 | 1,341  |
| Provision for impaired assets                        | 9,527                          | -  | (9,527)           | -  |
| Project expenses                                     | -                              | -  | -                 | -  |
| Allocation   | -                              | -  | -                 | -  |
| (Gain) loss on sale of assets                        | -                              | -  | -                 | -  |
| (Gain) loss on investment in limited partnership     | 4,710                          | -  | (4,710)           | -  |
| <b>Total expenses and losses</b>                     | <u>34,619</u>                  | <u>1,395,327</u>   | <u>(38,764)</u>   | <u>1,391,182</u>                               |
| <b>Excess (deficiency) of revenues over expenses</b> | (10,092)                       | (471,035)  | 14,237            | (466,890)                                      |
| Net assets at beginning of year                      | 184,869                        | (282,492)  | 334,942           | 237,319  |
| Other transfers to (from) net assets                 | -                              | -  | -                 | -  |
| <b>Net assets at end of year</b>                     | <u>\$ 174,777</u>              | <u>\$ (753,527)</u>  | <u>\$ 349,179</u> | <u>\$ (229,571)</u>                            |

Consolidating Statement of Financial Position  
McDermott Place  
December 31, 2011

|  | McDermott<br>Place  | Bishops<br>Block   | Eliminations      | Consolidated<br>McDermott<br>Place |
|--|---------------------|--------------------|-------------------|------------------------------------|
| <b>Assets</b>  |                     |                    |                   |                                    |
| <b>Current assets</b>  |                     |                    |                   |                                    |
| Cash and cash equivalents                                    | \$ -                | \$ 24,749          | \$ -              | \$ 24,749                          |
| Cash, tenant security deposits                               | -                   | 8,744              | -                 | 8,744                              |
| Cash, restricted   | -                   | -                  | -                 | -                                  |
| Investments  | -                   | -                  | -                 | -                                  |
| Investments, restricted                                      | -                   | -                  | -                 | -                                  |
| Accounts receivable, net                                     | -                   | 98                 | -                 | 98                                 |
| Due from affiliate, net                                      | 17,904              | -                  | (17,904)          | -                                  |
| Pledges receivable   | -                   | -                  | -                 | -                                  |
| Grants receivable  | -                   | -                  | -                 | -                                  |
| Current portion of notes and interest receivable             | -                   | -                  | -                 | -                                  |
| Current portion of notes and interest receivable, affiliates | -                   | -                  | -                 | -                                  |
| Prepaid expenses and other assets                            | -                   | 6,780              | -                 | 6,780                              |
| Total current assets   | 17,904              | 40,371             | (17,904)          | 40,371                             |
| <b>Property and equipment</b>                                |                     |                    |                   |                                    |
| 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                                     | -                   | (776,159)          | -                 | (776,159)                          |
| Net property and equipment                                   | -                   | 410,180            | -                 | 410,180                            |
| <b>Other long-term assets</b>                                |                     |                    |                   |                                    |
| Restricted property reserves                                 | -                   | 125                | -                 | 125                                |
| Cash, restricted   | -                   | -                  | -                 | -                                  |
| Long-term investments  | -                   | -                  | -                 | -                                  |
| Long-term investments, restricted                            | -                   | -                  | -                 | -                                  |
| Due from affiliates  | -                   | -                  | -                 | -                                  |
| Pledges receivable, net                                      | -                   | -                  | -                 | -                                  |
| Grants receivable  | -                   | -                  | -                 | -                                  |
| Investments in limited partnerships                          | (986,847)           | -                  | 986,847           | -                                  |
| Notes and interest receivable, net                           | -                   | -                  | -                 | -                                  |
| Notes and interest receivable, affiliates                    | -                   | -                  | -                 | -                                  |
| Allowance for impaired assets                                | -                   | -                  | -                 | -                                  |
| Other assets   | -                   | 19,387             | -                 | 19,387                             |
| Total other long-term assets                                 | (986,847)           | 19,512             | 986,847           | 19,512                             |
| <b>Total assets</b>  | <b>\$ (968,943)</b> | <b>\$ 470,063</b>  | <b>\$ 968,943</b> | <b>\$ 470,063</b>                  |
| <b>Liabilities</b>   |                     |                    |                   |                                    |
| <b>Current liabilities</b>                                   |                     |                    |                   |                                    |
| Accounts payable and accrued expenses                        | \$ -                | \$ 49,816          | \$ -              | \$ 49,816                          |
| Due to affiliates  | 70,853              | 236,811            | (62,904)          | 244,760                            |
| Accrued interest   | -                   | 1,507              | -                 | 1,507                              |
| Accrued interest, affiliates                                 | -                   | -                  | -                 | -                                  |
| Current portion of notes payable                             | -                   | 6,049              | -                 | 6,049                              |
| Current portion of notes payable, affiliates                 | -                   | -                  | -                 | -                                  |
| Deferred revenue and other liabilities                       | -                   | 506                | -                 | 506                                |
| Tenant security deposits                                     | -                   | 8,894              | -                 | 8,894                              |
| Miscellaneous current liabilities                            | -                   | -                  | -                 | -                                  |
| Total current liabilities                                    | 70,853              | 303,583            | (62,904)          | 311,532                            |
| <b>Long-term liabilities</b>                                 |                     |                    |                   |                                    |
| Due to affiliates  | -                   | -                  | -                 | -                                  |
| Accrued interest   | -                   | 234,180            | -                 | 234,180                            |
| Accrued interest, affiliates                                 | -                   | -                  | -                 | -                                  |
| Notes payable, less current portion                          | -                   | 1,064,362          | -                 | 1,064,362                          |
| Notes payable, less current portion, affiliates              | -                   | -                  | -                 | -                                  |
| Deferred revenue and other liabilities                       | -                   | -                  | -                 | -                                  |
| Total long-term liabilities                                  | -                   | 1,298,542          | -                 | 1,298,542                          |
| <b>Total liabilities</b>                                     | <b>70,853</b>       | <b>1,602,125</b>   | <b>(62,904)</b>   | <b>1,610,074</b>                   |
| <b>Net assets</b>  |                     |                    |                   |                                    |
| Unrestricted net assets, controlling                         | (1,039,796)         | (1,132,062)        | 1,031,847         | (1,140,011)                        |
| Unrestricted net assets, noncontrolling                      | -                   | -                  | -                 | -                                  |
| Total unrestricted net assets                                | (1,039,796)         | (1,132,062)        | 1,031,847         | (1,140,011)                        |
| Temporarily restricted net assets                            | -                   | -                  | -                 | -                                  |
| Permanently restricted net assets                            | -                   | -                  | -                 | -                                  |
| <b>Total net assets</b>                                      | <b>(1,039,796)</b>  | <b>(1,132,062)</b> | <b>1,031,847</b>  | <b>(1,140,011)</b>                 |
| <b>Total liabilities and net assets</b>                      | <b>\$ (968,943)</b> | <b>\$ 470,063</b>  | <b>\$ 968,943</b> | <b>\$ 470,063</b>                  |

Consolidating Statement of Activities  
and Changes in Net Assets  
McDermott Place  
For the year ended December 31, 2011

|  | McDermott<br>Place    | Bishops<br>Block      | Eliminations        | Consolidated<br>McDermott<br>Place |
|--|-----------------------|-----------------------|---------------------|------------------------------------|
| <b>Revenues</b>                                      |                       |                       |                     |                                    |
| Rent - net of vacancies                              | \$ -                  | \$ 222,842            | \$ -                | \$ 222,842                         |
| Developer fees                                       | -                     | -                     | -                   | -                                  |
| Services fees  | 5,908                 | -                     | (5,908)             | -                                  |
| Philanthropy   | -                     | -                     | -                   | -                                  |
| Capital grants                                       | -                     | -                     | -                   | -                                  |
| Consulting   | -                     | -                     | -                   | -                                  |
| Interest   | -                     | 3                     | -                   | 3                                  |
| Other  | -                     | 6,579                 | -                   | 6,579                              |
| <b>Total revenues</b>                                | <u>5,908</u>          | <u>229,424</u>        | <u>(5,908)</u>      | <u>229,424</u>                     |
| <b>Expenses and losses</b>                           |                       |                       |                     |                                    |
| Compensation   | -                     | 54,242                | -                   | 54,242                             |
| Administrative                                       | 6,400                 | 54,725                | (5,908)             | 55,217                             |
| Professional services                                | 1,080                 | 10,990                | -                   | 12,070                             |
| Depreciation and amortization                        | -                     | 44,379                | -                   | 44,379                             |
| Grants   | -                     | -                     | -                   | -                                  |
| Facility   | -                     | 88,837                | -                   | 88,837                             |
| Interest and fees                                    | 1,885                 | 52,180                | -                   | 54,065                             |
| Bad debts  | -                     | 1,500                 | -                   | 1,500                              |
| Provision for impaired assets                        | -                     | -                     | -                   | -                                  |
| Resident programs and services                       | -                     | -                     | -                   | -                                  |
| Project expenses                                     | -                     | -                     | -                   | -                                  |
| Allocation   | -                     | -                     | -                   | -                                  |
| (Gain) loss on sale of assets                        | -                     | -                     | -                   | -                                  |
| (Gain) loss on investment in limited partnership     | 8                     | -                     | (8)                 | -                                  |
| <b>Total expenses and losses</b>                     | <u>9,373</u>          | <u>306,853</u>        | <u>(5,916)</u>      | <u>310,310</u>                     |
| <b>Excess (deficiency) of revenues over expenses</b> | (3,465)               | (77,429)              | 8                   | (80,886)                           |
| Net assets at beginning of year                      | (1,036,331)           | (1,054,633)           | 1,031,839           | (1,059,125)                        |
| Other transfers to (from) net assets                 | -                     | -                     | -                   | -                                  |
| <b>Net assets at end of year</b>                     | <u>\$ (1,039,796)</u> | <u>\$ (1,132,062)</u> | <u>\$ 1,031,847</u> | <u>\$ (1,140,011)</u>              |

Consolidating Statement of Financial Position  
South of Market Mercy Housing  
December 31, 2011

|  | South of Market<br>Mercy Housing | 1028 Howard St<br>Associates<br>(1028 Howard St<br>Apartments) | 1101 Howard St<br>Associates<br>(1101 Howard St<br>Apartments) | Mercy Housing<br>California VI<br>(205 Jones St<br>Apartments) | 1475 167th Ave.<br>Associates<br>(Bermuda<br>Gardens) |
|--|----------------------------------|--|--|--|---|
| <b>Assets</b>  |                                  |  |  |  |   |
| Current assets   |                                  |  |  |  |   |
| Cash and cash equivalents                                    | \$ -                             | \$ 53,839  | \$ 148,786   | \$ 70,998  | \$ 24,475   |
| Cash, tenant security deposits                               | -                                | 26,795   | 25,593   | 24,330   | 55,070  |
| Cash, restricted   | -                                | -  | -  | -  | 500   |
| Investments  | -                                | -  | -  | -  | -   |
| Investments, restricted                                      | -                                | -  | -  | -  | -   |
| Accounts receivable, net                                     | -                                | 2,498  | 31   | -  | 30,991  |
| Due from affiliate, net                                      | 226,190                          | -  | -  | -  | -   |
| Pledges receivable   | -                                | -  | -  | -  | -   |
| Grants receivable  | -                                | -  | -  | -  | -   |
| Current portion of notes and interest receivable             | -                                | -  | -  | -  | -   |
| Current portion of notes and interest receivable, affiliates | -                                | -  | -  | -  | -   |
| Prepaid expenses and other assets                            | -                                | 9,305  | 13,077   | 13,945   | 30,201  |
| Total current assets   | 226,190                          | 92,437   | 187,487  | 109,273  | 141,237   |
| 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  | 109,518  | 125,777  | 99,731  |
| Predevelopment project costs                                 | -                                | -  | -  | -  | -   |
| Construction in progress                                     | -                                | -  | -  | -  | -   |
| Accumulated depreciation                                     | -                                | (3,452,253)  | (2,301,168)  | (2,172,094)  | (2,600,617)   |
| Net property and equipment                                   | -                                | 2,098,389  | 3,641,962  | 1,773,495  | 3,446,770   |
| Other long-term assets                                       |                                  |  |  |  |   |
| Restricted property reserves                                 | -                                | 188,709  | 203,367  | 166,065  | 228,619   |
| Cash, restricted   | -                                | -  | -  | -  | -   |
| Long-term investments  | -                                | -  | -  | -  | -   |
| Long-term investments, restricted                            | -                                | -  | -  | -  | -   |
| Due from affiliates  | -                                | -  | -  | -  | -   |
| Pledges receivable, net                                      | -                                | -  | -  | -  | -   |
| Grants receivable  | -                                | -  | -  | -  | -   |
| Investments in limited partnerships                          | (19,930,746)                     | -  | -  | -  | -   |
| Notes and interest receivable, net                           | 123,236                          | -  | -  | -  | -   |
| Notes and interest receivable, affiliates                    | -                                | -  | -  | -  | -   |
| Allowance for impaired assets                                | -                                | -  | -  | -  | -   |
| Other assets   | -                                | -  | -  | 19,229   | 58,003  |
| Total other long-term assets                                 | (19,807,510)                     | 188,709  | 203,367  | 185,294  | 286,622   |
| <b>Total assets</b>  | <b>\$ (19,581,320)</b>           | <b>\$ 2,379,535</b>  | <b>\$ 4,032,816</b>  | <b>\$ 2,068,062</b>  | <b>\$ 3,874,629</b>                                   |
| <b>Liabilities</b>   |                                  |  |  |  |   |
| Current liabilities  |                                  |  |  |  |   |
| Accounts payable and accrued expenses                        | \$ -                             | \$ 28,013  | \$ 27,041  | \$ 32,131  | \$ 104,642  |
| Due to affiliates  | 536,033                          | 156,570  | 37,687   | 61,567   | 635,025   |
| Accrued interest   | -                                | 1,346  | 1,704  | 1,884  | 12,745  |
| Accrued interest, affiliates                                 | -                                | -  | -  | -  | -   |
| Current portion of notes payable                             | -                                | 23,344   | 27,187   | 14,268   | 74,465  |
| Current portion of notes payable, affiliates                 | -                                | -  | -  | -  | 52,735  |
| Deferred revenue and other liabilities                       | -                                | 17   | -  | 17,255   | 5,482   |
| Tenant security deposits                                     | -                                | 26,794   | 25,593   | 24,395   | 54,870  |
| Miscellaneous current liabilities                            | -                                | -  | -  | -  | -   |
| Total current liabilities                                    | 536,033                          | 236,084  | 119,212  | 151,500  | 939,964   |
| Long-term liabilities  |                                  |  |  |  |   |
| Due to affiliates  | 775,972                          | -  | -  | -  | -   |
| Accrued interest   | -                                | 1,105,967  | 1,232,359  | 806,486  | 707,855   |
| Accrued interest, affiliates                                 | -                                | -  | -  | -  | 108,958   |
| Notes payable, less current portion                          | -                                | 2,339,989  | 2,697,946  | 2,105,022  | 4,565,712   |
| Notes payable, less current portion, affiliates              | -                                | -  | -  | -  | -   |
| Deferred revenue and other liabilities                       | -                                | -  | -  | -  | 259,345   |
| Total long-term liabilities                                  | 775,972                          | 3,445,956  | 3,930,305  | 2,911,508  | 5,641,870   |
| <b>Total liabilities</b>                                     | <b>1,312,005</b>                 | <b>3,682,040</b>   | <b>4,049,517</b>   | <b>3,063,008</b>   | <b>6,581,834</b>                                      |
| <b>Net assets</b>  |                                  |  |  |  |   |
| Unrestricted net assets, controlling                         | (20,893,325)                     | (1,302,505)  | (16,701)   | (994,946)  | (2,707,205)   |
| Unrestricted net assets, noncontrolling                      | -                                | -  | -  | -  | -   |
| Total unrestricted net assets                                | (20,893,325)                     | (1,302,505)  | (16,701)   | (994,946)  | (2,707,205)   |
| Temporarily restricted net assets                            | -                                | -  | -  | -  | -   |
| Permanently restricted net assets                            | -                                | -  | -  | -  | -   |
| <b>Total net assets</b>                                      | <b>(20,893,325)</b>              | <b>(1,302,505)</b>   | <b>(16,701)</b>  | <b>(994,946)</b>   | <b>(2,707,205)</b>                                    |
| <b>Total liabilities and net assets</b>                      | <b>\$ (19,581,320)</b>           | <b>\$ 2,379,535</b>  | <b>\$ 4,032,816</b>  | <b>\$ 2,068,062</b>  | <b>\$ 3,874,629</b>                                   |

Consolidating Statement of Financial Position  
South of Market Mercy Housing  
December 31, 2011

|  | Centro Partners<br>(El Centro<br>Residential<br>Suites) | La Playa<br>Residential | West 28th Street<br>(Montclair/<br>Tolton Court) | 16th & Church St.<br>Associates<br>(Padre Palou<br>Community) | Mercy Housing<br>California III<br>(Plaza Maria Apts.) |
|--|---|-------------------------|--|---|--|
| <b>Assets</b>  |   |                         |  |   |  |
| <b>Current assets</b>  |   |                         |  |   |  |
| Cash and cash equivalents                                    | \$ 33,124   | \$ 43,760               | \$ 76,673  | \$ 56,558   | \$ 104,024   |
| Cash, tenant security deposits                               | 38,649  | 11,938                  | 17,548   | 12,746  | 55,550   |
| Cash, restricted   | -   | -                       | -  | -   | 300  |
| Investments  | -   | -                       | -  | -   | -  |
| Investments, restricted                                      | -   | -                       | -  | -   | -  |
| Accounts receivable, net                                     | 505   | 1,783                   | 219  | 6,435   | 2,862  |
| Due from affiliate, net                                      | 27  | -                       | -  | -   | -  |
| Pledges receivable   | -   | -                       | -  | -   | -  |
| Grants receivable  | -   | -                       | -  | -   | -  |
| Current portion of notes and interest receivable             | -   | -                       | -  | -   | -  |
| Current portion of notes and interest receivable, affiliates | -   | -                       | -  | -   | -  |
| Prepaid expenses and other assets                            | 16,898  | 2,809                   | 6,243  | 6,595   | 14,747   |
| <b>Total current assets</b>                                  | <b>89,203</b>   | <b>60,290</b>           | <b>100,683</b>                                   | <b>82,334</b>   | <b>177,483</b>   |
| <b>Property and equipment</b>                                |   |                         |  |   |  |
| 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   | 6,608,535  |
| Furniture and equipment                                      | 163,725   | 21,527                  | 207,513  | 89,747  | 315,940  |
| Predevelopment project costs                                 | -   | -                       | -  | -   | -  |
| Construction in progress                                     | -   | -                       | -  | -   | -  |
| Accumulated depreciation                                     | (2,224,376)   | (897,840)               | (2,084,507)                                      | (1,723,206)   | (4,073,315)  |
| <b>Net property and equipment</b>                            | <b>3,375,329</b>  | <b>1,639,155</b>        | <b>3,298,260</b>                                 | <b>753,284</b>  | <b>3,601,160</b>                                       |
| <b>Other long-term assets</b>                                |   |                         |  |   |  |
| Restricted property reserves                                 | 453,394   | 190,942                 | 206,759  | 137,291   | 80,978   |
| 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   | 19,809  | 539                     | -  | 3,797   | 17,472   |
| <b>Total other long-term assets</b>                          | <b>473,203</b>  | <b>191,481</b>          | <b>206,759</b>                                   | <b>141,088</b>  | <b>98,450</b>  |
| <b>Total assets</b>  | <b>\$ 3,937,735</b>                                     | <b>\$ 1,890,926</b>     | <b>\$ 3,605,702</b>                              | <b>\$ 976,706</b>   | <b>\$ 3,877,093</b>                                    |
| <b>Liabilities</b>   |   |                         |  |   |  |
| <b>Current liabilities</b>                                   |   |                         |  |   |  |
| Accounts payable and accrued expenses                        | \$ 47,460   | \$ 14,721               | \$ 25,607  | \$ 19,222   | \$ 28,449  |
| Due to affiliates  | -   | -                       | 14,319   | 71,266  | 15,000   |
| Accrued interest   | 1,654   | 1,099                   | -  | -   | 7,993  |
| Accrued interest, affiliates                                 | -   | -                       | -  | -   | -  |
| Current portion of notes payable                             | 318,302   | 7,919                   | -  | -   | 50,576   |
| Current portion of notes payable, affiliates                 | -   | -                       | -  | -   | -  |
| Deferred revenue and other liabilities                       | 365   | 79                      | 66   | 493   | 7,786  |
| Tenant security deposits                                     | 38,102  | 11,888                  | 17,528   | 12,746  | 55,012   |
| Miscellaneous current liabilities                            | -   | -                       | -  | -   | -  |
| <b>Total current liabilities</b>                             | <b>405,883</b>  | <b>35,706</b>           | <b>57,520</b>                                    | <b>103,727</b>  | <b>164,816</b>   |
| <b>Long-term liabilities</b>                                 |   |                         |  |   |  |
| Due to affiliates  | -   | -                       | -  | 496,582   | -  |
| Accrued interest   | 1,821,008   | 532,604                 | -  | 654,295   | 243,219  |
| Accrued interest, affiliates                                 | -   | -                       | -  | 529,807   | -  |
| Notes payable, less current portion                          | 3,231,524   | 1,339,317               | 1,800,754  | 1,115,000   | 2,806,783  |
| Notes payable, less current portion, affiliates              | -   | -                       | -  | -   | -  |
| Deferred revenue and other liabilities                       | -   | -                       | -  | -   | -  |
| <b>Total long-term liabilities</b>                           | <b>5,052,532</b>  | <b>1,871,921</b>        | <b>1,800,754</b>                                 | <b>2,795,684</b>  | <b>3,050,002</b>                                       |
| <b>Total liabilities</b>                                     | <b>5,458,415</b>  | <b>1,907,627</b>        | <b>1,858,274</b>                                 | <b>2,899,411</b>  | <b>3,214,818</b>                                       |
| <b>Net assets</b>  |   |                         |  |   |  |
| Unrestricted net assets, controlling                         | (1,520,680)   | (16,701)                | 1,747,428  | (1,922,705)   | 662,275  |
| Unrestricted net assets, noncontrolling                      | -   | -                       | -  | -   | -  |
| Total unrestricted net assets                                | (1,520,680)   | (16,701)                | 1,747,428  | (1,922,705)   | 662,275  |
| Temporarily restricted net assets                            | -   | -                       | -  | -   | -  |
| Permanently restricted net assets                            | -   | -                       | -  | -   | -  |
| <b>Total net assets</b>                                      | <b>(1,520,680)</b>                                      | <b>(16,701)</b>         | <b>1,747,428</b>                                 | <b>(1,922,705)</b>  | <b>662,275</b>   |
| <b>Total liabilities and net assets</b>                      | <b>\$ 3,937,735</b>                                     | <b>\$ 1,890,926</b>     | <b>\$ 3,605,702</b>                              | <b>\$ 976,706</b>   | <b>\$ 3,877,093</b>                                    |

Consolidating Statement of Financial Position  
South of Market Mercy Housing  
December 31, 2011

|  | Mercy Housing<br>California IX<br>(Sycamore St.<br>Commons) | Mercy Housing<br>California IV<br>(Vista<br>Grande Apts.) | Eliminations          | Consolidated<br>South of Market<br>Mercy Housing |
|--|---|---|-----------------------|--|
| <b>Assets</b>  |   |   |                       |  |
| Current assets   |   |   |                       |  |
| Cash and cash equivalents                                    | \$ 102,873  | \$ 45,491   | \$ -                  | \$ 760,601                                       |
| Cash, tenant security deposits                               | 44,058  | 28,748  | -                     | 341,025  |
| Cash, restricted   | -   | -   | -                     | 800  |
| Investments  | -   | -   | -                     | -  |
| Investments, restricted                                      | -   | -   | -                     | -  |
| Accounts receivable, net                                     | 1,953   | 3,493   | -                     | 50,770   |
| Due from affiliate, net                                      | -   | -   | (201,819)             | 24,398   |
| Pledges receivable   | -   | -   | -                     | -  |
| Grants receivable  | -   | -   | -                     | -  |
| Current portion of notes and interest receivable             | -   | -   | -                     | -  |
| Current portion of notes and interest receivable, affiliates | -   | -   | -                     | -  |
| Prepaid expenses and other assets                            | 14,205  | 6,845   | -                     | 134,870  |
| Total current assets   | 163,089   | 84,577  | (201,819)             | 1,312,464  |
| Property and equipment                                       |   |   |                       |  |
| Land and land improvements                                   | 1,560,000   | 468,208   | -                     | 6,857,202  |
| Buildings  | 8,674,800   | 4,119,976   | -                     | 51,536,889                                       |
| Furniture and equipment                                      | 300,047   | 123,546   | -                     | 2,009,666  |
| Predevelopment project costs                                 | -   | -   | -                     | -  |
| Construction in progress                                     | -   | -   | -                     | -  |
| Accumulated depreciation                                     | (4,600,976)   | (1,717,257)   | -                     | (27,847,609)                                     |
| Net property and equipment                                   | 5,933,871   | 2,994,473   | -                     | 32,556,148                                       |
| Other long-term assets                                       |   |   |                       |  |
| Restricted property reserves                                 | 796,031   | 32,037  | -                     | 2,684,192  |
| Cash, restricted   | -   | -   | -                     | -  |
| Long-term investments  | -   | -   | -                     | -  |
| Long-term investments, restricted                            | -   | -   | -                     | -  |
| Due from affiliates  | -   | -   | -                     | -  |
| Pledges receivable, net                                      | -   | -   | -                     | -  |
| Grants receivable  | -   | -   | -                     | -  |
| Investments in limited partnerships                          | -   | -   | (1,357,975)           | (21,288,721)                                     |
| Notes and interest receivable, net                           | -   | -   | -                     | 123,236  |
| Notes and interest receivable, affiliates                    | -   | -   | -                     | -  |
| Allowance for impaired assets                                | -   | -   | -                     | -  |
| Other assets   | 69,351  | 19,062  | -                     | 207,262  |
| Total other long-term assets                                 | 865,382   | 51,099  | (1,357,975)           | (18,274,031)                                     |
| <b>Total assets</b>  | <b>\$ 6,962,342</b>   | <b>\$ 3,130,149</b>                                       | <b>\$ (1,559,794)</b> | <b>\$ 15,594,581</b>                             |
| <b>Liabilities</b>   |   |   |                       |  |
| Current liabilities  |   |   |                       |  |
| Accounts payable and accrued expenses                        | \$ 44,622   | \$ 21,032   | \$ -                  | \$ 392,940                                       |
| Due to affiliates  | 25,076  | 104,141   | (575,625)             | 1,081,059  |
| Accrued interest   | 6,718   | 4,329   | -                     | 39,472   |
| Accrued interest, affiliates                                 | -   | -   | -                     | -  |
| Current portion of notes payable                             | 50,017  | 28,935  | -                     | 595,013  |
| Current portion of notes payable, affiliates                 | -   | -   | -                     | 52,735   |
| Deferred revenue and other liabilities                       | 2,067   | 11,306  | -                     | 44,916   |
| Tenant security deposits                                     | 43,550  | 28,748  | -                     | 339,226  |
| Miscellaneous current liabilities                            | -   | -   | -                     | -  |
| Total current liabilities                                    | 172,050   | 198,491   | (575,625)             | 2,545,361  |
| Long-term liabilities  |   |   |                       |  |
| Due to affiliates  | -   | -   | -                     | 1,272,554  |
| Accrued interest   | 870,587   | 155,697   | -                     | 8,130,077  |
| Accrued interest, affiliates                                 | -   | -   | -                     | 638,765  |
| Notes payable, less current portion                          | 4,515,414   | 1,451,764   | -                     | 27,969,225                                       |
| Notes payable, less current portion, affiliates              | -   | -   | -                     | -  |
| Deferred revenue and other liabilities                       | -   | 146,354   | -                     | 405,699  |
| Total long-term liabilities                                  | 5,386,001   | 1,753,815   | -                     | 38,416,320                                       |
| <b>Total liabilities</b>                                     | <b>5,558,051</b>  | <b>1,952,306</b>  | <b>(575,625)</b>      | <b>40,961,681</b>                                |
| <b>Net assets</b>  |   |   |                       |  |
| Unrestricted net assets, controlling                         | 1,404,291   | 1,177,843   | (984,169)             | (25,367,100)                                     |
| Unrestricted net assets, noncontrolling                      | -   | -   | -                     | -  |
| Total unrestricted net assets                                | 1,404,291   | 1,177,843   | (984,169)             | (25,367,100)                                     |
| Temporarily restricted net assets                            | -   | -   | -                     | -  |
| Permanently restricted net assets                            | -   | -   | -                     | -  |
| <b>Total net assets</b>                                      | <b>1,404,291</b>  | <b>1,177,843</b>  | <b>(984,169)</b>      | <b>(25,367,100)</b>                              |
| <b>Total liabilities and net assets</b>                      | <b>\$ 6,962,342</b>   | <b>\$ 3,130,149</b>                                       | <b>\$ (1,559,794)</b> | <b>\$ 15,594,581</b>                             |

Consolidating Statement of Activities  
and Changes in Net Assets  
South of Market Mercy Housing  
For the year ended December 31, 2011

|  | South of Market<br>Mercy Housing | 1028 Howard St<br>Associates<br>(1028 Howard St<br>Apartments) | 1101 Howard St<br>Associates<br>(1101 Howard St<br>Apartments) | Mercy Housing<br>California VI<br>(205 Jones St<br>Apartments) | 1475 16th Ave.<br>Associates<br>(Bermuda<br>Gardens) |
|--|----------------------------------|--|--|--|--|
| <b>Revenues</b>                                      |                                  |  |  |  |  |
| Rent - net of vacancies                              | \$ -                             | \$ 382,897   | \$ 392,177   | \$ 403,094   | \$ 769,042   |
| Developer fees                                       | -                                | -  | -  | -  | -  |
| Services fees  | 136,634                          | -  | -  | -  | -  |
| Philanthropy   | -                                | -  | -  | -  | -  |
| Capital grants                                       | -                                | -  | -  | -  | -  |
| Consulting   | -                                | -  | -  | -  | -  |
| Interest   | 11,340                           | 208  | 284  | 207  | 901  |
| Other revenue  | 135,513                          | 5,173  | 4,005  | 8,612  | 29,544   |
| <b>Total revenues</b>                                | <u>283,487</u>                   | <u>388,278</u>   | <u>396,466</u>   | <u>411,913</u>   | <u>799,487</u>                                       |
| <b>Expenses and losses</b>                           |                                  |  |  |  |  |
| Compensation   | -                                | 69,803   | 80,636   | 92,802   | 151,581  |
| Administrative                                       | 290,859                          | 52,796   | 55,507   | 74,257   | 113,694  |
| Professional services                                | 2,122                            | 36,754   | 41,197   | 16,152   | 63,407   |
| Depreciation and amortization                        | -                                | 221,674  | 134,586  | 133,587  | 192,858  |
| Grants   | -                                | -  | -  | -  | -  |
| Facility   | -                                | 104,233  | 109,461  | 156,920  | 246,673  |
| Interest and fees                                    | 13,568                           | 76,023   | 89,037   | 70,618   | 257,193  |
| Bad debts  | -                                | -  | -  | 830  | 14,595   |
| Provision for impaired assets                        | 11,340                           | -  | -  | -  | -  |
| Project expenses                                     | -                                | -  | -  | -  | -  |
| Allocation   | -                                | -  | -  | -  | -  |
| (Gain) loss on sale of assets                        | -                                | -  | -  | -  | -  |
| (Gain) loss on investment in limited partnership     | 5,287,643                        | -  | -  | -  | -  |
| <b>Total expenses and losses</b>                     | <u>5,605,532</u>                 | <u>561,283</u>   | <u>510,424</u>   | <u>545,166</u>   | <u>1,040,001</u>                                     |
| <b>Excess (deficiency) of revenues over expenses</b> | (5,322,045)                      | (173,005)  | (113,958)  | (133,253)  | (240,514)  |
| Net assets at beginning of year                      | (16,790,593)                     | (1,129,500)  | 97,257   | (861,693)  | (2,466,691)  |
| Other transfers to (from) net assets                 | 1,219,313                        | -  | -  | -  | -  |
| Net assets at end of year                            | <u>\$ (20,893,325)</u>           | <u>\$ (1,302,505)</u>  | <u>\$ (16,701)</u>   | <u>\$ (994,946)</u>  | <u>\$ (2,707,205)</u>                                |



Consolidating Statement of Activities  
and Changes in Net Assets  
South of Market Mercy Housing  
For the year ended December 31, 2011

|  | Centro Partners<br>(El Centro<br>Residential<br>Suites) | La Playa<br>Residential | West 28th Street<br>(Montclair/<br>Tolton Court) | 16th & Church St.<br>Associates<br>(Padre Palou<br>Community) | Mercy Housing<br>California III<br>(Plaza Maria Apts.) |
|--|---|-------------------------|--|---|--|
| <b>Revenues</b>                                      |   |                         |  |   |  |
| Rent - net of vacancies                              | \$ 449,710  | \$ 119,280              | \$ 270,506                                       | \$ 230,317  | \$ 685,059   |
| Developer fees                                       | -   | -                       | -  | -   | -  |
| Services fees  | -   | -                       | -  | -   | -  |
| Philanthropy   | -   | -                       | -  | -   | -  |
| Capital grants                                       | -   | -                       | -  | -   | -  |
| Consulting   | -   | -                       | -  | -   | -  |
| Interest   | 537   | 161                     | 125  | 157   | 64   |
| Other revenue  | 10,916  | 4,270                   | 5,254  | 4,120   | 6,795  |
| <b>Total revenues</b>                                | <u>461,163</u>  | <u>123,711</u>          | <u>275,885</u>                                   | <u>234,594</u>  | <u>691,918</u>   |
| <b>Expenses and losses</b>                           |   |                         |  |   |  |
| Compensation   | 120,064   | 32,276                  | 82,174   | 37,456  | 115,355  |
| Administrative                                       | 57,285  | 13,161                  | 39,299   | 27,080  | 91,994   |
| Professional services                                | 45,154  | 8,885                   | 10,085   | 29,154  | 60,498   |
| Depreciation and amortization                        | 118,929   | 48,201                  | 167,443  | 75,278  | 253,217  |
| Grants   | -   | -                       | -  | -   | -  |
| Facility   | 170,674   | 42,008                  | 85,888   | 126,833   | 191,166  |
| Interest and fees                                    | 131,955   | 48,383                  | 857  | 102,136   | 125,697  |
| Bad debts  | -   | 436                     | 333  | -   | 36   |
| Provision for impaired assets                        | -   | -                       | -  | -   | -  |
| Project expenses                                     | -   | -                       | -  | -   | -  |
| Allocation   | -   | -                       | -  | -   | -  |
| (Gain) loss on sale of assets                        | -   | -                       | -  | -   | -  |
| (Gain) loss on investment in limited partnership     | -   | -                       | -  | -   | -  |
| <b>Total expenses and losses</b>                     | <u>644,061</u>  | <u>193,350</u>          | <u>386,079</u>                                   | <u>397,937</u>  | <u>837,963</u>   |
| <b>Excess (deficiency) of revenues over expenses</b> | (182,898)   | (69,639)                | (110,194)  | (163,343)   | (146,045)  |
| Net assets at beginning of year                      | (1,337,782)   | 52,938                  | 1,857,622  | (1,759,362)   | 808,320  |
| Other transfers to (from) net assets                 | -   | -                       | -  | -   | -  |
| Net assets at end of year                            | <u>\$ (1,520,680)</u>                                   | <u>\$ (16,701)</u>      | <u>\$ 1,747,428</u>                              | <u>\$ (1,922,705)</u>   | <u>\$ 662,275</u>                                      |

Consolidating Statement of Activities  
and Changes in Net Assets  
South of Market Mercy Housing  
For the year ended December 31, 2011

|  | Mercy Housing<br>California IX<br>(Sycamore St.<br>Commons) | Mercy Housing<br>California IV<br>(Vista<br>Grande Apts.) | Eliminations        | Consolidated<br>South of Market<br>Mercy Housing |
|--|---|---|---------------------|--|
| <b>Revenues</b>                                      |   |   |                     |  |
| Rent - net of vacancies                              | \$ 630,811  | \$ 382,470  | \$ -                | \$ 4,715,363                                     |
| Developer fees                                       | -   | -   | -                   | -  |
| Services fees  | -   | -   | (112,500)           | 24,134   |
| Philanthropy   | -   | 6,250   | -                   | 6,250  |
| Capital grants                                       | -   | -   | -                   | -  |
| Consulting   | -   | -   | -                   | -  |
| Interest   | 428   | 24  | -                   | 14,436   |
| Other revenue  | 12,525  | 17,258  | (135,513)           | 108,472  |
| <b>Total revenues</b>                                | <u>643,764</u>  | <u>406,002</u>  | <u>(248,013)</u>    | <u>4,868,655</u>                                 |
| <b>Expenses and losses</b>                           |   |   |                     |  |
| Compensation   | 141,684   | 71,243  | -                   | 995,074  |
| Administrative                                       | 88,813  | 50,126  | (112,500)           | 842,371  |
| Professional services                                | 73,625  | 35,264  | -                   | 422,297  |
| Depreciation and amortization                        | 337,817   | 109,071   | -                   | 1,792,661  |
| Grants   | -   | -   | -                   | -  |
| Facility   | 196,871   | 117,917   | -                   | 1,548,644  |
| Interest and fees                                    | 148,800   | 62,377  | -                   | 1,126,644  |
| Bad debts  | 234   | 1,823   | -                   | 18,287   |
| Provision for impaired assets                        | -   | -   | -                   | 11,340   |
| Project expenses                                     | -   | -   | -                   | -  |
| Allocation   | -   | -   | -                   | -  |
| (Gain) loss on sale of assets                        | -   | -   | 148,234             | 148,234  |
| (Gain) loss on investment in limited partnership     | -   | -   | (10,022)            | 5,277,621  |
| <b>Total expenses and losses</b>                     | <u>987,844</u>  | <u>447,821</u>  | <u>25,712</u>       | <u>12,183,173</u>                                |
| <b>Excess (deficiency) of revenues over expenses</b> | <u>(344,080)</u>  | <u>(41,819)</u>   | <u>(273,725)</u>    | <u>(7,314,518)</u>                               |
| Net assets at beginning of year                      | 1,748,371   | 1,219,662   | 242,958             | (18,318,493)                                     |
| Other transfers to (from) net assets                 | -   | -   | (953,402)           | 265,911  |
| Net assets at end of year                            | <u>\$ 1,404,291</u>   | <u>\$ 1,177,843</u>                                       | <u>\$ (984,169)</u> | <u>\$ (25,367,100)</u>                           |

Consolidating Statement of Financial Position  
Visitation Valley Affordable Housing  
December 31, 2011

|  | Visitation<br>Valley<br>Affordable Hsg | Visitation<br>Valley<br>Family Hsg,<br>Associates<br>(Heritage Homes) | Eliminations          | Consolidated<br>Visitation<br>Valley<br>Affordable Hsg |
|--|--|---|-----------------------|--|
| <b>Assets</b>  |  |   |                       |  |
| Current assets   |  |   |                       |  |
| Cash and cash equivalents                                    | \$ -                                   | \$ 43,265   | \$ -                  | \$ 43,265  |
| Cash, tenant security deposits                               | -                                      | 105,968   | -                     | 105,968  |
| Cash, restricted   | -                                      | -   | -                     | -  |
| Investments  | -                                      | -   | -                     | -  |
| Investments, restricted                                      | -                                      | -   | -                     | -  |
| Accounts receivable, net                                     | -                                      | 127,264   | -                     | 127,264  |
| 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                            | -                                      | 40,703  | -                     | 40,703   |
| Total current assets   | 3,750                                  | 317,200   | (3,750)               | 317,200  |
| Property and equipment                                       |  |   |                       |  |
| Land and land improvements                                   | -                                      | -   | -                     | -  |
| Buildings  | -                                      | 25,749,878  | -                     | 25,749,878   |
| Furniture and equipment                                      | -                                      | 1,090,353   | -                     | 1,090,353  |
| Predevelopment project costs                                 | -                                      | -   | -                     | -  |
| Construction in progress                                     | -                                      | -   | -                     | -  |
| Accumulated depreciation                                     | -                                      | (11,300,479)  | -                     | (11,300,479)   |
| Net property and equipment                                   | -                                      | 15,539,752  | -                     | 15,539,752   |
| Other long-term assets                                       |  |   |                       |  |
| Restricted property reserves                                 | -                                      | 829,605   | -                     | 829,605  |
| Cash, restricted   | -                                      | -   | -                     | -  |
| Long-term investments  | -                                      | -   | -                     | -  |
| Long-term investments, restricted                            | -                                      | -   | -                     | -  |
| Due from affiliates  | -                                      | -   | -                     | -  |
| Pledges receivable, net                                      | -                                      | -   | -                     | -  |
| Grants receivable  | -                                      | -   | -                     | -  |
| Investments in limited partnerships                          | 3,123,764                              | -   | (3,123,764)           | -  |
| Notes and interest receivable, net                           | -                                      | -   | -                     | -  |
| Notes and interest receivable, affiliates                    | -                                      | -   | -                     | -  |
| Allowance for impaired assets                                | -                                      | -   | -                     | -  |
| Other assets   | -                                      | 42,326  | -                     | 42,326   |
| Total other long-term assets                                 | 3,123,764                              | 871,931   | (3,123,764)           | 871,931  |
| <b>Total assets</b>  | <b>\$ 3,127,514</b>                    | <b>\$ 16,728,883</b>  | <b>\$ (3,127,514)</b> | <b>\$ 16,728,883</b>                                   |
| <b>Liabilities</b>   |  |   |                       |  |
| Current liabilities  |  |   |                       |  |
| Accounts payable and accrued expenses                        | \$ 80                                  | \$ 250,807  | \$ -                  | \$ 250,887   |
| Due to affiliates  | 130,517                                | 15,000  | (15,001)              | 130,516  |
| Accrued interest   | -                                      | 22,823  | -                     | 22,823   |
| Accrued interest, affiliates                                 | -                                      | -   | -                     | -  |
| Current portion of notes payable                             | -                                      | 49,372  | -                     | 49,372   |
| Current portion of notes payable, affiliates                 | -                                      | -   | -                     | -  |
| Deferred revenue and other liabilities                       | -                                      | 14,136  | -                     | 14,136   |
| Tenant security deposits                                     | -                                      | 109,343   | -                     | 109,343  |
| Miscellaneous current liabilities                            | -                                      | -   | -                     | -  |
| Total current liabilities                                    | 130,597                                | 461,481   | (15,001)              | 577,077  |
| Long-term liabilities  |  |   |                       |  |
| Due to affiliates  | -                                      | -   | -                     | -  |
| Accrued interest   | -                                      | 429,110   | -                     | 429,110  |
| Accrued interest, affiliates                                 | -                                      | -   | -                     | -  |
| Notes payable, less current portion                          | -                                      | 6,338,599   | -                     | 6,338,599  |
| Notes payable, less current portion, affiliates              | -                                      | -   | -                     | -  |
| Deferred revenue and other liabilities                       | -                                      | -   | -                     | -  |
| Total long-term liabilities                                  | -                                      | 6,767,709   | -                     | 6,767,709  |
| <b>Total liabilities</b>                                     | <b>130,597</b>                         | <b>7,229,190</b>  | <b>(15,001)</b>       | <b>7,344,786</b>                                       |
| <b>Net assets</b>  |  |   |                       |  |
| Unrestricted net assets, controlling                         | 1,058,917                              | 9,499,693   | (3,112,513)           | 7,446,097  |
| Unrestricted net assets, noncontrolling                      | -                                      | -   | -                     | -  |
| Total unrestricted net assets                                | 1,058,917                              | 9,499,693   | (3,112,513)           | 7,446,097  |
| Temporarily restricted net assets                            | 1,938,000                              | -   | -                     | 1,938,000  |
| Permanently restricted net assets                            | -                                      | -   | -                     | -  |
| <b>Total net assets</b>                                      | <b>2,996,917</b>                       | <b>9,499,693</b>  | <b>(3,112,513)</b>    | <b>9,384,097</b>                                       |
| <b>Total liabilities and net assets</b>                      | <b>\$ 3,127,514</b>                    | <b>\$ 16,728,883</b>  | <b>\$ (3,127,514)</b> | <b>\$ 16,728,883</b>                                   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Visitacion Valley Affordable Housing  
For the year ended December 31, 2011

|  | Visitacion<br>Valley<br>Affordable Hsg | Visitacion<br>Valley<br>Family Hsg,<br>Associates<br>(Heritage Homes) | Eliminations          | Consolidated<br>Visitacion<br>Valley<br>Affordable Hsg |
|--|--|---|-----------------------|--|
| <b>Revenues</b>                                      |  |   |                       |  |
| Rent - net of vacancies                              | \$ -                                   | \$ 1,709,139  | \$ -                  | \$ 1,709,139   |
| Developer fees                                       | -                                      | -   | -                     | -  |
| Services fees  | 15,000                                 | -   | (15,000)              | -  |
| Philanthropy   | -                                      | -   | -                     | -  |
| Capital grants                                       | -                                      | -   | -                     | -  |
| Consulting   | -                                      | -   | -                     | -  |
| Interest   | -                                      | 892   | -                     | 892  |
| Other  | -                                      | 21,363  | -                     | 21,363   |
| <b>Total revenues</b>                                | <u>15,000</u>                          | <u>1,731,394</u>  | <u>(15,000)</u>       | <u>1,731,394</u>                                       |
| <b>Expenses and losses</b>                           |  |   |                       |  |
| Compensation   | -                                      | 452,343   | -                     | 452,343  |
| Administrative                                       | 29,684                                 | 152,732   | (15,000)              | 167,416  |
| Professional services                                | 1,026                                  | 55,187  | -                     | 56,213   |
| Depreciation and amortization                        | -                                      | 1,004,250   | -                     | 1,004,250  |
| Grants   | -                                      | 283   | -                     | 283  |
| Facility   | -                                      | 799,129   | -                     | 799,129  |
| Interest and fees                                    | 2,009                                  | 345,773   | -                     | 347,782  |
| Bad debts  | -                                      | 74,738  | -                     | 74,738   |
| Provision for impaired assets                        | -                                      | -   | -                     | -  |
| Project expenses                                     | -                                      | -   | -                     | -  |
| Allocation   | -                                      | -   | -                     | -  |
| (Gain) loss on sale of assets                        | -                                      | -   | -                     | -  |
| (Gain) loss on investment in limited partnership     | 578                                    | -   | (578)                 | -  |
| <b>Total expenses and losses</b>                     | <u>33,297</u>                          | <u>2,884,435</u>  | <u>(15,578)</u>       | <u>2,902,154</u>                                       |
| <b>Excess (deficiency) of revenues over expenses</b> | (18,297)                               | (1,153,041)   | 578                   | (1,170,760)  |
| Net assets at beginning of year                      | 3,015,214                              | 10,662,734  | (3,113,091)           | 10,564,857   |
| Other transfers to (from) net assets                 | -                                      | (10,000)  | -                     | (10,000)   |
| <b>Net assets at end of year</b>                     | <u>\$ 2,996,917</u>                    | <u>\$ 9,499,693</u>   | <u>\$ (3,112,513)</u> | <u>\$ 9,384,097</u>                                    |

Consolidating Statement of Financial Position  
Neary Lagoon, Inc.  
December 31, 2011

|  | Neary Lagoon, Inc. | Neary lagoon<br>Partners, LP<br>(Neary Lagoon<br>Cooperative) | Eliminations      | Consolidated<br>Neary Lagoon, Inc. |
|--|--------------------|---|-------------------|------------------------------------|
| <b>Assets</b>  |                    |   |                   |                                    |
| Current assets   |                    |   |                   |                                    |
| Cash and cash equivalents                                    | \$ -               | \$ 84,143   | \$ -              | \$ 84,143                          |
| Cash, tenant security deposits                               | -                  | 49,737  | -                 | 49,737                             |
| Cash, restricted   | -                  | -   | -                 | -                                  |
| Investments  | -                  | -   | -                 | -                                  |
| Investments, restricted                                      | -                  | -   | -                 | -                                  |
| Accounts receivable, net                                     | -                  | 408   | -                 | 408                                |
| 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                            | -                  | 26,606  | -                 | 26,606                             |
| Total current assets   | -                  | 160,894   | -                 | 160,894                            |
| Property and equipment                                       |                    |   |                   |                                    |
| Land and land improvements                                   | -                  | -   | -                 | -                                  |
| Buildings  | -                  | 7,148,996   | -                 | 7,148,996                          |
| Furniture and equipment                                      | -                  | 325,830   | -                 | 325,830                            |
| Predevelopment project costs                                 | -                  | -   | -                 | -                                  |
| Construction in progress                                     | -                  | -   | -                 | -                                  |
| Accumulated depreciation                                     | -                  | (4,594,305)   | -                 | (4,594,305)                        |
| Net property and equipment                                   | -                  | 2,880,521   | -                 | 2,880,521                          |
| Other long-term assets                                       |                    |   |                   |                                    |
| Restricted property reserves                                 | -                  | 197,536   | -                 | 197,536                            |
| Cash, restricted   | -                  | -   | -                 | -                                  |
| Long-term investments  | -                  | -   | -                 | -                                  |
| Long-term investments, restricted                            | -                  | -   | -                 | -                                  |
| Due from affiliates  | -                  | -   | -                 | -                                  |
| Pledges receivable, net                                      | -                  | -   | -                 | -                                  |
| Grants receivable  | -                  | -   | -                 | -                                  |
| Investments in limited partnerships                          | (129,046)          | -   | 129,046           | -                                  |
| Notes and interest receivable, net                           | 139,667            | -   | -                 | 139,667                            |
| Notes and interest receivable, affiliates                    | -                  | -   | -                 | -                                  |
| Allowance for impaired assets                                | -                  | -   | -                 | -                                  |
| Other assets   | -                  | 88,385  | -                 | 88,385                             |
| Total other long-term assets                                 | 10,621             | 285,921   | 129,046           | 425,588                            |
| <b>Total assets</b>  | <b>\$ 10,621</b>   | <b>\$ 3,327,336</b>   | <b>\$ 129,046</b> | <b>\$ 3,467,003</b>                |
| <b>Liabilities</b>   |                    |   |                   |                                    |
| Current liabilities  |                    |   |                   |                                    |
| Accounts payable and accrued expenses                        | \$ 17,423          | \$ 125,438  | \$ -              | \$ 142,861                         |
| Due to affiliates  | 89,970             | 71,247  | -                 | 161,217                            |
| Accrued interest   | -                  | 2,082   | -                 | 2,082                              |
| Accrued interest, affiliates                                 | -                  | -   | -                 | -                                  |
| Current portion of notes payable                             | -                  | 36,451  | -                 | 36,451                             |
| Current portion of notes payable, affiliates                 | -                  | -   | -                 | -                                  |
| Deferred revenue and other liabilities                       | -                  | 781   | -                 | 781                                |
| Tenant security deposits                                     | -                  | 49,238  | -                 | 49,238                             |
| Miscellaneous current liabilities                            | -                  | -   | -                 | -                                  |
| Total current liabilities                                    | 107,393            | 285,237   | -                 | 392,630                            |
| Long-term liabilities  |                    |   |                   |                                    |
| Due to affiliates  | -                  | -   | -                 | -                                  |
| Accrued interest   | -                  | 3,740,018   | -                 | 3,740,018                          |
| Accrued interest, affiliates                                 | -                  | -   | -                 | -                                  |
| Notes payable, less current portion                          | -                  | 6,593,563   | -                 | 6,593,563                          |
| Notes payable, less current portion, affiliates              | -                  | -   | -                 | -                                  |
| Deferred revenue and other liabilities                       | -                  | -   | -                 | -                                  |
| Total long-term liabilities                                  | -                  | 10,333,581  | -                 | 10,333,581                         |
| <b>Total liabilities</b>                                     | <b>107,393</b>     | <b>10,618,818</b>   | <b>-</b>          | <b>10,726,211</b>                  |
| <b>Net assets</b>  |                    |   |                   |                                    |
| Unrestricted net assets, controlling                         | (96,772)           | (7,291,482)   | 129,046           | (7,259,208)                        |
| Unrestricted net assets, noncontrolling                      | -                  | -   | -                 | -                                  |
| Total unrestricted net assets                                | (96,772)           | (7,291,482)   | 129,046           | (7,259,208)                        |
| Temporarily restricted net assets                            | -                  | -   | -                 | -                                  |
| Permanently restricted net assets                            | -                  | -   | -                 | -                                  |
| <b>Total net assets</b>                                      | <b>(96,772)</b>    | <b>(7,291,482)</b>  | <b>129,046</b>    | <b>(7,259,208)</b>                 |
| <b>Total liabilities and net assets</b>                      | <b>\$ 10,621</b>   | <b>\$ 3,327,336</b>   | <b>\$ 129,046</b> | <b>\$ 3,467,003</b>                |

Consolidating Statement of Activities  
and Changes in Net Assets  
Neary Lagoon, Inc.  
For the year ended December 31, 2011

|  | Neary Lagoon, Inc. | Neary Lagoon<br>Partners, LP<br>(Neary Lagoon<br>Cooperative) | Eliminations      | Consolidated<br>Neary Lagoon, Inc. |
|--|--------------------|---|-------------------|------------------------------------|
| <b>Revenues</b>                                      |                    |   |                   |                                    |
| Rent - net of vacancies                              | \$ -               | \$ 677,347  | \$ -              | \$ 677,347                         |
| Developer fees                                       | -                  | -   | -                 | -                                  |
| Services fees  | -                  | -   | -                 | -                                  |
| Philanthropy   | -                  | -   | -                 | -                                  |
| Capital grants                                       | -                  | -   | -                 | -                                  |
| Consulting   | -                  | -   | -                 | -                                  |
| Interest   | 13,770             | 233   | -                 | 14,003                             |
| Other  | -                  | 5,951   | -                 | 5,951                              |
| <b>Total revenues</b>                                | <u>13,770</u>      | <u>683,531</u>  | <u>-</u>          | <u>697,301</u>                     |
| <b>Expenses and losses</b>                           |                    |   |                   |                                    |
| Compensation   | -                  | 137,834   | -                 | 137,834                            |
| Administrative                                       | 18,996             | 108,520   | -                 | 127,516                            |
| Professional services                                | 1,027              | 81,955  | -                 | 82,982                             |
| Depreciation and amortization                        | -                  | 135,432   | -                 | 135,432                            |
| Grants   | -                  | -   | -                 | -                                  |
| Facility   | -                  | 321,085   | -                 | 321,085                            |
| Interest and fees                                    | 568                | 277,016   | -                 | 277,584                            |
| Bad debts  | -                  | 1,332   | -                 | 1,332                              |
| Provision for impaired assets                        | 13,770             | -   | -                 | 13,770                             |
| Project expenses                                     | -                  | -   | -                 | -                                  |
| Allocation   | -                  | -   | -                 | -                                  |
| (Gain) loss on sale of assets                        | -                  | -   | -                 | -                                  |
| (Gain) loss on investment in limited partnership     | 3,796              | -   | (3,796)           | -                                  |
| <b>Total expenses and losses</b>                     | <u>38,157</u>      | <u>1,063,174</u>  | <u>(3,796)</u>    | <u>1,097,535</u>                   |
| <b>Excess (deficiency) of revenues over expenses</b> | (24,387)           | (379,643)   | 3,796             | (400,234)                          |
| Net assets at beginning of year                      | (72,385)           | (6,911,839)   | 125,250           | (6,858,974)                        |
| Other transfers to (from) net assets                 | -                  | -   | -                 | -                                  |
| <b>Net assets at end of year</b>                     | <u>\$ (96,772)</u> | <u>\$ (7,291,482)</u>   | <u>\$ 129,046</u> | <u>\$ (7,259,208)</u>              |

Consolidating Statement of Financial Position  
Mercy Housing West  
December 31, 2011

|  | Mercy<br>Housing West | Mercy Housing<br>California XIV<br>(10th & Mission) | Mercy Housing<br>California XIV<br>(Nueva Vista) | Mercy Housing<br>California XVII<br>(Derek Silva<br>Community) | Mercy Housing<br>California XXIV<br>(Carter Terrace) |
|--|-----------------------|---|--|--|--|
| <b>Assets</b>  |                       |   |  |  |  |
| Current assets   |                       |   |  |  |  |
| Cash and cash equivalents                                    | \$ -                  | \$ 397,123  | \$ 112,207                                       | \$ 55,522  | \$ 374,184   |
| Cash, tenant security deposits                               | -                     | 125,764   | 35,988   | 10,122   | 108,176  |
| Cash, restricted   | -                     | -   | 300  | -  | 150  |
| Investments  | -                     | -   | -  | -  | -  |
| Investments, restricted                                      | -                     | -   | -  | -  | -  |
| Accounts receivable, net                                     | 229                   | 15,382  | 633  | 1,796  | 28,612   |
| Due from affiliate, net                                      | 1,208,630             | -   | 1,025  | -  | 14,100   |
| Pledges receivable   | -                     | -   | -  | -  | -  |
| Grants receivable  | -                     | -   | -  | -  | -  |
| Current portion of notes and interest receivable             | -                     | -   | -  | -  | -  |
| Current portion of notes and interest receivable, affiliates | -                     | -   | -  | -  | -  |
| Prepaid expenses and other assets                            | -                     | 59,781  | 17,403   | 40,193   | 105,077  |
| Inventory  | -                     | -   | -  | -  | -  |
| Assets held for sale   | -                     | -   | -  | -  | -  |
| <b>Total current assets</b>                                  | <b>1,208,859</b>      | <b>598,050</b>                                      | <b>167,556</b>                                   | <b>107,633</b>   | <b>630,299</b>                                       |
| Property and equipment                                       |                       |   |  |  |  |
| Land and land improvements                                   | -                     | 1,323,633   | 917,754  | 135,399  | 3,615,496  |
| Buildings  | -                     | 63,214,970  | 10,944,574                                       | 14,556,497   | 20,853,712   |
| Furniture and equipment                                      | -                     | 1,489,583   | 326,999  | 76,207   | 1,588,730  |
| Predevelopment project costs                                 | -                     | -   | -  | -  | -  |
| Construction in progress                                     | -                     | -   | -  | -  | -  |
| Accumulated depreciation                                     | -                     | (5,830,403)   | (3,972,803)                                      | (4,683,893)  | (8,566,452)  |
| <b>Net property and equipment</b>                            | <b>-</b>              | <b>60,197,783</b>                                   | <b>8,216,524</b>                                 | <b>10,084,210</b>  | <b>17,491,486</b>                                    |
| Other long-term assets                                       |                       |   |  |  |  |
| Restricted property reserves                                 | -                     | 766,667   | 399,234  | 602,691  | 919,946  |
| Cash, restricted   | -                     | -   | -  | -  | -  |
| Long-term investments  | -                     | -   | -  | -  | -  |
| Long-term investments, restricted                            | -                     | -   | -  | -  | -  |
| Due from affiliates  | -                     | -   | -  | -  | -  |
| Pledges receivable, net                                      | -                     | -   | -  | -  | -  |
| Grants receivable  | -                     | -   | -  | -  | -  |
| Investments in limited partnerships                          | 14,410,891            | -   | -  | -  | -  |
| Notes and interest receivable, net                           | 285,520               | -   | -  | -  | -  |
| Notes and interest receivable, affiliates                    | 22,981,700            | -   | -  | -  | -  |
| Allowance for impaired assets                                | -                     | -   | -  | -  | -  |
| Other assets   | -                     | 401,467   | 65,818   | 212,589  | 158,541  |
| <b>Total other long-term assets</b>                          | <b>37,678,111</b>     | <b>1,168,134</b>                                    | <b>465,052</b>                                   | <b>815,280</b>   | <b>1,078,487</b>                                     |
| <b>Total assets</b>  | <b>\$ 38,886,970</b>  | <b>\$ 61,963,967</b>                                | <b>\$ 8,849,132</b>                              | <b>\$ 11,007,123</b>   | <b>\$ 19,200,272</b>                                 |
| <b>Liabilities</b>   |                       |   |  |  |  |
| Current liabilities  |                       |   |  |  |  |
| Accounts payable and accrued expenses                        | \$ -                  | \$ 114,828  | \$ 29,329  | \$ 52,050  | \$ 97,204  |
| Due to affiliates  | 1,588,927             | 26,523  | 29,291   | 118,391  | 70,993   |
| Accrued interest   | -                     | -   | 3,481  | 2,166  | 17,540   |
| Accrued interest, affiliates                                 | -                     | -   | -  | -  | -  |
| Current portion of notes payable                             | -                     | -   | 55,385   | 200,000  | 400,000  |
| Current portion of notes payable, affiliates                 | -                     | -   | -  | -  | -  |
| Deferred revenue and other liabilities                       | -                     | 7,250   | 1,546  | 2,240  | 8,483  |
| Tenant security deposits                                     | -                     | 112,145   | 36,053   | 18,696   | 107,716  |
| Miscellaneous current liabilities                            | -                     | -   | -  | -  | -  |
| <b>Total current liabilities</b>                             | <b>1,588,927</b>      | <b>260,746</b>                                      | <b>155,085</b>                                   | <b>393,543</b>   | <b>701,936</b>                                       |
| Long-term liabilities  |                       |   |  |  |  |
| Due to affiliates  | -                     | -   | -  | -  | -  |
| Accrued interest   | -                     | 469,240   | -  | 435,309  | 2,721,270  |
| Accrued interest, affiliates                                 | -                     | -   | -  | -  | -  |
| Notes payable, less current portion                          | -                     | 38,008,676  | 4,138,806  | 8,982,510  | 18,037,798   |
| Notes payable, less current portion, affiliates              | 6,727,672             | -   | -  | -  | -  |
| Deferred revenue and other liabilities                       | -                     | 50,203  | 6  | 986,896  | -  |
| <b>Total long-term liabilities</b>                           | <b>6,727,672</b>      | <b>38,528,119</b>                                   | <b>4,138,812</b>                                 | <b>10,404,715</b>  | <b>20,759,068</b>                                    |
| <b>Total liabilities</b>                                     | <b>8,316,599</b>      | <b>38,788,865</b>                                   | <b>4,293,897</b>                                 | <b>10,798,258</b>  | <b>21,461,004</b>                                    |
| <b>Net assets</b>  |                       |   |  |  |  |
| Unrestricted net assets, noncontrolling                      | (3,390,611)           | 23,175,102  | 4,555,235  | 208,865  | (2,260,732)  |
| Unrestricted net assets, controlling                         | -                     | -   | -  | -  | -  |
| <b>Total unrestricted net assets</b>                         | <b>(3,390,611)</b>    | <b>23,175,102</b>                                   | <b>4,555,235</b>                                 | <b>208,865</b>   | <b>(2,260,732)</b>                                   |
| Temporarily restricted net assets                            | 33,960,982            | -   | -  | -  | -  |
| Permanently restricted net assets                            | -                     | -   | -  | -  | -  |
| <b>Total net assets</b>                                      | <b>30,570,371</b>     | <b>23,175,102</b>                                   | <b>4,555,235</b>                                 | <b>208,865</b>   | <b>(2,260,732)</b>                                   |
| <b>Total liabilities and net assets</b>                      | <b>\$ 38,886,970</b>  | <b>\$ 61,963,967</b>                                | <b>\$ 8,849,132</b>                              | <b>\$ 11,007,123</b>   | <b>\$ 19,200,272</b>                                 |

Consolidating Statement of Financial Position  
Mercy Housing West  
December 31, 2011

**Assets**

|  | Mercy Housing<br>California XVIII<br>(Leland<br>Polk Senior) | Mercy Housing<br>California XIII<br>(Linbrook Court) | Mercy Housing<br>California XX<br>(Mission Creek<br>Senior) | Mercy Housing<br>California XVI<br>(Villa Madera) | Mercy Housing<br>California XXIII<br>(St. Vincent's<br>Garden) |
|--|--|--|---|---|--|
| <b>Current assets</b>  |  |  |   |   |  |
| Cash and cash equivalents                                    | \$ 73,296  | \$ 330,919   | \$ 611,716  | \$ 43,085   | \$ 290,745   |
| Cash, tenant security deposits                               | 20,769   | 32,299   | 65,987  | 55,858  | 33,817   |
| Cash, restricted   | -  | -  | 32,516  | -   | 2,832  |
| Investments  | -  | -  | -   | -   | -  |
| Investments, restricted                                      | -  | -  | -   | -   | -  |
| Accounts receivable, net                                     | 1,706  | -  | 100,366   | 10,622  | 23,657   |
| Due from affiliate, net                                      | -  | -  | 1,000   | -   | -  |
| Pledges receivable   | -  | -  | -   | -   | -  |
| Grants receivable  | -  | -  | -   | -   | -  |
| Current portion of notes and interest receivable             | -  | -  | -   | -   | -  |
| Current portion of notes and interest receivable, affiliates | -  | -  | -   | -   | -  |
| Prepaid expenses and other assets                            | 65,621   | 11,653   | 78,495  | 11,329  | 798,801  |
| Inventory  | -  | -  | -   | -   | -  |
| Assets held for sale   | -  | -  | -   | -   | -  |
| <b>Total current assets</b>                                  | <b>161,392</b>   | <b>374,871</b>                                       | <b>890,080</b>  | <b>120,894</b>                                    | <b>1,149,852</b>   |
| <b>Property and equipment</b>                                |  |  |   |   |  |
| Land and land improvements                                   | 1,028,700  | 1,804,059  | 28,240  | 2,206,746   | 8,487,572  |
| Buildings  | 15,659,881   | 9,971,643  | 39,618,491  | 11,998,565  | 26,057,946   |
| Furniture and equipment                                      | 244,288  | 266,802  | 1,001,220   | 213,962   | 574,044  |
| Predevelopment project costs                                 | -  | -  | -   | -   | -  |
| Construction in progress                                     | -  | -  | -   | -   | -  |
| Accumulated depreciation                                     | (4,049,920)  | (3,733,717)  | (9,070,523)   | (3,715,034)                                       | (5,264,373)  |
| <b>Net property and equipment</b>                            | <b>12,882,949</b>  | <b>8,308,787</b>                                     | <b>31,577,428</b>   | <b>10,704,239</b>                                 | <b>29,855,189</b>  |
| <b>Other long-term assets</b>                                |  |  |   |   |  |
| Restricted property reserves                                 | 499,772  | 360,978  | 1,569,948   | 353,177   | 944,031  |
| 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   | 133,553  | 70,173   | 444,891   | 69,034  | 63,375   |
| <b>Total other long-term assets</b>                          | <b>633,325</b>   | <b>431,151</b>                                       | <b>2,014,839</b>  | <b>422,211</b>                                    | <b>1,007,406</b>   |
| <b>Total assets</b>  | <b>\$ 13,677,666</b>   | <b>\$ 9,114,809</b>                                  | <b>\$ 34,482,347</b>  | <b>\$ 11,247,344</b>                              | <b>\$ 32,012,447</b>   |
| <b>Liabilities</b>   |  |  |   |   |  |
| <b>Current liabilities</b>                                   |  |  |   |   |  |
| Accounts payable and accrued expenses                        | \$ 88,177  | \$ 41,170  | \$ 160,560  | \$ 47,418   | \$ 47,626  |
| Due to affiliates  | 48,287   | 15,000   | 24,586  | 194,485   | 35,000   |
| Accrued interest   | 10,700   | 12,146   | 6,510   | 30,544  | 23,178   |
| Accrued interest, affiliates                                 | -  | -  | -   | -   | -  |
| Current portion of notes payable                             | 200,000  | 44,336   | 290,214   | 133,541   | 302,428  |
| Current portion of notes payable, affiliates                 | -  | -  | -   | -   | -  |
| Deferred revenue and other liabilities                       | 17,805   | 334  | -   | 1,254   | 9,448  |
| Tenant security deposits                                     | 20,769   | 32,230   | 65,987  | 55,465  | 33,700   |
| Miscellaneous current liabilities                            | -  | -  | -   | -   | -  |
| <b>Total current liabilities</b>                             | <b>385,738</b>   | <b>145,216</b>                                       | <b>547,857</b>  | <b>462,707</b>                                    | <b>451,380</b>   |
| <b>Long-term liabilities</b>                                 |  |  |   |   |  |
| Due to affiliates  | -  | -  | -   | -   | -  |
| Accrued interest   | 2,872,305  | 573,463  | 868,493   | 497,720   | 2,292,209  |
| Accrued interest, affiliates                                 | -  | -  | -   | -   | -  |
| Notes payable, less current portion                          | 11,522,827   | 4,229,225  | 23,928,205  | 8,462,596   | 20,071,883   |
| Notes payable, less current portion, affiliates              | -  | -  | -   | 284,000   | -  |
| Deferred revenue and other liabilities                       | -  | -  | -   | 595,752   | -  |
| <b>Total long-term liabilities</b>                           | <b>14,395,132</b>  | <b>4,802,688</b>                                     | <b>24,796,698</b>   | <b>9,840,068</b>                                  | <b>22,364,092</b>  |
| <b>Total liabilities</b>                                     | <b>14,780,870</b>  | <b>4,947,904</b>                                     | <b>25,344,555</b>   | <b>10,302,775</b>                                 | <b>22,815,472</b>  |
| <b>Net assets</b>  |  |  |   |   |  |
| Unrestricted net assets, noncontrolling                      | (1,103,204)  | 4,166,905  | 9,137,792   | 944,569   | 9,196,975  |
| Unrestricted net assets, controlling                         | -  | -  | -   | -   | -  |
| <b>Total unrestricted net assets</b>                         | <b>(1,103,204)</b>   | <b>4,166,905</b>                                     | <b>9,137,792</b>  | <b>944,569</b>                                    | <b>9,196,975</b>   |
| Temporarily restricted net assets                            | -  | -  | -   | -   | -  |
| Permanently restricted net assets                            | -  | -  | -   | -   | -  |
| <b>Total net assets</b>                                      | <b>(1,103,204)</b>   | <b>4,166,905</b>                                     | <b>9,137,792</b>  | <b>944,569</b>                                    | <b>9,196,975</b>   |
| <b>Total liabilities and net assets</b>                      | <b>\$ 13,677,666</b>   | <b>\$ 9,114,809</b>                                  | <b>\$ 34,482,347</b>  | <b>\$ 11,247,344</b>                              | <b>\$ 32,012,447</b>   |



Consolidating Statement of Financial Position

Mercy Housing West  
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**Assets**

|  | Mercy Housing<br>California XXIII<br>(Villa Amador) | Village Park<br>Housing<br>Associates<br>(Village Park Apts.) | Mercy Housing<br>California XXIII<br>(White Rock<br>Village) | Mercy Housing<br>California XIX<br>(1500 S. Grand) | Mercy Housing<br>California XXV<br>(Casa Alegre) |
|--|---|---|--|--|--|
| <b>Current assets</b>  |   |   |  |  |  |
| Cash and cash equivalents                                    | \$ 54,703   | \$ 22,895   | \$ 112,562   | \$ 29,851  | \$ 114,036                                       |
| Cash, tenant security deposits                               | 76,252  | 36,667  | 137,093  | 40,934   | 18,290   |
| Cash, restricted   | 2,866   | -   | -  | -  | -  |
| Investments  | -   | -   | -  | -  | -  |
| Investments, restricted                                      | -   | -   | -  | -  | -  |
| Accounts receivable, net                                     | 38,077  | 400   | 17,726   | 107,991  | 2,005  |
| Due from affiliate, net                                      | -   | 1,326   | -  | -  | -  |
| Pledges receivable   | -   | -   | -  | -  | -  |
| Grants receivable  | -   | -   | -  | -  | -  |
| Current portion of notes and interest receivable             | -   | -   | -  | -  | -  |
| Current portion of notes and interest receivable, affiliates | -   | -   | -  | -  | -  |
| Prepaid expenses and other assets                            | 25,969  | 12,185  | 61,526   | 2,035,476  | 21,553   |
| Inventory  | -   | -   | -  | -  | -  |
| Assets held for sale   | -   | -   | -  | -  | -  |
| <b>Total current assets</b>                                  | <b>197,867</b>                                      | <b>73,473</b>   | <b>328,907</b>   | <b>2,214,252</b>                                   | <b>155,884</b>                                   |
| <b>Property and equipment</b>                                |   |   |  |  |  |
| Land and land improvements                                   | 6,265,525   | 200,000   | 5,531,488  | 164,151  | 873,574  |
| Buildings  | 26,944,902  | 4,390,569   | 23,490,279   | 19,922,696   | 3,404,005  |
| Furniture and equipment                                      | 703,479   | 205,703   | 367,992  | 137,716  | 47,308   |
| Predevelopment project costs                                 | -   | -   | -  | -  | -  |
| Construction in progress                                     | -   | -   | 805,278  | -  | -  |
| Accumulated depreciation                                     | (5,151,892)   | (3,114,687)   | (6,692,563)  | (4,706,590)  | (1,282,413)                                      |
| <b>Net property and equipment</b>                            | <b>28,762,014</b>                                   | <b>1,681,585</b>  | <b>23,502,474</b>  | <b>15,517,973</b>                                  | <b>3,042,474</b>                                 |
| <b>Other long-term assets</b>                                |   |   |  |  |  |
| Restricted property reserves                                 | 454,305   | 218,458   | 251,450  | 310,230  | 176,675  |
| 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   | 365,004   | 7,380   | 302,781  | 101,394  | 8,784  |
| <b>Total other long-term assets</b>                          | <b>819,309</b>                                      | <b>225,838</b>  | <b>554,231</b>   | <b>411,624</b>                                     | <b>185,459</b>                                   |
| <b>Total assets</b>  | <b>\$ 29,779,190</b>                                | <b>\$ 1,980,896</b>   | <b>\$ 24,385,612</b>   | <b>\$ 18,143,849</b>                               | <b>\$ 3,383,817</b>                              |
| <b>Liabilities</b>   |   |   |  |  |  |
| <b>Current liabilities</b>                                   |   |   |  |  |  |
| Accounts payable and accrued expenses                        | \$ 45,689   | \$ 83,856   | \$ 538,176   | \$ 59,604  | \$ 14,743  |
| Due to affiliates  | 36,028  | 86,325  | 234,891  | 109,738  | 89,182   |
| Accrued interest   | 51,481  | 2,316   | 70,421   | 5,230  | -  |
| Accrued interest, affiliates                                 | -   | -   | -  | -  | -  |
| Current portion of notes payable                             | 38,177  | 19,655  | 262,151  | 13,404   | -  |
| Current portion of notes payable, affiliates                 | -   | -   | -  | -  | -  |
| Deferred revenue and other liabilities                       | 2,927   | 2   | 13,545   | 3,374  | 143  |
| Tenant security deposits                                     | 76,230  | 34,579  | 136,944  | 40,275   | 18,218   |
| Miscellaneous current liabilities                            | -   | -   | -  | -  | -  |
| <b>Total current liabilities</b>                             | <b>250,532</b>                                      | <b>226,733</b>  | <b>1,256,128</b>   | <b>231,625</b>                                     | <b>122,286</b>                                   |
| <b>Long-term liabilities</b>                                 |   |   |  |  |  |
| Due to affiliates  | -   | -   | -  | -  | -  |
| Accrued interest   | 1,314,284   | 1,127,320   | 912,884  | 1,347,675  | 200,988  |
| Accrued interest, affiliates                                 | 3,015   | -   | -  | -  | -  |
| Notes payable, less current portion                          | 16,872,270  | 2,392,228   | 19,378,214   | 7,073,217  | 897,000  |
| Notes payable, less current portion, affiliates              | 24,177  | -   | -  | -  | -  |
| Deferred revenue and other liabilities                       | -   | -   | 930,383  | 2,311,620  | -  |
| <b>Total long-term liabilities</b>                           | <b>18,213,746</b>                                   | <b>3,519,548</b>  | <b>21,221,481</b>  | <b>10,732,512</b>                                  | <b>1,097,988</b>                                 |
| <b>Total liabilities</b>                                     | <b>18,464,278</b>                                   | <b>3,746,281</b>  | <b>22,477,609</b>  | <b>10,964,137</b>                                  | <b>1,220,274</b>                                 |
| <b>Net assets</b>  |   |   |  |  |  |
| Unrestricted net assets, noncontrolling                      | 11,314,912  | (1,765,385)   | 1,908,003  | 7,179,712  | 2,163,543  |
| Unrestricted net assets, controlling                         | -   | -   | -  | -  | -  |
| <b>Total unrestricted net assets</b>                         | <b>11,314,912</b>                                   | <b>(1,765,385)</b>  | <b>1,908,003</b>   | <b>7,179,712</b>                                   | <b>2,163,543</b>                                 |
| Temporarily restricted net assets                            | -   | -   | -  | -  | -  |
| Permanently restricted net assets                            | -   | -   | -  | -  | -  |
| <b>Total net assets</b>                                      | <b>11,314,912</b>                                   | <b>(1,765,385)</b>  | <b>1,908,003</b>   | <b>7,179,712</b>                                   | <b>2,163,543</b>                                 |
| <b>Total liabilities and net assets</b>                      | <b>\$ 29,779,190</b>                                | <b>\$ 1,980,896</b>   | <b>\$ 24,385,612</b>   | <b>\$ 18,143,849</b>                               | <b>\$ 3,383,817</b>                              |

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Mercy Housing West  
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**Assets**

|  | Pinewood<br>Court<br>Apartments | Mercy Housing<br>California XXII<br>(Dudley<br>Apartments) | Mercy Housing<br>California XXVI<br>(Martin Luther<br>King Village) | Mercy Housing<br>California XLI<br>(Westbrook Plaza) | Mercy Housing<br>California XIV<br>(Edith Witt St.) |
|--|---------------------------------|--|---|--|---|
| <b>Current assets</b>  |                                 |  |   |  |   |
| Cash and cash equivalents                                    | \$ 4,611                        | \$ 23,856  | \$ 108,199  | \$ 251,236   | \$ 164,416  |
| Cash, tenant security deposits                               | 35,004                          | 25,193   | 13,922  | 58,204   | 34,250  |
| Cash, restricted   | -                               | -  | 8,672   | 46,597   | 10,003  |
| Investments  | -                               | -  | -   | -  | -   |
| Investments, restricted                                      | -                               | -  | -   | -  | -   |
| Accounts receivable, net                                     | 1,117                           | 5,426  | 29,633  | 32,040   | 78,270  |
| Due from affiliate, net                                      | -                               | 1  | -   | -  | 1,433   |
| 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                            | 12,663                          | 24,722   | 16,344  | 30,126   | 39,074  |
| Inventory  | -                               | -  | -   | -  | -   |
| Assets held for sale   | -                               | -  | -   | -  | -   |
| <b>Total current assets</b>                                  | <b>53,395</b>                   | <b>79,198</b>  | <b>176,770</b>  | <b>418,203</b>                                       | <b>327,830</b>                                      |
| <b>Property and equipment</b>                                |                                 |  |   |  |   |
| Land and land improvements                                   | 1,999,638                       | 121,460  | 2,777,060   | 693,387  | 1,781,588   |
| Buildings  | 6,616,305                       | 7,278,620  | 10,389,636  | 24,632,475   | 41,660,750  |
| Furniture and equipment                                      | 463,780                         | 194,953  | 349,061   | 264,370  | 938,544   |
| Predevelopment project costs                                 | -                               | -  | -   | -  | -   |
| Construction in progress                                     | -                               | -  | -   | -  | -   |
| Accumulated depreciation                                     | (2,499,683)                     | (2,452,780)  | (1,915,092)   | (1,143,115)  | (2,505,222)   |
| <b>Net property and equipment</b>                            | <b>6,580,040</b>                | <b>5,142,253</b>   | <b>11,600,665</b>   | <b>24,447,117</b>                                    | <b>41,875,660</b>                                   |
| <b>Other long-term assets</b>                                |                                 |  |   |  |   |
| Restricted property reserves                                 | 159,694                         | 402,415  | 883,094   | 836,239  | 839,404   |
| 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   | 127,894                         | 41,958   | 93,706  | 270,747  | 143,640   |
| <b>Total other long-term assets</b>                          | <b>287,588</b>                  | <b>444,373</b>   | <b>976,800</b>  | <b>1,106,986</b>                                     | <b>983,044</b>                                      |
| <b>Total assets</b>  | <b>\$ 6,921,023</b>             | <b>\$ 5,665,824</b>  | <b>\$ 12,754,235</b>  | <b>\$ 25,972,306</b>                                 | <b>\$ 43,186,534</b>                                |
| <b>Liabilities</b>   |                                 |  |   |  |   |
| <b>Current liabilities</b>                                   |                                 |  |   |  |   |
| Accounts payable and accrued expenses                        | \$ 35,330                       | \$ 56,265  | \$ 53,912   | \$ 88,800  | \$ 92,224   |
| Due to affiliates  | 55,948                          | 443,101  | 9,000   | 12,600   | 111,053   |
| Accrued interest   | 9,940                           | -  | 39,110  | -  | -   |
| Accrued interest, affiliates                                 | 8,753                           | -  | -   | -  | -   |
| Current portion of notes payable                             | 29,130                          | -  | 1,149,051   | 28,792   | -   |
| Current portion of notes payable, affiliates                 | -                               | -  | -   | -  | -   |
| Deferred revenue and other liabilities                       | 686                             | 10,489   | 741   | 14,827   | 1,243   |
| Tenant security deposits                                     | 34,865                          | 24,935   | 12,920  | 58,204   | 33,694  |
| Miscellaneous current liabilities                            | -                               | -  | -   | -  | -   |
| <b>Total current liabilities</b>                             | <b>174,652</b>                  | <b>534,790</b>   | <b>1,264,734</b>  | <b>203,223</b>                                       | <b>238,214</b>                                      |
| <b>Long-term liabilities</b>                                 |                                 |  |   |  |   |
| Due to affiliates  | -                               | -  | -   | -  | -   |
| Accrued interest   | 221,809                         | 977,249  | 540,787   | 597,311  | -   |
| Accrued interest, affiliates                                 | -                               | -  | -   | -  | -   |
| Notes payable, less current portion                          | 3,029,253                       | 4,276,660  | 8,427,210   | 8,466,919  | 16,814,804  |
| Notes payable, less current portion, affiliates              | 459,692                         | -  | -   | -  | 12,626,500  |
| Deferred revenue and other liabilities                       | -                               | 138,738  | 30,385  | 18,205   | -   |
| <b>Total long-term liabilities</b>                           | <b>3,710,754</b>                | <b>5,392,647</b>   | <b>8,998,382</b>  | <b>9,082,435</b>                                     | <b>29,441,304</b>                                   |
| <b>Total liabilities</b>                                     | <b>3,885,406</b>                | <b>5,927,437</b>   | <b>10,263,116</b>   | <b>9,285,658</b>                                     | <b>29,679,518</b>                                   |
| <b>Net assets</b>  |                                 |  |   |  |   |
| Unrestricted net assets, noncontrolling                      | 3,035,617                       | (261,613)  | 2,491,119   | 16,686,648   | 13,507,016  |
| Unrestricted net assets, controlling                         | -                               | -  | -   | -  | -   |
| <b>Total unrestricted net assets</b>                         | <b>3,035,617</b>                | <b>(261,613)</b>   | <b>2,491,119</b>  | <b>16,686,648</b>                                    | <b>13,507,016</b>                                   |
| Temporarily restricted net assets                            | -                               | -  | -   | -  | -   |
| Permanently restricted net assets                            | -                               | -  | -   | -  | -   |
| <b>Total net assets</b>                                      | <b>3,035,617</b>                | <b>(261,613)</b>   | <b>2,491,119</b>  | <b>16,686,648</b>                                    | <b>13,507,016</b>                                   |
| <b>Total liabilities and net assets</b>                      | <b>\$ 6,921,023</b>             | <b>\$ 5,665,824</b>  | <b>\$ 12,754,235</b>  | <b>\$ 25,972,306</b>                                 | <b>\$ 43,186,534</b>                                |

Consolidating Statement of Financial Position  
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|  | Mercy Housing<br>California XXVII<br>(Serna Village) | Mercy Housing<br>California XXVIII<br>(Vineyard<br>Townhomes) | Mercy<br>Terrace, LLC | Mercy Housing<br>California XXIX<br>(Grizzly Hollow<br>Phase III) | New Dana<br>Strand Townhomes |
|--|--|---|-----------------------|---|------------------------------|
| <b>Assets</b>  |  |   |                       |   |                              |
| Current assets   |  |   |                       |   |                              |
| Cash and cash equivalents                                    | \$ 369,830   | \$ 238,682  | \$ 1,747,374          | \$ 698  | \$ 30,481                    |
| Cash, tenant security deposits                               | 53,873   | 56,162  | 58,801                | 30,755  | 72,571                       |
| Cash, restricted   | -  | 266   | -                     | -   | 111,414                      |
| Investments  | -  | -   | -                     | -   | -                            |
| Investments, restricted                                      | -  | -   | -                     | -   | -                            |
| Accounts receivable, net                                     | 35,414   | 1,837   | 20,133                | 2,842   | 128,274                      |
| 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                            | 14,460   | 20,622  | 46,359                | 12,576  | 310,224                      |
| Inventory  | -  | -   | -                     | -   | -                            |
| Assets held for sale   | -  | -   | -                     | -   | -                            |
| Total current assets   | 473,577  | 317,569   | 1,872,667             | 46,871  | 652,964                      |
| 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                                      | 272,939  | 192,137   | 306,514               | 155,101   | 1,080,784                    |
| Predevelopment project costs                                 | -  | -   | -                     | -   | -                            |
| Construction in progress                                     | -  | -   | -                     | -   | -                            |
| Accumulated depreciation                                     | (3,738,667)  | (2,832,323)   | (5,037,604)           | (3,456,300)   | (6,697,650)                  |
| Net property and equipment                                   | 12,646,798   | 14,083,671  | 15,406,890            | 12,758,138  | 32,834,553                   |
| Other long-term assets                                       |  |   |                       |   |                              |
| Restricted property reserves                                 | 434,201  | 281,047   | 2,061,157             | 149,254   | 443,831                      |
| 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   | 95,637   | 176,447   | 752,945               | 64,140  | 492,001                      |
| Total other long-term assets                                 | 529,838  | 457,494   | 2,814,102             | 213,394   | 935,832                      |
| <b>Total assets</b>  | <b>\$ 13,650,213</b>                                 | <b>\$ 14,858,734</b>  | <b>\$ 20,093,659</b>  | <b>\$ 13,018,403</b>  | <b>\$ 34,423,349</b>         |
| <b>Liabilities</b>   |  |   |                       |   |                              |
| Current liabilities  |  |   |                       |   |                              |
| Accounts payable and accrued expenses                        | \$ 36,764  | \$ 28,370   | \$ 126,649            | \$ 106,192  | \$ 132,727                   |
| Due to affiliates  | 45,000   | 100,004   | 1,083,049             | 50,498  | 102,055                      |
| Accrued interest   | 5,741  | 20,459  | 1,565                 | 3,866   | 43,694                       |
| Accrued interest, affiliates                                 | -  | -   | -                     | -   | -                            |
| Current portion of notes payable                             | 162,903  | 47,700  | 200,000               | 34,208  | 42,729                       |
| Current portion of notes payable, affiliates                 | -  | -   | -                     | -   | -                            |
| Deferred revenue and other liabilities                       | 8,656  | 7,859   | 1,836                 | 529   | 21,180                       |
| Tenant security deposits                                     | 54,548   | 56,048  | 58,801                | 30,364  | 72,422                       |
| Miscellaneous current liabilities                            | -  | -   | -                     | -   | -                            |
| Total current liabilities                                    | 313,612  | 260,440   | 1,471,900             | 225,657   | 414,807                      |
| Long-term liabilities  |  |   |                       |   |                              |
| Due to affiliates  | -  | -   | -                     | -   | -                            |
| Accrued interest   | 238,833  | 17,806  | -                     | 1,087,919   | 715,294                      |
| Accrued interest, affiliates                                 | -  | -   | -                     | -   | -                            |
| Notes payable, less current portion                          | 2,137,626  | 3,809,932   | 13,700,000            | 7,860,714   | 21,251,167                   |
| Notes payable, less current portion, affiliates              | -  | -   | -                     | -   | -                            |
| Deferred revenue and other liabilities                       | -  | 221,632   | -                     | 251,710   | 239,034                      |
| Total long-term liabilities                                  | 2,376,459  | 4,049,370   | 13,700,000            | 9,200,343   | 22,205,495                   |
| <b>Total liabilities</b>                                     | <b>2,690,071</b>                                     | <b>4,309,810</b>  | <b>15,171,900</b>     | <b>9,426,000</b>  | <b>22,620,302</b>            |
| <b>Net assets</b>  |  |   |                       |   |                              |
| Unrestricted net assets, noncontrolling                      | 10,960,142   | 10,548,924  | 4,921,759             | 3,592,403   | 11,803,047                   |
| Unrestricted net assets, controlling                         | -  | -   | -                     | -   | -                            |
| Total unrestricted net assets                                | 10,960,142   | 10,548,924  | 4,921,759             | 3,592,403   | 11,803,047                   |
| Temporarily restricted net assets                            | -  | -   | -                     | -   | -                            |
| Permanently restricted net assets                            | -  | -   | -                     | -   | -                            |
| <b>Total net assets</b>                                      | <b>10,960,142</b>                                    | <b>10,548,924</b>   | <b>4,921,759</b>      | <b>3,592,403</b>  | <b>11,803,047</b>            |
| <b>Total liabilities and net assets</b>                      | <b>\$ 13,650,213</b>                                 | <b>\$ 14,858,734</b>  | <b>\$ 20,093,659</b>  | <b>\$ 13,018,403</b>  | <b>\$ 34,423,349</b>         |

Consolidating Statement of Financial Position

Mercy Housing West  
December 31, 2011

**Assets**

|  | Mercy Housing<br>California XXXII<br>(Creekview Manor) | Mercy Housing<br>California XXXVI<br>(Kent Gardens<br>Senior Housing) | Mercy Housing<br>California XXXI<br>(Martinelli House) | Mercy Housing<br>California XXXV<br>(Arden Aire<br>Apartments) | Mercy Housing<br>California XXXIII<br>(Casa Verde) | Mercy Housing<br>California XXXVII<br>(Ross Ranch) |
|--|--|---|--|--|--|--|
| <b>Current assets</b>  |  |   |  |  |  |  |
| Cash and cash equivalents                                    | \$ 97,450  | \$ 139,907  | \$ 231,662   | \$ 6,213   | \$ 208,393   | \$ -   |
| Cash, tenant security deposits                               | 82,071   | 26,173  | 34,923   | 22,004   | 36,639   | -  |
| Cash, restricted   | -  | 10,008  | -  | -  | -  | 3,683  |
| Investments  | -  | -   | -  | -  | -  | -  |
| Investments, restricted                                      | -  | -   | -  | -  | -  | -  |
| Accounts receivable, net                                     | 1,482  | 1,267   | 831  | 15,384   | 5,779  | -  |
| 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                            | 25,895   | 20,550  | 19,590   | 13,296   | 14,357   | -  |
| Inventory  | -  | -   | -  | -  | -  | -  |
| Assets held for sale   | -  | -   | -  | -  | -  | -  |
| <b>Total current assets</b>                                  | <b>206,898</b>   | <b>197,905</b>  | <b>287,006</b>   | <b>56,897</b>  | <b>265,168</b>                                     | <b>3,683</b>                                       |
| <b>Property and equipment</b>                                |  |   |  |  |  |  |
| 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  | 367,824  | -  |
| Predevelopment project costs                                 | -  | -   | -  | -  | -  | -  |
| Construction in progress                                     | -  | -   | -  | -  | -  | 436,574  |
| Accumulated depreciation                                     | (4,423,542)  | (2,459,885)   | (1,702,255)  | (1,529,366)  | (1,853,841)  | -  |
| <b>Net property and equipment</b>                            | <b>21,029,226</b>                                      | <b>15,686,303</b>   | <b>8,739,417</b>                                       | <b>9,268,271</b>   | <b>9,847,310</b>                                   | <b>1,636,574</b>                                   |
| <b>Other long-term assets</b>                                |  |   |  |  |  |  |
| Restricted property reserves                                 | 374,250  | 881,767   | 497,896  | 558,671  | 567,557  | -  |
| 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   | 265,133  | 112,139   | 90,481   | 118,123  | 51,853   | 1,167  |
| <b>Total other long-term assets</b>                          | <b>639,383</b>   | <b>993,906</b>  | <b>588,377</b>   | <b>676,794</b>   | <b>619,410</b>                                     | <b>1,167</b>                                       |
| <b>Total assets</b>  | <b>\$ 21,875,507</b>                                   | <b>\$ 16,878,114</b>  | <b>\$ 9,614,800</b>                                    | <b>\$ 10,001,962</b>   | <b>\$ 10,731,888</b>                               | <b>\$ 1,641,424</b>                                |
| <b>Liabilities</b>   |  |   |  |  |  |  |
| <b>Current liabilities</b>                                   |  |   |  |  |  |  |
| Accounts payable and accrued expenses                        | \$ 39,330  | \$ 41,511   | \$ 114,252   | \$ 28,469  | \$ 51,188  | \$ -   |
| Due to affiliates  | 58,906   | 15,914  | -  | -  | 15,000   | 4,683  |
| Accrued interest   | 12,751   | -   | 11,505   | -  | -  | 205,241  |
| Accrued interest, affiliates                                 | -  | -   | -  | -  | -  | -  |
| Current portion of notes payable                             | 25,399   | -   | 45,752   | -  | -  | -  |
| Current portion of notes payable, affiliates                 | -  | -   | -  | -  | -  | 23,490   |
| Deferred revenue and other liabilities                       | 1,683  | 32  | 7,306  | 1,908  | 60   | -  |
| Tenant security deposits                                     | 78,977   | 26,173  | 34,923   | 21,949   | 36,639   | -  |
| Miscellaneous current liabilities                            | -  | -   | -  | -  | -  | -  |
| <b>Total current liabilities</b>                             | <b>217,046</b>   | <b>83,630</b>   | <b>213,738</b>   | <b>52,326</b>  | <b>102,887</b>                                     | <b>233,414</b>                                     |
| <b>Long-term liabilities</b>                                 |  |   |  |  |  |  |
| Due to affiliates  | -  | -   | -  | -  | -  | -  |
| Accrued interest   | 258,577  | -   | -  | 338,215  | -  | -  |
| Accrued interest, affiliates                                 | -  | -   | 795,237  | -  | -  | -  |
| Notes payable, less current portion                          | 4,898,954  | 1,479,431   | 2,810,726  | 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                       | 40,026   | -   | -  | 175,001  | -  | -  |
| <b>Total long-term liabilities</b>                           | <b>5,197,557</b>                                       | <b>11,834,631</b>   | <b>7,135,280</b>                                       | <b>7,522,716</b>   | <b>1,766</b>                                       | <b>1,414,722</b>                                   |
| <b>Total liabilities</b>                                     | <b>5,414,603</b>                                       | <b>11,918,261</b>   | <b>7,349,018</b>                                       | <b>7,575,042</b>   | <b>104,653</b>                                     | <b>1,648,136</b>                                   |
| <b>Net assets</b>  |  |   |  |  |  |  |
| Unrestricted net assets, noncontrolling                      | 16,460,904   | 4,959,853   | 2,265,782  | 2,426,920  | 10,627,235   | (6,712)  |
| Unrestricted net assets, controlling                         | -  | -   | -  | -  | -  | -  |
| <b>Total unrestricted net assets</b>                         | <b>16,460,904</b>                                      | <b>4,959,853</b>  | <b>2,265,782</b>                                       | <b>2,426,920</b>   | <b>10,627,235</b>                                  | <b>(6,712)</b>                                     |
| Temporarily restricted net assets                            | -  | -   | -  | -  | -  | -  |
| Permanently restricted net assets                            | -  | -   | -  | -  | -  | -  |
| <b>Total net assets</b>                                      | <b>16,460,904</b>                                      | <b>4,959,853</b>  | <b>2,265,782</b>                                       | <b>2,426,920</b>   | <b>10,627,235</b>                                  | <b>(6,712)</b>                                     |
| <b>Total liabilities and net assets</b>                      | <b>\$ 21,875,507</b>                                   | <b>\$ 16,878,114</b>  | <b>\$ 9,614,800</b>                                    | <b>\$ 10,001,962</b>   | <b>\$ 10,731,888</b>                               | <b>\$ 1,641,424</b>                                |

Consolidating Statement of Financial Position  
Mercy Housing West  
December 31, 2011

**Assets**

|  | Colonia<br>San Martin<br>Associates, LP | Mercy Housing<br>California XXXIX<br>(Gleason Park) | Mercy Housing<br>California 50, LP<br>(St. Anthony's) | Coastside Senior<br>Housing<br>Limited Partnership | Eliminations           | Consolidated<br>Mercy<br>Housing West |
|--|---|---|---|--|------------------------|---------------------------------------|
| <b>Current assets</b>  |   |   |   |  |                        |                                       |
| Cash and cash equivalents                                    | \$ 538,286                              | \$ -  | \$ -  | \$ -   | \$ -                   | \$ 6,784,138                          |
| Cash, tenant security deposits                               | 20,183                                  | -   | -   | -  | -                      | 1,458,744                             |
| Cash, restricted   | 250                                     | -   | 49,921  | 2,000  | -                      | 281,478                               |
| Investments  | -                                       | -   | -   | -  | -                      | -                                     |
| Investments, restricted                                      | -                                       | -   | -   | -  | -                      | -                                     |
| Accounts receivable, net                                     | 17,096                                  | -   | -   | -  | -                      | 726,027                               |
| Due from affiliate, net                                      | -                                       | -   | -   | -  | (1,208,630)            | 18,885                                |
| 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                            | 13,459                                  | -   | 300,000   | -  | -                      | 4,279,379                             |
| Inventory  | -                                       | -   | -   | -  | -                      | -                                     |
| Assets held for sale   | -                                       | -   | -   | -  | -                      | -                                     |
| <b>Total current assets</b>                                  | <b>589,274</b>                          | <b>-</b>  | <b>349,921</b>  | <b>2,000</b>                                       | <b>(1,208,630)</b>     | <b>13,549,035</b>                     |
| <b>Property and equipment</b>                                |   |   |   |  |                        |                                       |
| Land and land improvements                                   | 3,427,557                               | -   | -   | -  | -                      | 69,967,914                            |
| Buildings  | 9,592,040                               | -   | -   | -  | -                      | 547,765,324                           |
| Furniture and equipment                                      | 267,831                                 | -   | -   | -  | -                      | 13,802,927                            |
| Predevelopment project costs                                 | -                                       | -   | -   | -  | -                      | -                                     |
| Construction in progress                                     | -                                       | -   | 2,350,923   | 728,768  | -                      | 4,321,543                             |
| Accumulated depreciation                                     | (1,846,694)                             | -   | -   | -  | -                      | (115,929,282)                         |
| <b>Net property and equipment</b>                            | <b>11,440,734</b>                       | <b>-</b>  | <b>2,350,923</b>                                      | <b>728,768</b>                                     | <b>-</b>               | <b>519,928,426</b>                    |
| <b>Other long-term assets</b>                                |   |   |   |  |                        |                                       |
| Restricted property reserves                                 | 400,884                                 | -   | -   | -  | -                      | 17,598,923                            |
| Cash, restricted   | -                                       | -   | -   | -  | -                      | -                                     |
| Long-term investments  | -                                       | -   | -   | -  | -                      | -                                     |
| Long-term investments, restricted                            | -                                       | -   | -   | -  | -                      | -                                     |
| Due from affiliates  | -                                       | -   | -   | -  | -                      | -                                     |
| Pledges receivable, net                                      | -                                       | -   | -   | -  | -                      | -                                     |
| Grants receivable  | -                                       | -   | -   | -  | -                      | -                                     |
| Investments in limited partnerships                          | -                                       | -   | -   | -  | (16,303,269)           | (1,892,378)                           |
| Notes and interest receivable, net                           | -                                       | -   | -   | -  | -                      | 285,520                               |
| Notes and interest receivable, affiliates                    | -                                       | -   | -   | -  | (22,981,700)           | -                                     |
| Allowance for impaired assets                                | -                                       | -   | -   | -  | -                      | -                                     |
| Other assets   | 105,844                                 | -   | -   | 1,000  | -                      | 5,409,639                             |
| <b>Total other long-term assets</b>                          | <b>506,728</b>                          | <b>-</b>  | <b>-</b>  | <b>1,000</b>                                       | <b>(39,284,969)</b>    | <b>21,401,704</b>                     |
| <b>Total assets</b>  | <b>\$ 12,536,736</b>                    | <b>\$ -</b>   | <b>\$ 2,700,844</b>                                   | <b>\$ 731,768</b>                                  | <b>\$ (40,493,599)</b> | <b>\$ 554,879,165</b>                 |
| <b>Liabilities</b>   |   |   |   |  |                        |                                       |
| <b>Current liabilities</b>                                   |   |   |   |  |                        |                                       |
| Accounts payable and accrued expenses                        | \$ 48,180                               | \$ -  | \$ 130,376  | \$ 183,023   | \$ -                   | \$ 2,813,992                          |
| Due to affiliates  | 10,500                                  | -   | 76  | 16   | (1,759,901)            | 3,065,149                             |
| Accrued interest   | -                                       | -   | -   | -  | -                      | 589,585                               |
| Accrued interest, affiliates                                 | -                                       | -   | -   | -  | -                      | 8,753                                 |
| Current portion of notes payable                             | -                                       | -   | -   | -  | -                      | 3,724,955                             |
| Current portion of notes payable, affiliates                 | -                                       | -   | 25,869  | -  | -                      | 49,359                                |
| Deferred revenue and other liabilities                       | 3,587                                   | -   | -   | -  | -                      | 150,973                               |
| Tenant security deposits                                     | 20,144                                  | -   | -   | -  | -                      | 1,444,613                             |
| Miscellaneous current liabilities                            | -                                       | -   | -   | -  | -                      | -                                     |
| <b>Total current liabilities</b>                             | <b>82,411</b>                           | <b>-</b>  | <b>156,321</b>  | <b>183,039</b>                                     | <b>(1,759,901)</b>     | <b>11,847,379</b>                     |
| <b>Long-term liabilities</b>                                 |   |   |   |  |                        |                                       |
| Due to affiliates  | -                                       | -   | -   | -  | -                      | -                                     |
| Accrued interest   | 180,245                                 | -   | 67,787  | -  | -                      | 20,874,992                            |
| Accrued interest, affiliates                                 | -                                       | -   | -   | -  | -                      | 798,252                               |
| Notes payable, less current portion                          | 2,995,000                               | -   | 2,476,811   | 555,994  | -                      | 297,412,644                           |
| Notes payable, less current portion, affiliates              | -                                       | -   | -   | -  | (23,265,700)           | 10,740,858                            |
| Deferred revenue and other liabilities                       | -                                       | -   | -   | -  | -                      | 5,989,591                             |
| <b>Total long-term liabilities</b>                           | <b>3,175,245</b>                        | <b>-</b>  | <b>2,544,598</b>                                      | <b>555,994</b>                                     | <b>(23,265,700)</b>    | <b>335,816,337</b>                    |
| <b>Total liabilities</b>                                     | <b>3,257,656</b>                        | <b>-</b>  | <b>2,700,919</b>                                      | <b>739,033</b>                                     | <b>(25,025,601)</b>    | <b>347,663,716</b>                    |
| <b>Net assets</b>  |   |   |   |  |                        |                                       |
| Unrestricted net assets, noncontrolling                      | 9,279,080                               | -   | (75)  | (7,265)  | (15,467,998)           | 173,254,467                           |
| Unrestricted net assets, controlling                         | -                                       | -   | -   | -  | -                      | -                                     |
| <b>Total unrestricted net assets</b>                         | <b>9,279,080</b>                        | <b>-</b>  | <b>(75)</b>   | <b>(7,265)</b>                                     | <b>(15,467,998)</b>    | <b>173,254,467</b>                    |
| Temporarily restricted net assets                            | -                                       | -   | -   | -  | -                      | 33,960,982                            |
| Permanently restricted net assets                            | -                                       | -   | -   | -  | -                      | -                                     |
| <b>Total net assets</b>                                      | <b>9,279,080</b>                        | <b>-</b>  | <b>(75)</b>   | <b>(7,265)</b>                                     | <b>(15,467,998)</b>    | <b>207,215,449</b>                    |
| <b>Total liabilities and net assets</b>                      | <b>\$ 12,536,736</b>                    | <b>\$ -</b>   | <b>\$ 2,700,844</b>                                   | <b>\$ 731,768</b>                                  | <b>\$ (40,493,599)</b> | <b>\$ 554,879,165</b>                 |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing West  
For the year ended December 31, 2011

|  | Mercy<br>Housing West | Mercy Housing<br>California XIV<br>(10th & Mission) | Mercy Housing<br>California XIV<br>(Nueva Vista) | Mercy Housing<br>California XVII<br>(Derek Silva<br>Community) | Mercy Housing<br>California XXIV<br>(Carter Terrace) |
|--|-----------------------|---|--|--|--|
| <b>Revenues</b>                                      |                       |   |  |  |  |
| Rent - net of vacancies                              | \$ -                  | \$ 1,370,620  | \$ 512,145                                       | \$ 1,046,670   | \$ 1,546,133   |
| Developer fees                                       | -                     | -   | -  | -  | -  |
| Services fees  | 618,752               | -   | -  | -  | -  |
| Philanthropy   | -                     | -   | -  | -  | -  |
| Capital grants                                       | -                     | -   | -  | -  | -  |
| Consulting   | -                     | -   | -  | -  | -  |
| Interest   | -                     | 625   | 62   | 326  | 144  |
| Other revenue  | -                     | 381,546   | 8,640  | 90,185   | 13,177   |
| <b>Total revenues</b>                                | <u>618,752</u>        | <u>1,752,791</u>                                    | <u>520,847</u>                                   | <u>1,137,181</u>   | <u>1,559,454</u>                                     |
| <b>Expenses and losses</b>                           |                       |   |  |  |  |
| Compensation   | -                     | 484,113   | 77,843   | 346,545  | 318,956  |
| Administrative                                       | 705,794               | 225,146   | 90,884   | 160,104  | 148,931  |
| Professional services                                | 1,480                 | 110,421   | 56,273   | 18,135   | 96,550   |
| Depreciation and amortization                        | -                     | 2,605,986   | 458,157  | 569,508  | 1,225,578  |
| Grants   | -                     | -   | -  | -  | -  |
| Facility   | -                     | 702,571   | 136,444  | 406,850  | 638,030  |
| Interest and fees                                    | 1,619                 | 338,963   | 42,265   | 245,780  | 999,979  |
| Bad debts  | -                     | 7,655   | -  | 240  | 11,664   |
| Provision for impaired assets                        | -                     | -   | -  | -  | -  |
| Project expenses                                     | -                     | -   | -  | -  | -  |
| Allocation   | -                     | -   | -  | -  | -  |
| (Gain) loss on sale of assets                        | 358,901               | -   | -  | -  | -  |
| (Gain) loss on investment in limited partnership     | 167,293               | -   | -  | -  | -  |
| <b>Total expenses and losses</b>                     | <u>1,235,087</u>      | <u>4,474,855</u>                                    | <u>861,866</u>                                   | <u>1,747,162</u>   | <u>3,439,688</u>                                     |
| <b>Excess (deficiency) of revenues over expenses</b> | (616,335)             | (2,722,064)   | (341,019)  | (609,981)  | (1,880,234)  |
| Net assets at beginning of year                      | 31,186,707            | 25,897,166  | 4,954,347  | 818,846  | (671,337)  |
| Other transfers to (from) net assets                 | -                     | -   | (58,093)   | -  | 290,839  |
| <b>Net assets at end of year</b>                     | <u>\$ 30,570,372</u>  | <u>\$ 23,175,102</u>                                | <u>\$ 4,555,235</u>                              | <u>\$ 208,865</u>  | <u>\$ (2,260,732)</u>                                |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing West  
For the year ended December 31, 2011

|  | Mercy Housing<br>California XVIII<br>(Leland<br>Polk Senior) | Mercy Housing<br>California XIII<br>(Linbrook Court) | Mercy Housing<br>California XX<br>(Mission Creek<br>Senior) | Mercy Housing<br>California XVI<br>(Villa Madera) | Mercy Housing<br>California XXIII<br>(St. Vincent's<br>Garden) |
|--|--|--|---|---|--|
| <b>Revenues</b>                                      |  |  |   |   |  |
| Rent - net of vacancies                              | \$ 1,086,923   | \$ 729,532   | \$ 2,218,013  | \$ 759,012  | \$ 1,215,829   |
| Developer fees                                       | -  | -  | -   | -   | -  |
| Services fees  | -  | -  | -   | -   | -  |
| Philanthropy   | -  | -  | -   | -   | -  |
| Capital grants                                       | -  | -  | -   | -   | -  |
| Consulting   | -  | -  | -   | -   | -  |
| Interest   | 87   | 189  | 4,605   | 1,334   | 2,249  |
| Other revenue  | 46,094   | 5,686  | 156,292   | 12,008  | 13,081   |
| <b>Total revenues</b>                                | <u>1,133,104</u>   | <u>735,407</u>                                       | <u>2,378,910</u>  | <u>772,354</u>                                    | <u>1,231,159</u>   |
| <b>Expenses and losses</b>                           |  |  |   |   |  |
| Compensation   | 313,469  | 105,790  | 664,157   | 90,541  | 107,677  |
| Administrative                                       | 94,199   | 128,092  | 215,824   | 101,787   | 126,413  |
| Professional services                                | 100,853  | 78,633   | 21,019  | 75,775  | 63,683   |
| Depreciation and amortization                        | 697,729  | 403,616  | 1,624,048   | 538,116   | 1,560,344  |
| Grants   | -  | -  | -   | -   | -  |
| Facility   | 258,595  | 151,240  | 505,720   | 180,847   | 253,236  |
| Interest and fees                                    | 561,331  | 225,165  | 1,141,057   | 307,398   | 825,970  |
| Bad debts  | -  | -  | -   | -   | 941  |
| Provision for impaired assets                        | -  | -  | -   | -   | -  |
| Project expenses                                     | -  | -  | -   | -   | -  |
| Allocation   | -  | -  | -   | -   | -  |
| (Gain) loss on sale of assets                        | -  | -  | -   | -   | -  |
| (Gain) loss on investment in limited partnership     | -  | -  | -   | -   | -  |
| <b>Total expenses and losses</b>                     | <u>2,026,176</u>   | <u>1,092,536</u>                                     | <u>4,171,825</u>  | <u>1,294,464</u>                                  | <u>2,938,264</u>   |
| <b>Excess (deficiency) of revenues over expenses</b> | (893,072)  | (357,129)  | (1,792,915)   | (522,110)   | (1,707,105)  |
| Net assets at beginning of year                      | (210,132)  | 4,524,034  | 10,930,707  | 1,466,679   | 8,851,679  |
| Other transfers to (from) net assets                 | -  | -  | -   | -   | 2,052,401  |
| Net assets at end of year                            | <u>\$ (1,103,204)</u>  | <u>\$ 4,166,905</u>                                  | <u>\$ 9,137,792</u>   | <u>\$ 944,569</u>                                 | <u>\$ 9,196,975</u>  |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing West  
For the year ended December 31, 2011

|  | Mercy Housing<br>California XXIII<br>(Villa Amador) | Village Park<br>Housing<br>Associates<br>(Village Park Apts.) | Mercy Housing<br>California XXIII<br>(White Rock<br>Village) | Mercy Housing<br>California XIX<br>(1500 S. Grand) | Mercy Housing<br>California XXV<br>(Casa Alegre) |
|--|---|---|--|--|--|
| <b>Revenues</b>                                      |   |   |  |  |  |
| Rent - net of vacancies                              | \$ 950,436  | \$ 329,837  | \$ 1,760,485   | \$ 627,877   | \$ 228,840                                       |
| Developer fees                                       | -   | -   | -  | -  | -  |
| Services fees  | -   | -   | -  | -  | -  |
| Philanthropy   | -   | -   | -  | -  | -  |
| Capital grants                                       | -   | -   | -  | -  | -  |
| Consulting   | -   | -   | -  | -  | -  |
| Interest   | 982   | 347   | 970  | 171  | 94   |
| Other revenue  | 22,685  | 1,587   | 27,638   | 41,544   | 2,083  |
| <b>Total revenues</b>                                | <u>974,103</u>                                      | <u>331,771</u>  | <u>1,789,093</u>   | <u>669,592</u>                                     | <u>231,017</u>                                   |
| <b>Expenses and losses</b>                           |   |   |  |  |  |
| Compensation   | 140,353   | 81,545  | 236,284  | 115,385  | 84,526   |
| Administrative                                       | 133,292   | 53,675  | 180,120  | 90,248   | 51,864   |
| Professional services                                | 64,876  | 47,424  | 82,929   | 46,551   | 41,965   |
| Depreciation and amortization                        | 1,390,910   | 136,440   | 1,029,978  | 757,463  | 157,653  |
| Grants   | -   | -   | -  | -  | -  |
| Facility   | 314,736   | 119,332   | 435,586  | 270,764  | 54,845   |
| Interest and fees                                    | 631,959   | 84,105  | 741,416  | 243,653  | 25,013   |
| Bad debts  | 1,660   | 1,690   | 4,266  | 1,340  | 699  |
| Provision for impaired assets                        | -   | -   | -  | -  | -  |
| Project expenses                                     | -   | -   | -  | -  | -  |
| Allocation   | -   | -   | -  | -  | -  |
| (Gain) loss on sale of assets                        | -   | -   | -  | -  | -  |
| (Gain) loss on investment in limited partnership     | -   | -   | -  | -  | -  |
| <b>Total expenses and losses</b>                     | <u>2,677,786</u>                                    | <u>524,211</u>  | <u>2,710,579</u>   | <u>1,525,404</u>                                   | <u>416,565</u>                                   |
| <b>Excess (deficiency) of revenues over expenses</b> | (1,703,683)   | (192,440)   | (921,486)  | (855,812)  | (185,548)  |
| Net assets at beginning of year                      | 13,018,595  | (1,572,945)   | 2,829,489  | 8,035,524  | 2,349,091  |
| Other transfers to (from) net assets                 | -   | -   | -  | -  | -  |
| <b>Net assets at end of year</b>                     | <u>\$ 11,314,912</u>                                | <u>\$ (1,765,385)</u>   | <u>\$ 1,908,003</u>  | <u>\$ 7,179,712</u>                                | <u>\$ 2,163,543</u>                              |



Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing West  
For the year ended December 31, 2011

|  | Pinewood<br>Court<br>Apartments | Mercy Housing<br>California XXII<br>(Dudley<br>Apartments) | Mercy Housing<br>California XXVI<br>(Martin Luther<br>King Village) | Mercy Housing<br>California XLI<br>(Westbrook Plaza) | Mercy Housing<br>California XIV<br>(Edith Witt Sr.) |
|--|---------------------------------|--|---|--|---|
| <b>Revenues</b>                                      |                                 |  |   |  |   |
| Rent - net of vacancies                              | \$ 462,927                      | \$ 609,328   | \$ 612,039  | \$ 762,293   | \$ 1,049,049  |
| Developer fees                                       | -                               | -  | -   | -  | -   |
| Services fees  | -                               | -  | -   | -  | -   |
| Philanthropy   | -                               | -  | -   | -  | -   |
| Capital grants                                       | -                               | -  | -   | -  | -   |
| Consulting   | -                               | -  | -   | -  | -   |
| Interest   | -                               | 388  | 675   | 272  | 512   |
| Other revenue  | 21,793                          | 7,856  | 19,706  | 13,057   | 169,967   |
| <b>Total revenues</b>                                | <u>484,720</u>                  | <u>617,572</u>   | <u>632,420</u>  | <u>775,622</u>                                       | <u>1,219,528</u>                                    |
| <b>Expenses and losses</b>                           |                                 |  |   |  |   |
| Compensation   | 102,788                         | 316,774  | 253,953   | 137,492  | 363,341   |
| Administrative                                       | 70,939                          | 99,468   | 93,618  | 142,066  | 157,969   |
| Professional services                                | 48,015                          | 19,023   | 78,992  | 44,826   | 82,552  |
| Depreciation and amortization                        | 364,133                         | 280,961  | 625,229   | 1,001,223  | 1,814,835   |
| Grants   | -                               | -  | -   | -  | -   |
| Facility   | 122,172                         | 236,313  | 126,926   | 179,096  | 252,254   |
| Interest and fees                                    | 167,696                         | 128,145  | 271,067   | 507,102  | 926   |
| Bad debts  | 2,705                           | 31   | 120   | -  | -   |
| Provision for impaired assets                        | -                               | -  | -   | -  | -   |
| Project expenses                                     | -                               | -  | -   | -  | -   |
| Allocation   | -                               | -  | -   | -  | -   |
| (Gain) loss on sale of assets                        | -                               | -  | -   | -  | -   |
| (Gain) loss on investment in limited partnership     | -                               | -  | -   | -  | -   |
| <b>Total expenses and losses</b>                     | <u>878,448</u>                  | <u>1,080,715</u>   | <u>1,449,905</u>  | <u>2,011,805</u>                                     | <u>2,671,877</u>                                    |
| <b>Excess (deficiency) of revenues over expenses</b> | (393,728)                       | (463,143)  | (817,485)   | (1,236,183)  | (1,452,349)   |
| Net assets at beginning of year                      | 3,429,345                       | 201,530  | 2,159,329   | (351,241)  | 14,309,365  |
| Other transfers to (from) net assets                 | -                               | -  | 1,149,275   | 18,274,072   | 650,000   |
| Net assets at end of year                            | <u>\$ 3,035,617</u>             | <u>\$ (261,613)</u>  | <u>\$ 2,491,119</u>   | <u>\$ 16,686,648</u>                                 | <u>\$ 13,507,016</u>                                |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing West  
For the year ended December 31, 2011

|  | Mercy Housing<br>California XXVII<br>(Serna Village) | Mercy Housing<br>California XXVIII<br>(Vineyard<br>Townhomes) | Mercy<br>Terrace, LLC | Mercy Housing<br>California XXIX<br>(Grizzly Hollow<br>Phase III) | New Dana<br>Strand Townhomes |
|--|--|---|-----------------------|---|------------------------------|
| <b>Revenues</b>                                      |  |   |                       |   |                              |
| Rent - net of vacancies                              | \$ 850,102   | \$ 686,610  | \$ 3,058,098          | \$ 409,830  | \$ 946,892                   |
| Developer fees                                       | -  | -   | -                     | -   | -                            |
| Services fees  | -  | -   | -                     | -   | -                            |
| Philanthropy   | -  | -   | -                     | -   | -                            |
| Capital grants                                       | -  | -   | -                     | -   | -                            |
| Consulting   | -  | -   | -                     | -   | -                            |
| Interest   | 72   | 243   | 4,233                 | 454   | 2,359                        |
| Other revenue  | 32,238   | 22,364  | 51,110                | 12,613  | 7,878                        |
| <b>Total revenues</b>                                | <u>882,412</u>                                       | <u>709,217</u>  | <u>3,113,441</u>      | <u>422,897</u>  | <u>957,129</u>               |
| <b>Expenses and losses</b>                           |  |   |                       |   |                              |
| Compensation   | 153,932  | 97,622  | 660,606               | 71,842  | 252,212                      |
| Administrative                                       | 126,272  | 98,414  | 231,773               | 59,227  | 181,401                      |
| Professional services                                | 106,025  | 80,638  | 16,370                | 45,972  | 59,210                       |
| Depreciation and amortization                        | 674,395  | 708,918   | 801,881               | 673,696   | 1,736,637                    |
| Grants   | -  | -   | -                     | -   | -                            |
| Facility   | 176,892  | 156,908   | 632,938               | 171,511   | 210,837                      |
| Interest and fees                                    | 109,296  | 251,704   | 224,520               | 262,437   | 370,500                      |
| Bad debts  | 431  | 1,994   | -                     | 2,230   | 23,401                       |
| Provision for impaired assets                        | -  | -   | -                     | -   | -                            |
| Project expenses                                     | -  | -   | -                     | -   | -                            |
| Allocation   | -  | -   | -                     | -   | -                            |
| (Gain) loss on sale of assets                        | -  | -   | -                     | -   | -                            |
| (Gain) loss on investment in limited partnership     | -  | -   | -                     | -   | -                            |
| <b>Total expenses and losses</b>                     | <u>1,347,243</u>                                     | <u>1,396,198</u>  | <u>2,568,088</u>      | <u>1,286,915</u>  | <u>2,834,198</u>             |
| <b>Excess (deficiency) of revenues over expenses</b> | (464,831)  | (686,981)   | 545,353               | (864,018)   | (1,877,069)                  |
| Net assets at beginning of year                      | 11,424,973   | 11,235,905  | 4,376,406             | 4,456,421   | 13,680,116                   |
| Other transfers to (from) net assets                 | -  | -   | -                     | -   | -                            |
| Net assets at end of year                            | <u>\$ 10,960,142</u>                                 | <u>\$ 10,548,924</u>  | <u>\$ 4,921,759</u>   | <u>\$ 3,592,403</u>   | <u>\$ 11,803,047</u>         |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing West  
For the year ended December 31, 2011

|  | Mercy Housing<br>California XXXII<br>(Creekview Manor) | Mercy Housing<br>California XXXVI<br>(Kent Gardens<br>Senior Housing) | Mercy Housing<br>California XXXI<br>(Martinelli House) | Mercy Housing<br>California XXXV<br>(Arden Aire<br>Apartments) | Mercy Housing<br>California XXXIII<br>(Casa Verde) | Mercy Housing<br>California XXXVII<br>(Ross Ranch) |
|--|--|---|--|--|--|--|
| <b>Revenues</b>                                      |  |   |  |  |  |  |
| Rent - net of vacancies                              | \$ 787,234   | \$ 596,014  | \$ 713,860   | \$ 255,424   | \$ 451,841   | \$ -   |
| Developer fees                                       | -  | -   | -  | -  | -  | -  |
| Services fees  | -  | -   | -  | -  | -  | -  |
| Philanthropy   | -  | -   | 75,261   | -  | 5,616  | -  |
| Capital grants                                       | -  | -   | -  | -  | -  | -  |
| Consulting   | -  | -   | -  | -  | -  | -  |
| Interest   | 644  | 98  | 36   | 5,033  | 233  | -  |
| Other revenue  | 10,541   | 10,070  | 2,450  | 64,636   | 8,367  | -  |
| <b>Total revenues</b>                                | <u>798,419</u>   | <u>606,182</u>  | <u>791,607</u>   | <u>325,093</u>   | <u>466,057</u>                                     | <u>-</u>   |
| <b>Expenses and losses</b>                           |  |   |  |  |  |  |
| Compensation   | 154,596  | 163,331   | 202,180  | 96,003   | 144,399  | -  |
| Administrative                                       | 136,886  | 121,517   | 91,951   | 45,296   | 104,433  | 82   |
| Professional services                                | 67,673   | 89,044  | 13,251   | 53,287   | 58,416   | 4,600  |
| Depreciation and amortization                        | 1,092,371  | 704,373   | 407,249  | 394,605  | 512,845  | -  |
| Grants   | -  | -   | -  | -  | -  | -  |
| Facility   | 203,846  | 148,547   | 209,150  | 95,606   | 124,324  | -  |
| Interest and fees                                    | 211,097  | -   | 316,792  | 147,159  | -  | -  |
| Bad debts  | 1,157  | -   | 1,775  | 1,529  | 920  | -  |
| Provision for impaired assets                        | -  | -   | -  | -  | -  | -  |
| Project expenses                                     | -  | -   | -  | -  | -  | -  |
| Allocation   | -  | -   | -  | -  | -  | -  |
| (Gain) loss on sale of assets                        | -  | -   | -  | -  | -  | -  |
| (Gain) loss on investment in limited partnership     | -  | -   | -  | -  | -  | -  |
| <b>Total expenses and losses</b>                     | <u>1,867,626</u>                                       | <u>1,226,812</u>  | <u>1,242,348</u>                                       | <u>833,485</u>   | <u>945,337</u>                                     | <u>4,682</u>                                       |
| <b>Excess (deficiency) of revenues over expenses</b> | (1,069,207)  | (620,630)   | (450,741)  | (508,392)  | (479,280)  | (4,682)  |
| Net assets at beginning of year                      | 17,530,111   | 5,580,483   | 2,716,523  | 2,935,312  | 11,108,186   | (2,030)  |
| Other transfers to (from) net assets                 | -  | -   | -  | -  | (1,671)  | -  |
| <b>Net assets at end of year</b>                     | <u>\$ 16,460,904</u>                                   | <u>\$ 4,959,853</u>   | <u>\$ 2,265,782</u>                                    | <u>\$ 2,426,920</u>  | <u>\$ 10,627,235</u>                               | <u>\$ (6,712)</u>                                  |

Consolidating Statement of Activities  
and Changes in Net Assets  
Mercy Housing West  
For the year ended December 31, 2011

|  | Colonia<br>San Martin<br>Associates, LP | Mercy Housing<br>California XXXIX<br>(Gleason Park) | Mercy Housing<br>California 50, LP<br>(St. Anthony's) | Coastside Senior<br>Housing<br>Limited Partnership | Eliminations           | Consolidated<br>Mercy<br>Housing West |
|--|---|---|---|--|------------------------|---------------------------------------|
| <b>Revenues</b>                                      |   |   |   |  |                        |                                       |
| Rent - net of vacancies                              | \$ 238,783                              | \$ -  | \$ -  | \$ -   | \$ -                   | \$ 26,872,676                         |
| Developer fees                                       | -                                       | -   | -   | -  | -                      | -                                     |
| Services fees  | -                                       | -   | -   | -  | (608,253)              | 10,499                                |
| Philanthropy   | -                                       | -   | -   | -  | -                      | 80,877                                |
| Capital grants                                       | -                                       | -   | -   | -  | -                      | -                                     |
| Consulting   | -                                       | -   | -   | -  | -                      | -                                     |
| Interest   | 21                                      | -   | -   | -  | -                      | 27,458                                |
| Other revenue  | 83,818                                  | -   | -   | -  | -                      | 1,360,710                             |
| <b>Total revenues</b>                                | <u>322,622</u>                          | <u>-</u>  | <u>-</u>  | <u>-</u>   | <u>(608,253)</u>       | <u>28,352,220</u>                     |
| <b>Expenses and losses</b>                           |   |   |   |  |                        |                                       |
| Compensation   | 113,164                                 | -   | -   | -  | -                      | 6,451,419                             |
| Administrative                                       | 67,981                                  | -   | 75  | 15   | (608,258)              | 3,727,498                             |
| Professional services                                | 18,972                                  | -   | -   | -  | -                      | 1,793,433                             |
| Depreciation and amortization                        | 592,917                                 | -   | -   | -  | -                      | 25,541,794                            |
| Grants   | -                                       | -   | -   | -  | -                      | -                                     |
| Facility   | 125,247                                 | -   | -   | -  | -                      | 7,601,363                             |
| Interest and fees                                    | 45,916                                  | -   | -   | -  | -                      | 9,430,030                             |
| Bad debts  | 2,809                                   | -   | -   | -  | -                      | 69,257                                |
| Provision for impaired assets                        | -                                       | -   | -   | -  | -                      | -                                     |
| Project expenses                                     | -                                       | -   | -   | -  | -                      | -                                     |
| Allocation   | -                                       | -   | -   | -  | -                      | -                                     |
| (Gain) loss on sale of assets                        | -                                       | -   | -   | -  | -                      | 358,901                               |
| (Gain) loss on investment in limited partnership     | -                                       | -   | -   | -  | (4,797)                | 162,496                               |
| <b>Total expenses and losses</b>                     | <u>967,006</u>                          | <u>-</u>  | <u>75</u>   | <u>15</u>  | <u>(613,055)</u>       | <u>55,136,191</u>                     |
| <b>Excess (deficiency) of revenues over expenses</b> | (644,384)                               | -   | (75)  | (15)   | 4,802                  | (26,783,971)                          |
| Net assets at beginning of year                      | 9,351,757                               | 802   | -   | -  | (15,472,796)           | 211,078,947                           |
| Other transfers to (from) net assets                 | <u>571,707</u>                          | <u>(802)</u>  | <u>-</u>  | <u>(7,250)</u>                                     | <u>(5)</u>             | <u>22,920,473</u>                     |
| Net assets at end of year                            | <u>\$ 9,279,080</u>                     | <u>\$ -</u>   | <u>\$ (75)</u>  | <u>\$ (7,265)</u>                                  | <u>\$ (15,467,999)</u> | <u>\$ 207,215,449</u>                 |

Consolidating Statement of Financial Position  
San Juan Housing Corp.  
December 31, 2011

|  | San Juan<br>Housing Corp. | Kennedy Estates<br>Housing<br>Associates<br>(Kennedy Estates) | Tahoe<br>Valley<br>Townhomes<br>Associates | Eliminations        | Consolidated<br>San Juan<br>Housing Corp. |
|--|---------------------------|---|--|---------------------|---|
| <b>Assets</b>  |                           |   |  |                     |   |
| Current assets   |                           |   |  |                     |   |
| Cash and cash equivalents                                    | \$ -                      | \$ 21,183   | \$ 10,956                                  | \$ -                | \$ 32,139                                 |
| Cash, tenant security deposits                               | -                         | 58,696  | 61,667                                     | -                   | 120,363                                   |
| Cash, restricted   | -                         | 201   | -  | -                   | 201                                       |
| Investments  | -                         | -   | -  | -                   | -   |
| Investments, restricted                                      | -                         | -   | -  | -                   | -   |
| Accounts receivable, net                                     | -                         | 2,677   | 12,930                                     | -                   | 15,607                                    |
| Due from affiliate, net                                      | 307,195                   | -   | -  | (307,195)           | -   |
| Pledges receivable   | -                         | -   | -  | -                   | -   |
| Grants receivable  | -                         | -   | -  | -                   | -   |
| Current portion of notes and interest receivable             | -                         | -   | -  | -                   | -   |
| Current portion of notes and interest receivable, affiliates | -                         | -   | -  | -                   | -   |
| Prepaid expenses and other assets                            | -                         | 15,132  | 23,868                                     | -                   | 39,000                                    |
| Total current assets   | 307,195                   | 97,889  | 109,421                                    | (307,195)           | 207,310                                   |
| 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                                     | -                         | (3,009,195)   | (3,116,236)                                | -                   | (6,125,431)                               |
| Net property and equipment                                   | -                         | 3,380,074   | 3,458,974                                  | -                   | 6,839,048                                 |
| Other long-term assets                                       |                           |   |  |                     |   |
| Restricted property reserves                                 | -                         | 490,682   | 188,418                                    | -                   | 679,100                                   |
| Cash, restricted   | -                         | -   | -  | -                   | -   |
| Long-term investments  | -                         | -   | -  | -                   | -   |
| Long-term investments, restricted                            | -                         | -   | -  | -                   | -   |
| Due from affiliates  | -                         | -   | -  | -                   | -   |
| Pledges receivable, net                                      | -                         | -   | -  | -                   | -   |
| Grants receivable  | -                         | -   | -  | -                   | -   |
| Investments in limited partnerships                          | (35,827)                  | -   | -  | 35,827              | -   |
| Notes and interest receivable, net                           | -                         | -   | -  | -                   | -   |
| Notes and interest receivable, affiliates                    | -                         | -   | -  | -                   | -   |
| Allowance for impaired assets                                | -                         | -   | -  | -                   | -   |
| Other assets   | -                         | 25,951  | 66,325                                     | -                   | 92,276                                    |
| Total other long-term assets                                 | (35,827)                  | 516,633   | 254,743                                    | 35,827              | 771,376                                   |
| <b>Total assets</b>  | <b>\$ 271,368</b>         | <b>\$ 3,994,596</b>   | <b>\$ 3,823,138</b>                        | <b>\$ (271,368)</b> | <b>\$ 7,817,734</b>                       |
| <b>Liabilities</b>   |                           |   |  |                     |   |
| Current liabilities  |                           |   |  |                     |   |
| Accounts payable and accrued expenses                        | \$ 116,817                | \$ 129,353  | \$ 80,269                                  | \$ -                | \$ 326,439                                |
| Due to affiliates  | 194,335                   | 353,461   | 255,024                                    | (518,865)           | 283,955                                   |
| Accrued interest   | -                         | 6,107   | 10,761                                     | -                   | 16,868                                    |
| Accrued interest, affiliates                                 | -                         | -   | -  | -                   | -   |
| Current portion of notes payable                             | -                         | 66,989  | 64,509                                     | -                   | 131,498                                   |
| Current portion of notes payable, affiliates                 | -                         | -   | -  | -                   | -   |
| Deferred revenue and other liabilities                       | -                         | 675   | 107  | -                   | 782                                       |
| Tenant security deposits                                     | -                         | 58,877  | 55,898                                     | -                   | 114,775                                   |
| Miscellaneous current liabilities                            | -                         | -   | -  | -                   | -   |
| Total current liabilities                                    | 311,152                   | 615,462   | 466,568                                    | (518,865)           | 874,317                                   |
| Long-term liabilities  |                           |   |  |                     |   |
| Due to affiliates  | -                         | -   | -  | -                   | -   |
| Accrued interest   | -                         | 375,370   | 1,083,586                                  | -                   | 1,458,956                                 |
| Accrued interest, affiliates                                 | -                         | -   | -  | -                   | -   |
| Notes payable, less current portion                          | -                         | 1,829,675   | 5,008,539                                  | -                   | 6,838,214                                 |
| Notes payable, less current portion, affiliates              | -                         | -   | -  | -                   | -   |
| Deferred revenue and other liabilities                       | -                         | -   | -  | -                   | -   |
| Total long-term liabilities                                  | -                         | 2,205,045   | 6,092,125                                  | -                   | 8,297,170                                 |
| <b>Total liabilities</b>                                     | <b>311,152</b>            | <b>2,820,507</b>  | <b>6,558,693</b>                           | <b>(518,865)</b>    | <b>9,171,487</b>                          |
| <b>Net assets</b>  |                           |   |  |                     |   |
| Unrestricted net assets, controlling                         | (39,784)                  | 1,174,089   | (2,735,555)                                | 247,497             | (1,353,753)                               |
| Unrestricted net assets, noncontrolling                      | -                         | -   | -  | -                   | -   |
| Total unrestricted net assets                                | -                         | -   | -  | -                   | -   |
| Temporarily restricted net assets                            | -                         | -   | -  | -                   | -   |
| Permanently restricted net assets                            | -                         | -   | -  | -                   | -   |
| <b>Total net assets</b>                                      | <b>(39,784)</b>           | <b>1,174,089</b>  | <b>(2,735,555)</b>                         | <b>247,497</b>      | <b>(1,353,753)</b>                        |
| <b>Total liabilities and net assets</b>                      | <b>\$ 271,368</b>         | <b>\$ 3,994,596</b>   | <b>\$ 3,823,138</b>                        | <b>\$ (271,368)</b> | <b>\$ 7,817,734</b>                       |

Consolidating Statement of Activities  
and Changes in Net Assets  
San Juan Housing Corp.  
For the year ended December 31, 2011

|  | San Juan<br>Housing Corp. | Kennedy Estates<br>Housing<br>Associates<br>(Kennedy Estates) | Tahoe<br>Valley<br>Townhomes<br>Associates | Eliminations      | Consolidated<br>San Juan<br>Housing Corp. |
|--|---------------------------|---|--|-------------------|---|
| <b>Revenues</b>                                      |                           |   |  |                   |   |
| Rent - net of vacancies                              | \$ -                      | \$ 652,850  | \$ 567,330                                 | \$ -              | \$ 1,220,180                              |
| Developer fees                                       | -                         | -   | -  | -                 | -   |
| Services fees  | 47,689                    | -   | -  | (47,689)          | -   |
| Philanthropy   | -                         | -   | -  | -                 | -   |
| Capital grants                                       | -                         | -   | -  | -                 | -   |
| Consulting   | -                         | -   | -  | -                 | -   |
| Interest   | -                         | 217   | 788  | -                 | 1,005                                     |
| Other  | -                         | 24,234  | 23,144                                     | -                 | 47,378                                    |
| <b>Total revenues</b>                                | <u>47,689</u>             | <u>677,301</u>  | <u>591,262</u>                             | <u>(47,689)</u>   | <u>1,268,563</u>                          |
| <b>Expenses and losses</b>                           |                           |   |  |                   |   |
| Compensation   | -                         | 159,766   | 135,834                                    | -                 | 295,600                                   |
| Administrative                                       | 36,829                    | 109,634   | 79,859                                     | (47,689)          | 178,633                                   |
| Professional services                                | 1,008                     | 47,825  | 11,512                                     | -                 | 60,345                                    |
| Depreciation and amortization                        | -                         | 240,837   | 238,714                                    | -                 | 479,551                                   |
| Grants   | -                         | -   | -  | -                 | -   |
| Facility   | -                         | 255,837   | 188,486                                    | -                 | 444,323                                   |
| Interest and fees                                    | 461                       | 108,131   | 214,963                                    | -                 | 323,555                                   |
| Bad debts  | -                         | 2,097   | 333  | -                 | 2,430                                     |
| Provision for impaired assets                        | -                         | -   | -  | -                 | -   |
| Project expenses                                     | -                         | -   | -  | -                 | -   |
| Allocation   | -                         | -   | -  | -                 | -   |
| (Gain) loss on sale of assets                        | -                         | -   | -  | -                 | -   |
| (Gain) loss on investment in limited partnership     | 53                        | -   | -  | (53)              | -   |
| <b>Total expenses and losses</b>                     | <u>38,351</u>             | <u>924,127</u>  | <u>869,701</u>                             | <u>(47,742)</u>   | <u>1,784,437</u>                          |
| <b>Excess (deficiency) of revenues over expenses</b> | 9,338                     | (246,826)   | (278,439)                                  | 53                | (515,874)                                 |
| Net assets at beginning of year                      | (49,122)                  | 1,420,915   | (2,457,116)                                | 247,444           | (837,879)                                 |
| Other transfers to (from) net assets                 | -                         | -   | -  | -                 | -   |
| <b>Net assets at end of year</b>                     | <u>\$ (39,784)</u>        | <u>\$ 1,174,089</u>   | <u>\$ (2,735,555)</u>                      | <u>\$ 247,497</u> | <u>\$ (1,353,753)</u>                     |

Consolidating Statement of Financial Position  
Florin Housing Corp.  
December 31, 2011

|  | Florin<br>Housing Corp. | Florin Wood<br>Associates<br>(Crossroads Gardens) | Eliminations       | Consolidated<br>Florin<br>Housing Corp. |
|--|-------------------------|---|--------------------|---|
| <b>Assets</b>  |                         |   |                    |   |
| Current assets   |                         |   |                    |   |
| Cash and cash equivalents                                    | \$ -                    | \$ 50,128   | \$ -               | \$ 50,128                               |
| Cash, tenant security deposits                               | -                       | 36,491  | -                  | 36,491                                  |
| Cash, restricted   | -                       | 250   | -                  | 250                                     |
| Investments  | -                       | -   | -                  | -                                       |
| Investments, restricted                                      | -                       | -   | -                  | -                                       |
| Accounts receivable, net                                     | -                       | 276   | -                  | 276                                     |
| Due from affiliate, net                                      | 62,722                  | -   | (62,722)           | -                                       |
| Pledges receivable   | -                       | -   | -                  | -                                       |
| Grants receivable  | -                       | -   | -                  | -                                       |
| Current portion of notes and interest receivable             | -                       | -   | -                  | -                                       |
| Current portion of notes and interest receivable, affiliates | -                       | -   | -                  | -                                       |
| Prepaid expenses and other assets                            | -                       | 20,177  | -                  | 20,177                                  |
| Total current assets   | 62,722                  | 107,322   | (62,722)           | 107,322                                 |
| 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                                     | -                       | (3,111,355)                                       | -                  | (3,111,355)                             |
| Net property and equipment                                   | -                       | 4,421,263   | -                  | 4,421,263                               |
| Other long-term assets                                       |                         |   |                    |   |
| Restricted property reserves                                 | -                       | 495,889   | -                  | 495,889                                 |
| Cash, restricted   | -                       | -   | -                  | -                                       |
| Long-term investments  | -                       | -   | -                  | -                                       |
| Long-term investments, restricted                            | -                       | -   | -                  | -                                       |
| Due from affiliates  | -                       | -   | -                  | -                                       |
| Pledges receivable, net                                      | -                       | -   | -                  | -                                       |
| Grants receivable  | -                       | -   | -                  | -                                       |
| Investments in limited partnerships                          | (5,284)                 | -   | 5,284              | -                                       |
| Notes and interest receivable, net                           | 201,000                 | -   | -                  | 201,000                                 |
| Notes and interest receivable, affiliates                    | -                       | -   | -                  | -                                       |
| Allowance for impaired assets                                | -                       | -   | -                  | -                                       |
| Other assets   | -                       | 74,061  | -                  | 74,061                                  |
| Total other long-term assets                                 | 195,716                 | 569,950   | 5,284              | 770,950                                 |
| <b>Total assets</b>  | <b>\$ 258,438</b>       | <b>\$ 5,098,535</b>                               | <b>\$ (57,438)</b> | <b>\$ 5,299,535</b>                     |
| <b>Liabilities</b>   |                         |   |                    |   |
| Current liabilities  |                         |   |                    |   |
| Accounts payable and accrued expenses                        | \$ 65,000               | \$ 123,607  | \$ -               | \$ 188,607                              |
| Due to affiliates  | 80,277                  | 240,768   | (215,055)          | 105,990                                 |
| Accrued interest   | -                       | 7,410   | -                  | 7,410                                   |
| Accrued interest, affiliates                                 | -                       | -   | -                  | -                                       |
| Current portion of notes payable                             | -                       | 40,717  | -                  | 40,717                                  |
| Current portion of notes payable, affiliates                 | -                       | -   | -                  | -                                       |
| Deferred revenue and other liabilities                       | -                       | 995   | -                  | 995                                     |
| Tenant security deposits                                     | -                       | 40,276  | -                  | 40,276                                  |
| Miscellaneous current liabilities                            | -                       | -   | -                  | -                                       |
| Total current liabilities                                    | 145,277                 | 453,773   | (215,055)          | 383,995                                 |
| Long-term liabilities  |                         |   |                    |   |
| Due to affiliates  | -                       | -   | -                  | -                                       |
| Accrued interest   | -                       | 1,048,170   | -                  | 1,048,170                               |
| Accrued interest, affiliates                                 | -                       | -   | -                  | -                                       |
| Notes payable, less current portion                          | -                       | 3,479,891   | -                  | 3,479,891                               |
| Notes payable, less current portion, affiliates              | -                       | -   | -                  | -                                       |
| Deferred revenue and other liabilities                       | -                       | -   | -                  | -                                       |
| Total long-term liabilities                                  | -                       | 4,528,061   | -                  | 4,528,061                               |
| <b>Total liabilities</b>                                     | <b>145,277</b>          | <b>4,981,834</b>                                  | <b>(215,055)</b>   | <b>4,912,056</b>                        |
| <b>Net assets</b>  |                         |   |                    |   |
| Unrestricted net assets, controlling                         | 113,161                 | 116,701   | 157,617            | 387,479                                 |
| Unrestricted net assets, noncontrolling                      | -                       | -   | -                  | -                                       |
| Total unrestricted net assets                                | 113,161                 | 116,701   | 157,617            | 387,479                                 |
| Temporarily restricted net assets                            | -                       | -   | -                  | -                                       |
| Permanently restricted net assets                            | -                       | -   | -                  | -                                       |
| <b>Total net assets</b>                                      | <b>113,161</b>          | <b>116,701</b>                                    | <b>157,617</b>     | <b>387,479</b>                          |
| <b>Total liabilities and net assets</b>                      | <b>\$ 258,438</b>       | <b>\$ 5,098,535</b>                               | <b>\$ (57,438)</b> | <b>\$ 5,299,535</b>                     |

Consolidating Statement of Activities  
and Changes in Net Assets  
Florin Housing Corp.  
For the year ended December 31, 2011

|  | Florin<br>Housing Corp. | Florin Wood<br>Associates<br>(Crossroads Gardens) | Eliminations      | Consolidated<br>Florin<br>Housing Corp. |
|--|-------------------------|---|-------------------|---|
| <b>Revenues</b>                                      |                         |   |                   |   |
| Rent - net of vacancies                              | \$ -                    | \$ 544,805  | \$ -              | \$ 544,805                              |
| Developer fees                                       | -                       | -   | -                 | -                                       |
| Services fees  | 20,000                  | -   | (20,000)          | -                                       |
| Philanthropy   | -                       | -   | -                 | -                                       |
| Capital Grants                                       | -                       | -   | -                 | -                                       |
| Consulting   | -                       | -   | -                 | -                                       |
| Interest   | -                       | 639   | -                 | 639                                     |
| Other  | -                       | 15,702  | -                 | 15,702                                  |
| <b>Total revenues</b>                                | <u>20,000</u>           | <u>561,146</u>                                    | <u>(20,000)</u>   | <u>561,146</u>                          |
| <b>Expenses and losses</b>                           |                         |   |                   |   |
| Compensation   | -                       | 144,696   | -                 | 144,696                                 |
| Administrative                                       | 14,004                  | 81,175  | (20,000)          | 75,179                                  |
| Professional services                                | 1,028                   | 55,692  | -                 | 56,720                                  |
| Depreciation and amortization                        | -                       | 186,026   | -                 | 186,026                                 |
| Grants   | -                       | -   | -                 | -                                       |
| Facility   | -                       | 200,140   | -                 | 200,140                                 |
| Interest and fees                                    | 460                     | 159,291   | -                 | 159,751                                 |
| Bad debts  | -                       | 2,332   | -                 | 2,332                                   |
| Provision for impaired assets                        | -                       | -   | -                 | -                                       |
| Project expenses                                     | -                       | -   | -                 | -                                       |
| Allocation   | -                       | -   | -                 | -                                       |
| (Gain) loss on sale of assets                        | -                       | -   | -                 | -                                       |
| (Gain) loss on investment in limited partnership     | 2,682                   | -   | (2,682)           | -                                       |
| <b>Total expenses and losses</b>                     | <u>18,174</u>           | <u>829,352</u>                                    | <u>(22,682)</u>   | <u>824,844</u>                          |
| <b>Excess (deficiency) of revenues over expenses</b> | 1,826                   | (268,206)   | 2,682             | (263,698)                               |
| Net assets at beginning of year                      | 111,335                 | 384,907   | 154,935           | 651,177                                 |
| Other transfers to (from) net assets                 | -                       | -   | -                 | -                                       |
| <b>Net assets at end of year</b>                     | <u>\$ 113,161</u>       | <u>\$ 116,701</u>                                 | <u>\$ 157,617</u> | <u>\$ 387,479</u>                       |



Consolidating Statement of Financial Position  
Affordable Housing Corp.  
December 31, 2011

|  | Affordable<br>Housing Corp. | Mercy Housing<br>Colorado VII<br>(Holly Park<br>West) | Mercy Housing<br>Washington IV<br>(Lincoln Way) | Mercy Housing<br>Colorado VI<br>(Merced de<br>las Animas) | Mercy Housing<br>Idaho III<br>(New Hope) |
|--|-----------------------------|---|---|---|--|
| <b>Assets</b>  |                             |   |   |   |  |
| <b>Current assets</b>  |                             |   |   |   |  |
| Cash and cash equivalents                                    | \$ -                        | \$ 118,702  | \$ 173,260                                      | \$ 133,829  | \$ 11,522                                |
| Cash, tenant security deposits                               | -                           | 13,171  | 23,148  | 17,884  | 6,550                                    |
| Cash, restricted   | -                           | -   | -   | -   | 38                                       |
| Investments  | -                           | -   | -   | -   | -  |
| Investments, restricted                                      | -                           | -   | -   | -   | -  |
| Accounts receivable, net                                     | -                           | 3,020   | 561   | 12,633  | 1,900                                    |
| Due from affiliate, net                                      | 12,342                      | 48  | -   | -   | 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                            | -                           | 17,009  | 9,157   | 9,496   | 4,018                                    |
| <b>Total current assets</b>                                  | <b>12,342</b>               | <b>151,950</b>  | <b>206,126</b>                                  | <b>173,842</b>  | <b>24,544</b>                            |
| <b>Property and equipment</b>                                |                             |   |   |   |  |
| Land and land improvements                                   | -                           | 211,749   | 407,704   | 208,657   | 90,524                                   |
| Buildings  | -                           | 2,589,864   | 4,001,206                                       | 4,995,628   | 1,112,897                                |
| Furniture and equipment                                      | -                           | 362,941   | 328,074   | 180,011   | 80,550                                   |
| Predevelopment project costs                                 | -                           | -   | -   | -   | -  |
| Construction in progress                                     | -                           | -   | -   | -   | -  |
| Accumulated depreciation                                     | -                           | (1,358,299)   | (2,367,329)                                     | (3,005,305)   | (803,496)                                |
| <b>Net property and equipment</b>                            | <b>-</b>                    | <b>1,806,255</b>                                      | <b>2,369,655</b>                                | <b>2,378,991</b>  | <b>480,475</b>                           |
| <b>Other long-term assets</b>                                |                             |   |   |   |  |
| Restricted property reserves                                 | -                           | 148,057   | 466,745   | 204,961   | 88,409                                   |
| Cash, restricted   | -                           | -   | -   | -   | -  |
| Long-term investments  | -                           | -   | -   | -   | -  |
| Long-term investments, restricted                            | -                           | -   | -   | -   | -  |
| Due from affiliates  | -                           | -   | -   | -   | -  |
| Pledges receivable, net                                      | -                           | -   | -   | -   | -  |
| Grants receivable  | -                           | -   | -   | -   | -  |
| Investments in limited partnerships                          | (20,921)                    | -   | -   | -   | -  |
| Notes and interest receivable, net                           | -                           | -   | -   | -   | -  |
| Notes and interest receivable, affiliates                    | -                           | -   | -   | -   | -  |
| Allowance for impaired assets                                | -                           | -   | -   | -   | -  |
| Other assets   | -                           | 35,067  | 11,884  | 3,785   | 3,858                                    |
| <b>Total other long-term assets</b>                          | <b>(20,921)</b>             | <b>183,124</b>  | <b>478,629</b>                                  | <b>208,746</b>  | <b>92,267</b>                            |
| <b>Total assets</b>  | <b>\$ (8,579)</b>           | <b>\$ 2,141,329</b>                                   | <b>\$ 3,054,410</b>                             | <b>\$ 2,761,579</b>                                       | <b>\$ 597,286</b>                        |
| <b>Liabilities</b>   |                             |   |   |   |  |
| <b>Current liabilities</b>                                   |                             |   |   |   |  |
| Accounts payable and accrued expenses                        | \$ -                        | \$ 56,470   | \$ 19,688                                       | \$ 26,931   | \$ 19,565                                |
| Due to affiliates  | 407,945                     | 136,387   | 17,405  | 8,658   | 16,570                                   |
| Accrued interest   | -                           | 9,548   | 40,524  | 4,102   | 876                                      |
| Accrued interest, affiliates                                 | -                           | 7,932   | -   | 6,603   | -  |
| Current portion of notes payable                             | -                           | 42,458  | 40,416  | 10,025  | 4,102                                    |
| Current portion of notes payable, affiliates                 | -                           | -   | -   | 13,688  | -  |
| Deferred revenue and other liabilities                       | -                           | 4,839   | 642   | 563   | 6,774                                    |
| Tenant security deposits                                     | -                           | 13,163  | 23,151  | 22,586  | 5,200                                    |
| Miscellaneous current liabilities                            | -                           | -   | -   | -   | -  |
| <b>Total current liabilities</b>                             | <b>407,945</b>              | <b>270,797</b>  | <b>141,826</b>                                  | <b>93,156</b>   | <b>53,087</b>                            |
| <b>Long-term liabilities</b>                                 |                             |   |   |   |  |
| Due to affiliates  | -                           | -   | -   | -   | -  |
| Accrued interest   | -                           | -   | 73,429  | -   | 3,341                                    |
| Accrued interest, affiliates                                 | -                           | 423,550   | 321,453   | 544,813   | 50,802                                   |
| Notes payable, less current portion                          | -                           | 1,223,284   | 1,465,113                                       | 491,390   | 489,850                                  |
| Notes payable, less current portion, affiliates              | -                           | 603,736   | 124,750   | 667,083   | 127,341                                  |
| Deferred revenue and other liabilities                       | -                           | -   | -   | -   | -  |
| <b>Total long-term liabilities</b>                           | <b>-</b>                    | <b>2,250,570</b>                                      | <b>1,984,745</b>                                | <b>1,703,286</b>  | <b>671,334</b>                           |
| <b>Total liabilities</b>                                     | <b>407,945</b>              | <b>2,521,367</b>                                      | <b>2,126,571</b>                                | <b>1,796,442</b>  | <b>724,421</b>                           |
| <b>Net assets</b>  |                             |   |   |   |  |
| Unrestricted net assets, controlling                         | (416,524)                   | (380,038)   | 927,839   | 965,137   | (127,135)                                |
| Unrestricted net assets, noncontrolling                      | -                           | -   | -   | -   | -  |
| <b>Total unrestricted net assets</b>                         | <b>(416,524)</b>            | <b>(380,038)</b>                                      | <b>927,839</b>                                  | <b>965,137</b>  | <b>(127,135)</b>                         |
| Temporarily restricted net assets                            | -                           | -   | -   | -   | -  |
| Permanently restricted net assets                            | -                           | -   | -   | -   | -  |
| <b>Total net assets</b>                                      | <b>(416,524)</b>            | <b>(380,038)</b>                                      | <b>927,839</b>                                  | <b>965,137</b>  | <b>(127,135)</b>                         |
| <b>Total liabilities and net assets</b>                      | <b>\$ (8,579)</b>           | <b>\$ 2,141,329</b>                                   | <b>\$ 3,054,410</b>                             | <b>\$ 2,761,579</b>                                       | <b>\$ 597,286</b>                        |

Consolidating Statement of Financial Position  
Affordable Housing Corp.  
December 31, 2011

|  | Mercy Housing<br>Colorado V<br>(Plaza<br>on Platte) | Mercy Housing<br>Washington III<br>(Tahoma View) | Mercy Housing<br>Idaho II<br>(Comstock<br>Apartments) | Mercy Housing<br>Idaho I<br>(Northside Nampa) | Mercy Housing<br>Colorado III<br>(Springfield<br>Court) |
|--|---|--|---|---|---|
| <b>Assets</b>  |   |  |   |   |   |
| Current assets   |   |  |   |   |   |
| Cash and cash equivalents                                    | \$ 44,691   | \$ 45,359  | \$ -  | \$ -  | \$ -  |
| Cash, tenant security deposits                               | 1,551   | 18,582   | -   | -   | -   |
| Cash, restricted   | -   | -  | -   | -   | -   |
| Investments  | -   | -  | -   | -   | -   |
| Investments, restricted                                      | -   | -  | -   | -   | -   |
| Accounts receivable, net                                     | 13,333  | 2,062  | -   | -   | -   |
| 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                            | 23,214  | 7,376  | -   | -   | -   |
| Total current assets   | 82,789  | 73,379   | -   | -   | -   |
| Property and equipment                                       |   |  |   |   |   |
| Land and land improvements                                   | 61,275  | 280,000  | -   | -   | -   |
| Buildings  | 1,172,376   | 3,933,445  | -   | -   | -   |
| Furniture and equipment                                      | 144,241   | 71,503   | -   | -   | -   |
| Predevelopment project costs                                 | -   | -  | -   | -   | -   |
| Construction in progress                                     | -   | -  | -   | -   | -   |
| Accumulated depreciation                                     | (785,966)   | (1,997,566)                                      | -   | -   | -   |
| Net property and equipment                                   | 591,926   | 2,287,382  | -   | -   | -   |
| Other long-term assets                                       |   |  |   |   |   |
| Restricted property reserves                                 | 69,735  | 197,974  | -   | -   | -   |
| 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   | 82,785  | 13,373   | -   | -   | -   |
| Total other long-term assets                                 | 152,520   | 211,347  | -   | -   | -   |
| <b>Total assets</b>  | <b>\$ 827,235</b>                                   | <b>\$ 2,572,108</b>                              | <b>\$ -</b>   | <b>\$ -</b>                                   | <b>\$ -</b>   |
| <b>Liabilities</b>   |   |  |   |   |   |
| Current liabilities  |   |  |   |   |   |
| Accounts payable and accrued expenses                        | \$ 14,459   | \$ 41,762  | \$ -  | \$ -  | \$ -  |
| Due to affiliates  | 60,313  | 15,699   | -   | -   | -   |
| Accrued interest   | 1,017   | 15,506   | -   | -   | -   |
| Accrued interest, affiliates                                 | -   | 205  | -   | -   | -   |
| Current portion of notes payable                             | 4,792   | 32,637   | -   | -   | -   |
| Current portion of notes payable, affiliates                 | -   | 9,206  | -   | -   | -   |
| Deferred revenue and other liabilities                       | 15,033  | 2,026  | -   | -   | -   |
| Tenant security deposits                                     | 2,262   | 18,582   | -   | -   | -   |
| Miscellaneous current liabilities                            | -   | -  | -   | -   | -   |
| Total current liabilities                                    | 97,876  | 135,623  | -   | -   | -   |
| Long-term liabilities  |   |  |   |   |   |
| Due to affiliates  | -   | -  | -   | -   | -   |
| Accrued interest   | -   | 107,914  | -   | -   | -   |
| Accrued interest, affiliates                                 | 335,510   | 12,063   | -   | -   | -   |
| Notes payable, less current portion                          | 134,541   | 1,535,287  | -   | -   | -   |
| Notes payable, less current portion, affiliates              | 608,775   | 148,154  | -   | -   | -   |
| Deferred revenue and other liabilities                       | -   | -  | -   | -   | -   |
| Total long-term liabilities                                  | 1,078,826   | 1,803,418  | -   | -   | -   |
| <b>Total liabilities</b>                                     | <b>1,176,702</b>                                    | <b>1,939,041</b>                                 | <b>-</b>  | <b>-</b>                                      | <b>-</b>  |
| <b>Net assets</b>  |   |  |   |   |   |
| Unrestricted net assets, controlling                         | (349,467)   | 633,067  | -   | -   | -   |
| Unrestricted net assets, noncontrolling                      | -   | -  | -   | -   | -   |
| Total unrestricted net assets                                | (349,467)   | 633,067  | -   | -   | -   |
| Temporarily restricted net assets                            | -   | -  | -   | -   | -   |
| Permanently restricted net assets                            | -   | -  | -   | -   | -   |
| <b>Total net assets</b>                                      | <b>(349,467)</b>                                    | <b>633,067</b>                                   | <b>-</b>  | <b>-</b>                                      | <b>-</b>  |
| <b>Total liabilities and net assets</b>                      | <b>\$ 827,235</b>                                   | <b>\$ 2,572,108</b>                              | <b>\$ -</b>   | <b>\$ -</b>                                   | <b>\$ -</b>   |

Consolidating Statement of Financial Position  
Affordable Housing Corp.  
December 31, 2011

|  | Mercy Housing<br>Colorado IV<br>(Wapiti<br>Meadows) | Eliminations    | Consolidated<br>Affordable<br>Housing Corp. |
|--|---|-----------------|---|
| <b>Assets</b>  |   |                 |   |
| Current assets   |   |                 |   |
| Cash and cash equivalents                                    | \$ -  | \$ -            | \$ 527,363                                  |
| Cash, tenant security deposits                               | -   | -               | 80,886                                      |
| Cash, restricted   | -   | -               | 38  |
| Investments  | -   | -               | -   |
| Investments, restricted                                      | -   | -               | -   |
| Accounts receivable, net                                     | -   | -               | 33,509                                      |
| Due from affiliate, net                                      | -   | (12,342)        | 564   |
| Pledges receivable   | -   | -               | -   |
| Grants receivable  | -   | -               | -   |
| Current portion of notes and interest receivable             | -   | -               | -   |
| Current portion of notes and interest receivable, affiliates | -   | -               | -   |
| Prepaid expenses and other assets                            | -   | -               | 70,270                                      |
| Total current assets   | -   | (12,342)        | 712,630                                     |
| Property and equipment                                       |   |                 |   |
| Land and land improvements                                   | -   | -               | 1,259,909                                   |
| Buildings  | -   | -               | 17,805,416                                  |
| Furniture and equipment                                      | -   | -               | 1,167,320                                   |
| Predevelopment project costs                                 | -   | -               | -   |
| Construction in progress                                     | -   | -               | -   |
| Accumulated depreciation                                     | -   | -               | (10,317,961)                                |
| Net property and equipment                                   | -   | -               | 9,914,684                                   |
| Other long-term assets                                       |   |                 |   |
| Restricted property reserves                                 | -   | -               | 1,175,881                                   |
| Cash, restricted   | -   | -               | -   |
| Long-term investments  | -   | -               | -   |
| Long-term investments, restricted                            | -   | -               | -   |
| Due from affiliates  | -   | -               | -   |
| Pledges receivable, net                                      | -   | -               | -   |
| Grants receivable  | -   | -               | -   |
| Investments in limited partnerships                          | -   | 20,921          | -   |
| Notes and interest receivable, net                           | -   | -               | -   |
| Notes and interest receivable, affiliates                    | -   | -               | -   |
| Allowance for impaired assets                                | -   | -               | -   |
| Other assets   | -   | -               | 150,752                                     |
| Total other long-term assets                                 | -   | 20,921          | 1,326,633                                   |
| <b>Total assets</b>  | <b>\$ -</b>   | <b>\$ 8,579</b> | <b>\$ 11,953,947</b>                        |
| <b>Liabilities</b>   |   |                 |   |
| Current liabilities  |   |                 |   |
| Accounts payable and accrued expenses                        | \$ -  | \$ -            | \$ 178,875                                  |
| Due to affiliates  | -   | (24,357)        | 638,620                                     |
| Accrued interest   | -   | -               | 71,573                                      |
| Accrued interest, affiliates                                 | -   | -               | 14,740                                      |
| Current portion of notes payable                             | -   | -               | 134,430                                     |
| Current portion of notes payable, affiliates                 | -   | -               | 22,894                                      |
| Deferred revenue and other liabilities                       | -   | -               | 29,877                                      |
| Tenant security deposits                                     | -   | -               | 84,944                                      |
| Miscellaneous current liabilities                            | -   | -               | -   |
| Total current liabilities                                    | -   | (24,357)        | 1,175,953                                   |
| Long-term liabilities  |   |                 |   |
| Due to affiliates  | -   | -               | -   |
| Accrued interest   | -   | -               | 184,684                                     |
| Accrued interest, affiliates                                 | -   | -               | 1,688,191                                   |
| Notes payable, less current portion                          | -   | -               | 5,339,465                                   |
| Notes payable, less current portion, affiliates              | -   | -               | 2,279,839                                   |
| Deferred revenue and other liabilities                       | -   | -               | -   |
| Total long-term liabilities                                  | -   | -               | 9,492,179                                   |
| <b>Total liabilities</b>                                     | <b>-</b>  | <b>(24,357)</b> | <b>10,668,132</b>                           |
| <b>Net assets</b>  |   |                 |   |
| Unrestricted net assets, controlling                         | -   | 32,936          | 1,285,815                                   |
| Unrestricted net assets, noncontrolling                      | -   | -               | -   |
| Total unrestricted net assets                                | -   | 32,936          | 1,285,815                                   |
| Temporarily restricted net assets                            | -   | -               | -   |
| Permanently restricted net assets                            | -   | -               | -   |
| <b>Total net assets</b>                                      | <b>-</b>  | <b>32,936</b>   | <b>1,285,815</b>                            |
| <b>Total liabilities and net assets</b>                      | <b>\$ -</b>   | <b>\$ 8,579</b> | <b>\$ 11,953,947</b>                        |

Consolidating Statement of Activities  
and Changes in Net Assets  
Affordable Housing Corp.  
For the year ended December 31, 2011

|  | Affordable<br>Housing Corp. | Mercy Housing<br>Colorado VII<br>(Holly Park<br>West) | Mercy Housing<br>Washington IV<br>(Lincoln Way) | Mercy Housing<br>Colorado VI<br>(Merced de<br>las Animas) | Mercy Housing<br>Idaho III<br>(New Hope) |
|--|-----------------------------|---|---|---|--|
| <b>Revenues</b>                                      |                             |   |   |   |  |
| Rent - net of vacancies                              | \$ -                        | \$ 834,622  | \$ 435,146                                      | \$ 394,919  | \$ 101,282                               |
| Developer fees                                       | -                           | -   | -   | -   | -  |
| Services fees  | 26,791                      | -   | -   | -   | -  |
| Philanthropy   | -                           | -   | -   | -   | -  |
| Capital Grants                                       | -                           | -   | -   | -   | -  |
| Consulting   | -                           | -   | -   | -   | -  |
| Interest   | -                           | 130   | 633   | 168   | 64                                       |
| Other revenue  | 13,165                      | 33,000  | 19,434  | 5,199   | 2,230                                    |
| <b>Total revenues</b>                                | <u>39,956</u>               | <u>867,752</u>  | <u>455,213</u>                                  | <u>400,286</u>  | <u>103,576</u>                           |
| <b>Expenses and losses</b>                           |                             |   |   |   |  |
| Compensation   | -                           | 146,356   | 60,244  | 74,965  | 34,063                                   |
| Administrative                                       | 55,440                      | 110,218   | 64,743  | 67,788  | 18,110                                   |
| Professional services                                | 1,351                       | 14,454  | 41,647  | 36,728  | 17,077                                   |
| Depreciation and amortization                        | -                           | 116,858   | 159,486   | 211,151   | 47,160                                   |
| Grants   | -                           | -   | -   | -   | -  |
| Facility   | -                           | 315,385   | 102,519   | 91,511  | 27,748                                   |
| Interest and fees                                    | 5,070                       | 125,854   | 98,246  | 109,459   | 18,536                                   |
| Bad debts  | -                           | 2,303   | -   | -   | 1,382                                    |
| Provision for impaired assets                        | -                           | -   | -   | -   | -  |
| Project expenses                                     | -                           | -   | -   | -   | -  |
| Allocation   | -                           | -   | -   | -   | -  |
| (Gain) loss on sale of assets                        | -                           | -   | -   | -   | -  |
| (Gain) loss on investment in limited partnership     | 1,751                       | -   | -   | -   | -  |
| <b>Total expenses and losses</b>                     | <u>63,612</u>               | <u>831,428</u>  | <u>526,885</u>                                  | <u>591,602</u>  | <u>164,076</u>                           |
| <b>Excess (deficiency) of revenues over expenses</b> | (23,656)                    | 36,324  | (71,672)  | (191,316)   | (60,500)                                 |
| Net assets at beginning of year                      | (300,251)                   | (416,362)   | 999,511   | 1,156,453   | (66,635)                                 |
| Other transfers to (from) net assets                 | (92,617)                    | -   | -   | -   | -  |
| Net assets at end of year                            | <u>\$ (416,524)</u>         | <u>\$ (380,038)</u>                                   | <u>\$ 927,839</u>                               | <u>\$ 965,137</u>   | <u>\$ (127,135)</u>                      |

Consolidating Statement of Activities  
and Changes in Net Assets  
Affordable Housing Corp.  
For the year ended December 31, 2011

|  | Mercy Housing<br>Colorado V<br>(Plaza<br>on Platte) | Mercy Housing<br>Washington III<br>(Tahoma View) | Mercy Housing<br>Idaho II<br>(Comstock<br>Apartments) | Mercy Housing<br>Idaho I<br>(Northside Nampa) | Mercy Housing<br>Colorado III<br>(Springfield<br>Court) |
|--|---|--|---|---|---|
| <b>Revenues</b>                                      |   |  |   |   |   |
| Rent - net of vacancies                              | \$ 212,343  | \$ 309,089                                       | \$ 118,475  | \$ 125,502                                    | \$ 80,343   |
| Developer fees                                       | -   | -  | -   | -   | -   |
| Services fees  | -   | -  | -   | -   | -   |
| Philanthropy   | -   | -  | -   | -   | -   |
| Capital Grants                                       | -   | -  | -   | -   | -   |
| Consulting   | -   | -  | -   | -   | -   |
| Interest   | 91  | 236  | 1   | 16  | 7   |
| Other revenue  | 4,518   | 30,702   | 992   | 7,531   | 1,593   |
| <b>Total revenues</b>                                | <u>216,952</u>                                      | <u>340,027</u>                                   | <u>119,468</u>  | <u>133,049</u>                                | <u>81,943</u>   |
| <b>Expenses and losses</b>                           |   |  |   |   |   |
| Compensation   | 6,087   | 59,138   | 39,243  | 50,695  | 17,197  |
| Administrative                                       | 49,513  | 56,310   | 19,763  | 34,125  | 10,479  |
| Professional services                                | 4,372   | 28,877   | 19,374  | 13,809  | 759   |
| Depreciation and amortization                        | 44,542  | 143,748  | 43,635  | 50,157  | 49,281  |
| Grants   | -   | -  | -   | -   | -   |
| Facility   | 49,291  | 146,344  | 30,443  | 59,721  | 16,754  |
| Interest and fees                                    | 48,532  | 46,538   | 47,962  | 74,382  | 13,177  |
| Bad debts  | 2,469   | 4,029  | 1,248   | 528   | (68)  |
| Provision for impaired assets                        | -   | -  | -   | -   | -   |
| Project expenses                                     | -   | -  | -   | -   | -   |
| Allocation   | -   | -  | -   | -   | -   |
| (Gain) loss on sale of assets                        | -   | -  | -   | -   | -   |
| (Gain) loss on investment in limited partnership     | -   | -  | -   | -   | -   |
| <b>Total expenses and losses</b>                     | <u>204,806</u>                                      | <u>484,984</u>                                   | <u>201,668</u>  | <u>283,417</u>                                | <u>107,579</u>  |
| <b>Excess (deficiency) of revenues over expenses</b> | 12,146  | (144,957)  | (82,200)  | (150,368)                                     | (25,636)  |
| Net assets at beginning of year                      | (361,613)   | 778,024  | (396,766)   | (1,015,982)                                   | (798,203)   |
| Other transfers to (from) net assets                 | -   | -  | 478,966   | 1,166,350                                     | 823,839   |
| Net assets at end of year                            | <u>\$ (349,467)</u>                                 | <u>\$ 633,067</u>                                | <u>\$ -</u>   | <u>\$ -</u>                                   | <u>\$ -</u>   |

Consolidating Statement of Activities  
and Changes in Net Assets  
Affordable Housing Corp.  
For the year ended December 31, 2011

|  | Mercy Housing<br>Colorado IV<br>(Wapiti<br>Meadows) | Eliminations     | Consolidated<br>Affordable<br>Housing Corp. |
|--|---|------------------|---|
| <b>Revenues</b>                                      |   |                  |   |
| Rent - net of vacancies                              | \$ 89,115   | \$ -             | \$ 2,700,836                                |
| Developer fees                                       | -   | -                | -   |
| Services fees  | -   | (26,791)         | -   |
| Philanthropy   | -   | -                | -   |
| Capital Grants                                       | -   | -                | -   |
| Consulting   | -   | -                | -   |
| Interest   | 6   | -                | 1,352                                       |
| Other revenue  | 1,278   | -                | 119,642                                     |
| <b>Total revenues</b>                                | <u>90,399</u>                                       | <u>(26,791)</u>  | <u>2,821,830</u>                            |
| <b>Expenses and losses</b>                           |   |                  |   |
| Compensation   | 18,376  | -                | 506,364                                     |
| Administrative                                       | 13,632  | (26,791)         | 473,330                                     |
| Professional services                                | 1,384   | -                | 179,832                                     |
| Depreciation and amortization                        | 40,853  | -                | 906,871                                     |
| Grants   | -   | -                | -   |
| Facility   | 32,936  | -                | 872,652                                     |
| Interest and fees                                    | 34,781  | -                | 622,537                                     |
| Bad debts  | 1,248   | -                | 13,139                                      |
| Provision for impaired assets                        | -   | -                | -   |
| Project expenses                                     | -   | -                | -   |
| Allocation   | -   | -                | -   |
| (Gain) loss on sale of assets                        | -   | -                | -   |
| (Gain) loss on investment in limited partnership     | -   | (1,751)          | -   |
| <b>Total expenses and losses</b>                     | <u>143,210</u>                                      | <u>(28,542)</u>  | <u>3,574,725</u>                            |
| <b>Excess (deficiency) of revenues over expenses</b> | (52,811)  | 1,751            | (752,895)                                   |
| Net assets at beginning of year                      | (247,167)   | (1,587)          | (670,578)                                   |
| Other transfers to (from) net assets                 | 299,978   | 32,772           | 2,709,288                                   |
| Net assets at end of year                            | <u>\$ -</u>   | <u>\$ 32,936</u> | <u>\$ 1,285,815</u>                         |

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2011

| Grantor and Program Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number | Direct<br>Federal<br>Expenditures | Pass<br>Through<br>Expenditures |
|--|---------------------------|---------------------------------------|-----------------------------------|---------------------------------|
| <b><u>United States Department of Agriculture (USDA)</u></b>   |                           |                                       |                                   |                                 |
| <b>Direct Programs:</b>  |                           |                                       |                                   |                                 |
| Rural Rental Housing Loans   | 10.415                    |                                       | \$ 27,371,590                     |                                 |
| Rural Self-Help Housing Technical Assistance   | 10.420                    |                                       | -                                 |                                 |
| Rural Rental Assistance Payments   | 10.427                    |                                       | 4,316,710                         |                                 |
| USDA Rural Preservation Housing Grant  | 10.433                    |                                       | -                                 |                                 |
| Intermediary Relending Program   | 10.767                    |                                       | 1,166,151                         |                                 |
| <b>Passed Through:</b>   |                           |                                       |                                   |                                 |
| Idaho Housing & Finance Association (IHFA) / Rental Assistance Payments (RAP)  | 10.427                    |                                       |                                   | 163,049                         |
| Arizona Department of Education Summer Food Service Program  | 10.559                    | ADE # ED05-001                        |                                   | -                               |
| United States Department of Agriculture (USDA) / Arizona Department of Health Services (ADHS)/Food Stamp Nutrition Education Program       | 10.561                    | HM-661056-1<br>E9H28073               |                                   | 82,165                          |
|  |                           |                                       | <hr/> 32,854,451                  | <hr/> 245,214                   |
| <b><u>United States Department of Commerce</u></b>   |                           |                                       |                                   |                                 |
| <b>Passed Through:</b>   |                           |                                       |                                   |                                 |
| Broadband Technology Opportunities Program (BTOP)  | 11.557                    | B10516-10-MS-0115                     |                                   | 27,000                          |
|  |                           |                                       |                                   | <hr/> 27,000                    |
| <b><u>United States Department of Housing &amp; Urban Development (HUD)</u></b>  |                           |                                       |                                   |                                 |
| <b>Direct Programs:</b>  |                           |                                       |                                   |                                 |
| Interest Reduction Payments Section 236  | 14.103                    |                                       | 1,050,144                         |                                 |
| Rent Supplements Rental Housing for Lower Income Families  | 14.149                    |                                       | -                                 |                                 |
| Mortgage Insurance for the Purchase Section 223 (a) (7)  | 14.155                    |                                       | 17,197,060                        |                                 |
| Grant Capital Advance Section 202  | 14.157                    |                                       | 117,842,662                       |                                 |
| Project Rental Assistance Contract (PRAC) Section 202  | 14.157                    |                                       | 4,540,903                         |                                 |
| Supportive Housing for the Elderly Direct Loan Section 202   | 14.157                    |                                       | 10,442,188                        |                                 |
| Project Rental Assistance Contract (PRAC) Section 811  | 14.181                    |                                       | 534,155                           |                                 |
| Supportive Housing for Persons with Disabilities-Capital Advance Section 811   | 14.181                    |                                       | 8,242,823                         |                                 |
| Multifamily Services Coordinator Grant   | 14.191                    |                                       | 75,915                            |                                 |
| Housing Assistance Payments (HAP) Section 8  | 14.195                    |                                       | 19,953,916                        |                                 |
| Multifamily Assisted Housing Reform and Affordability Act  | 14.197                    |                                       | 8,117,366                         |                                 |
| Community Development Block Grant / State's Program  | 14.228                    |                                       | -                                 |                                 |
| Office of Community Planning and Development-Supportive Housing Program  | 14.235                    |                                       | 9,196,189                         |                                 |
| Supportive Housing Program-Capital Advance   | 14.235                    |                                       | 8,292,039                         |                                 |
| HOME Investment Partnership Program  | 14.239                    |                                       | 422,884                           |                                 |
| Community Development Block Grant-Brownfields Economic Development Initiative  | 14.246                    |                                       | -                                 |                                 |
| Economic Development Initiative - Special Project, Neighborhood Initiative   | 14.251                    |                                       | -                                 |                                 |
| Assisted Housing Stability and Energy and Green Retrofit Investments Program (ARRA)  | 14.318                    |                                       | 11,100,325                        |                                 |
| <b>Passed Through:</b>   |                           |                                       |                                   |                                 |
| 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                         |
| Transitional Living and Community Support / Project Rental Assistance Contract   | 14.181                    |                                       |                                   | -                               |
| Supportive Housing for Persons with Disabilities-Capital Advance Section 811   | 14.181                    |                                       |                                   | -                               |
| Illinois Housing Development Authority / Section 8 New Construction and Substantial Rehabilitation   | 14.182                    |                                       |                                   | 712,982                         |
|  |                           | 92-012N, 97-033N, 97-022N             |                                   |                                 |
| California Housing Finance Agency (CHFA) / Risk Sharing Loans  | 14.188                    |                                       |                                   | 6,346,164                       |
| Boise Housing Authority / HOME Investment Partnership Program / HAP Section 8  | 14.195                    |                                       |                                   | 46,908                          |
| Chicago Housing Authority / HAP Section 8  | 14.195                    |                                       |                                   | 490,489                         |
| City and County of San Francisco / Mayor's Office of Housing / HAP Program Section 8   | 14.195                    |                                       |                                   | 546,826                         |
|  |                           | 8613                                  |                                   |                                 |
| City of Chicago / Department of Housing / CDBG State Program Entitlement / HAP Section 8   | 14.195                    |                                       |                                   | 329,727                         |
| City of Chicago / Department of Housing / CDBG State Program / HAP Section 8   | 14.195                    |                                       |                                   | 224,340                         |
| City of Chicago / Department of Housing / HOME Investment Partnership Program / HAP Section 8  | 14.195                    |                                       |                                   | 785,475                         |
| City of Chicago Illinois / Department of Finance / HOME Investment Partnership Program   | 14.195                    |                                       |                                   | 817,087                         |
| City of Chicago, Illinois / Department of Housing / CDBG Multi-family Loan State Program / HAP Section 8                                   | 14.195                    |                                       |                                   | 249,707                         |
| City of Cincinnati / HOME Investment Partnership / HAP Section 8   | 14.195                    |                                       |                                   | 85,502                          |
| City of Council Bluffs / HOME Investment Partnership Program / HAP Section 8   | 14.195                    |                                       |                                   | 85,709                          |
| City of Daly / HOME Investment Partnership Program / HAP Section 8   | 14.195                    |                                       |                                   | 51,162                          |
| City of Lincoln, Nebraska / HOME Investment Partnership Program / HAP Section 8  | 14.195                    |                                       |                                   | 100                             |

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2011

| Grantor and Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number | Direct<br>Federal<br>Expenditures | Pass<br>Through<br>Expenditures |
|---|---------------------------|---------------------------------------|-----------------------------------|---------------------------------|
| <b><u>United States Department of Agriculture (USDA)</u></b>  |                           |                                       |                                   |                                 |
| <b>Passed Through: (Continued)</b>  |                           |                                       |                                   |                                 |
| City of Los Angeles / CDBG State Programs and HOME Investment Partnership Program / HAP Section 8   | 14.195                    |                                       |                                   | 808                             |
| City of Yuba City / HOME Investment Partnership Program / HAP Section 8   | 14.195                    |                                       |                                   | 136,767                         |
| Colorado Division of Housing (CDOH) / HOME Investment Partnership Program / HAP Section 8   | 14.195                    |                                       |                                   | 711,015                         |
| 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                    |                                       |                                   | 645,255                         |
| Housing Authority of the County of Santa Cruz / HAP / Section 8   | 14.195                    |                                       |                                   | 114,931                         |
| Idaho Housing Agency / HOME Investment Partnership Program / HAP Section 8  | 14.195                    |                                       |                                   | 9,380                           |
| Illinois Housing Development Authority / HOME Investment Partnership Program / Multifamily Program / HAP Section 8                        | 14.195                    |                                       |                                   | 284,982                         |
| Omaha Housing Authority of the City of Omaha / Housing Assistance payment (HAP) Section 8   | 14.195                    |                                       |                                   | 264,701                         |
| Redevelopment Agency of the City and County of San Francisco / Housing Assistance Payment (HAP) Section 8                                 | 14.195                    |                                       |                                   | 973,945                         |
| Sacramento Housing and Redevelopment Agency / HOME Investment Partnership Program / HAP Section 8   | 14.195                    |                                       |                                   | 176,870                         |
| Sacramento Housing and Redevelopment Agency / Rural California Housing Corporation / HOME Investment Partnership Program                  | 14.195                    |                                       |                                   | 66,921                          |
| San Francisco Housing Authority / HAP Section 8   | 14.195                    |                                       |                                   | -                               |
| San Francisco Redevelopment Agency / HOPWA Capital Loan Agreement / HAP Section 8   | 14.195                    |                                       |                                   | 763,213                         |
| State of Ohio / Division of Community Development / City of Cincinnati / HOME Ownership Program / HAP Section 8                           | 14.195                    |                                       |                                   | 79,787                          |
| Tacoma Community Development Authority / CDBG State Program   | 14.195                    |                                       |                                   | 224,834                         |
| Tacoma Community Redevelopment Authority / CDBG State Program / HAP Section 8   | 14.195                    |                                       |                                   | 209,202                         |
| The Washington State Department of Community, Trade and Economic Development (CTED) / HOME Investment Partnership Program / HAP Section 8 | 14.195                    |                                       |                                   | 114,622                         |
| Omaha Housing Authority of the City of Omaha / Multi-family Assisted Housing Reform and Affordability Act                                 | 14.197                    | 103-11014-PUR/CON-EC-FAM              |                                   | 4,293,335                       |
| City of Chicago / Chicago Department of Housing / Housing & Economic Recovery Act (HERA)  | 14.218                    |                                       |                                   | 266,429                         |
| City of Chicago / Chicago Department of Housing / Housing & Economic Recovery Act (HERA)  | 14.218                    |                                       |                                   | 17,962,760                      |
| City of Chicago / Chicago Department of Housing / Housing & Economic Recovery Act (HERA)  | 14.218                    |                                       |                                   | 9,865                           |
| City of Chicago / Chicago Department of Housing / CDBG Entitlement Grant  | 14.218                    |                                       |                                   | 188,891                         |
| 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                    | B1051610MS0115                        |                                   | 25,000                          |
| City of Rome, Georgia / CDBG Entitlement Grant Program  | 14.218                    |                                       |                                   | 119,220                         |
| Local Initiatives Support Corporation / HUD Community Development Block Grant   | 14.218                    |                                       |                                   | -                               |
| 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                    |                                       |                                   | 3,695,184                       |
| City and County of San Francisco to Mayor's Office of Housing / CDBG State Program  | 14.228                    | 95-F765446-00                         |                                   | 3,373,643                       |
| 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   | 14.228                    |                                       |                                   |                                 |
| "Strategic Neighborhood Action Program"   | 14.228                    |                                       |                                   | 3,483,591                       |
| City of Citrus Heights / CDBG State Program   | 14.228                    |                                       |                                   | 23,455                          |
| City of Citrus Heights / CDBG State Program   | 14.228                    |                                       |                                   | -                               |
| City of Colorado Springs / CDBG State Program   | 14.228                    |                                       |                                   | 300,000                         |
| City of Daly City / CDBG State Loan Program   | 14.228                    |                                       |                                   | 198,522                         |
| City of Dubuque, Iowa / CDBG State Program  | 14.228                    | 258-93                                |                                   | 476,201                         |
| City of Dubuque, Iowa / CDBG State Program  | 14.228                    |                                       |                                   | -                               |
| City of Durango, Colorado / CDBG State Program  | 14.228                    |                                       |                                   | 250,000                         |
| City of Eagle, Ida County / Idaho Community Development Block Grant   | 14.228                    |                                       |                                   | 445,389                         |
| City of Encinitas / CDBG State Program  | 14.228                    |                                       |                                   | 614,000                         |
| City of Folsom / CDBG State Program   | 14.228                    |                                       |                                   | 92,940                          |
| City of Jackson / CDBG State Program  | 14.228                    |                                       |                                   | -                               |
| City of Lincoln / CDBG State Program  | 14.228                    |                                       |                                   | 1,180                           |
| 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                    |                                       |                                   | 527,405                         |
| City of Orlando / CDBG State Program  | 14.228                    | 08-STBG-4874                          |                                   | -                               |
| City of Santa Cruz / CDBG Revolving Loan Fund   | 14.228                    |                                       |                                   | 299,537                         |
| City of Santa Cruz / CDBG State Program   | 14.228                    | CA027HG701                            |                                   | 269,797                         |
| City of Santa Cruz / CDBG State Program   | 14.228                    |                                       |                                   | 139,494                         |
| City of Tacoma / CDBG State Program   | 14.228                    |                                       |                                   | 49,208                          |
| Community Housing Services Agency / CDBG State Program  | 14.228                    |                                       |                                   | 995,928                         |



Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2011

| Grantor and Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number | Direct<br>Federal<br>Expenditures | Pass<br>Through<br>Expenditures |
|---|---------------------------|---------------------------------------|-----------------------------------|---------------------------------|
| <b><u>United States Department of Agriculture (USDA)</u></b>  |                           |                                       |                                   |                                 |
| <b>Passed Through: (Continued)</b>  |                           |                                       |                                   |                                 |
| County of Colusa / CDBG State Program   | 14.228                    |                                       |                                   | 16,512                          |
| County of Alameda / CDBG State Program  | 14.228                    |                                       |                                   | 419,791                         |
| City of Rancho Cordova / CDBG State Program   | 14.228                    |                                       |                                   | 2,253                           |
| County of San Mateo / CDBG State Loan Program   | 14.228                    |                                       |                                   | 238,976                         |
| County of Santa Barbara / State Department of Housing and Community Development / CDBG State Program  | 14.228                    |                                       |                                   | 525,515                         |
| Davis County Housing Authority / CDBG States Program  | 14.228                    |                                       |                                   | 376,656                         |
| Pierce County / CDBG State Program  | 14.228                    |                                       |                                   | 87,063                          |
| Redevelopment Agency / City and County of San Francisco / CDBG State Program  | 14.228                    |                                       |                                   | 357,660                         |
| Neighborhood Stabilization Program (NSP I) CDBG California State Program  | 14.228                    |                                       |                                   | 172,670                         |
| State of California / City of Daly / CDBG State Program   | 14.228                    |                                       |                                   | 365,000                         |
| State of California / County of Yuba / CDBG State Program   | 14.228                    |                                       |                                   | 1,028,564                       |
| 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                    |                                       |                                   | 532,500                         |
| 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                    |                                       |                                   | 12,797                          |
| City and County of San Francisco / Office of Community Planning & Development - Supportive Housing Program  | 14.235                    |                                       |                                   | 99,786                          |
| City of Chicago / Department of Human Services (DHS) / Chicago Housing for Health Partnership / Office of Community Planning and Development / Supportive Housing Program | 14.235                    |                                       |                                   | 56,866                          |
| 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                    |                                       |                                   | 189,128                         |
| City of Chicago / Department of Human Services (DHS) / HUD Shelter Plus Care  | 14.238                    | 18002; 17529;<br>17635                |                                   | 1,070,524                       |
| California Housing Finance Agency (CHFA) / County of Alameda Housing and Community Development / HOME Investment Partnership Program                                      | 14.239                    |                                       |                                   | 2,702,229                       |
| California State Department of Housing and Community Development / HOME Investment Partnership Program  | 14.239                    | 02-HOME-0633                          |                                   | 1,221,709                       |
| City and County of San Francisco / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 2,723,110                       |
| 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                    |                                       |                                   | 7,899,630                       |
| City and County of San Francisco / Mayor's Office of Housing / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 3,081,641                       |
| 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 Citrus Heights /HOME Investment Partnership Program   | 14.239                    |                                       |                                   | -                               |
| City of Chicago / Department of Housing / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 19,772,210                      |
| City of Cincinnati / HOME Investment Partnership Program  | 14.239                    | 65X0131; 65X015                       |                                   | 431,835                         |
| City of Cincinnati / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 1,172,554                       |
| City of Council Bluffs / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 163,523                         |
| City of Daly / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 479,464                         |
| City of Dubuque, Iowa / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | -                               |
| City of Glendale / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 149,240                         |
| City of Lincoln / HOME Investment Program   | 14.239                    |                                       |                                   | 14,936                          |
| City of Lincoln, California / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | -                               |
| City of Lincoln, Nebraska / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 345,397                         |
| City of Los Angeles / HOME Investment Partnership Program   | 14.239                    | 95.1452; C92700                       |                                   | 662,254                         |
| City of Marysville / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | -                               |
| City of Mesa / County of Maricopa / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 536,167                         |
| City of Orland / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 9,994                           |
| City of Orlando / HOME Investment Partnership Program   | 14.239                    | 08-HOME-4730                          |                                   | -                               |
| City of Rocklin / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | -                               |
| City of San Mateo / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 555,994                         |
| City of Santa Cruz / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 3,359,167                       |
| City of Seattle/HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 1,678,707                       |
| City of South Lake Tahoe / HOME Investment Partnership Program  | 14.239                    | 96-HOME-0222;<br>97-HOME-0280         |                                   | 2,660,679                       |
| City of Stockton / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 5,256,799                       |
| City of Tolleson / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | 75,000                          |
| City of Waco / Housing and Community Development Services / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | -                               |
| City of West Sacramento / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 29,776                          |
| City of Yolo / HOME Investment Partnership Program  | 14.239                    |                                       |                                   | -                               |
| City of Yuba City / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 1,052,946                       |
| City of Yuba County / Office of Education   | 14.239                    |                                       |                                   | -                               |
| Colorado Division of Housing (CDOH) / HOME Investment Partnership Program   | 14.239                    |                                       |                                   | 474,028                         |

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2011

| Grantor and Program Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number   | Direct<br>Federal<br>Expenditures | Pass<br>Through<br>Expenditures |
|---|---------------------------|---|-----------------------------------|---------------------------------|
| <b><u>United States Department of Agriculture (USDA)</u></b>  |                           |   |                                   |                                 |
| <b>Passed Through: (Continued)</b>  |                           |   |                                   |                                 |
| Community Housing Services Agency / HOME Investment Partnership Program   | 14.239                    |   |                                   | 365,530                         |
| County of Alameda / HOME Investment Partnership Program   | 14.239                    |   |                                   | 798,781                         |
| County of Contra Costa / HOME Investment Partnership Program  | 14.239                    | 07-52-HM                                |                                   | 1,647,387                       |
| County of Contra Costa / HOME Investment Partnership Program  | 14.239                    |   |                                   | 2,302,695                       |
| 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                    |   |                                   | 912,480                         |
|   |                           | File No: 4HM-02-003                     |                                   |                                 |
| County of Riverside / HOME Investment Partnership Program   | 14.239                    |   |                                   | 1,038,000                       |
| County of San Mateo / HOME Investment Partnership Program   | 14.239                    |   |                                   | 934,729                         |
| County of Santa Barbara / HOME Investment Partnership Program   | 14.239                    |   |                                   | 1,250,170                       |
| County of Solano / HOME Investment Partnership Program  | 14.239                    |   |                                   | 7,292                           |
| County of Yolo / HOME Investment Partnership Program  | 14.239                    |   |                                   | -                               |
| County of Yuba / HOME Investment Partnership Program  | 14.239                    |   |                                   | 10,761                          |
| County of Yuba / HOME Investment Partnership Program  | 14.239                    |   |                                   | 39,268                          |
| DeKalb County, Georgia / HOME Investment Partnership Program  | 14.239                    |   |                                   | 95,000                          |
| DeKalb County, Georgia / HOME Investment Partnership Program  | 14.239                    |   |                                   | 810,000                         |
| Department of Housing and Community Development of the State of California / HOME Grant CHDO                              | 14.239                    | 96-HOME-0223                            |                                   | 1,304,892                       |
| Georgia Housing and Finance Authority / HOME Investment Partnership Program   | 14.239                    |   |                                   | 2,584,543                       |
| 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                               |                                   | 380,641                         |
| Idaho Housing and Finance Association HOME Program / HOME Investment Partnership Program                                  | 14.239                    |   |                                   | 2,700,516                       |
|   |                           | HOME CHDO 07-06/2: HOME CHDO 08-09      |                                   | -                               |
| Idaho Housing and Finance Association (IHFA) / CHDO Grant Agreement   | 14.239                    |   |                                   | 6,117,279                       |
| Illinois Housing Development Authority / HOME Investment Partnership Program  | 14.239                    | M-92-SG-19-0100-                        |                                   |                                 |
| Iowa Department of Economic Development / HOME Investment Partnership Program   | 14.239                    | 400-27-04<br>00-HM-430 / 00-            |                                   | 301,519                         |
| Iowa Department of Economic Development / HOME Investment Partnership Program   | 14.239                    | HM-430-731                              |                                   | 442,869                         |
| 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                    |   |                                   | 82,360                          |
| Placer County Redevelopment Agency / HOME Investment Partnership Program  | 14.239                    |   |                                   | 770                             |
| Sacramento Housing and Redevelopment Agency / HOME Investment Partnership Program   | 14.239                    |   |                                   | 9,253,619                       |
| Sacramento Housing and Redevelopment Agency / Rural California Housing Corporation / HOME Investment Partnership Program  | 14.239                    |   |                                   | 852,910                         |
| Sacramento Housing and Redevelopment Agency / Rural California Housing Corporation / HOME Investment Partnership Program  | 14.239                    |   |                                   | 1,530,000                       |
| Snohomish County / HOME Investment Partnership Program  | 14.239                    |   |                                   | 853,373                         |
| State Department of Housing and Community Development / Santa Cruz Community Housing Corporation / HOME Grant CHDO        | 14.239                    |   |                                   | 1,265,897                       |
| State of Arizona / Department of Commerce / HOME Investment Partnership Program   | 14.239                    |   |                                   | 150,000                         |
|   |                           | H4HOM03042<br>Contract Routing          |                                   |                                 |
| State of Colorado / Department of Local Affairs / HOME Investment Partnership Program                                     | 14.239                    | 00168<br>H6HOM95006<br>Contract Routing |                                   | 250,000                         |
| State of Colorado / Department of Local Affairs / HOME Investment Partnership Program                                     | 14.239                    | 01184<br>H7HOM06062<br>Contract Routing |                                   | 340,000                         |
| State of Colorado / Department of Local Affairs / HOME Investment Partnership Program                                     | 14.239                    | 00455                                   |                                   | 520,000                         |
| State of Colorado / Department of Local Affairs / HOME Investment Partnership Program                                     | 14.239                    | H9HOM08050                              |                                   | 139,169                         |
| State of Colorado / Department of Local Affairs / HOME Investment Partnership Program                                     | 14.239                    | H1HOM10076                              |                                   | 905,000                         |
| 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                    |   |                                   | 389,121                         |
| State of Washington / Department of Community, Trade and Economic Development / HOME Investment Partnership Program       | 14.239                    |   |                                   | 831,629                         |
| The Washington State Department of Community, Trade and Economic Development (CTED) / HOME Investment Partnership Program | 14.239                    |   |                                   | 1,419,281                       |
| Thurston County / HOME Investment Partnership Program   | 14.239                    |   |                                   | 318,116                         |
| County of Cook / HOME Investment Partnership Program  | 14.239                    |   |                                   | 3,250,000                       |

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

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| Grantor and Program Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number   | Direct<br>Federal<br>Expenditures | Pass<br>Through<br>Expenditures |
|--|---------------------------|---|-----------------------------------|---------------------------------|
| <b><u>United States Department of Agriculture (USDA)</u></b>   |                           |   |                                   |                                 |
| <b>Passed Through: (Continued)</b>   |                           |   |                                   |                                 |
| 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  |                                   | 129,329                         |
| 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                    |   |                                   | 1,407,574                       |
| Redevelopment Agency of the City and County of San Francisco / Housing Opportunities for Persons with AIDS HOPWA Grant   | 14.241                    |   |                                   | 4,629,531                       |
| San Francisco Redevelopment Agency / HOPWA Capital Loan Agreement  | 14.241                    |   |                                   | 618,054                         |
| State of California / Department of Housing & Community Development / Housing Opportunities for Persons with AIDS HOPWA Grant  | 14.241                    | 91-HRL-PH-002<br>4-807-0503; 4-712-<br>0312; 4-105-0612<br>SH-03-007; SH-02-<br>007; SH-01-007;<br>SH-00-007; SH-05-<br>007; SH-06-007;<br>99-007 |                                   | 837,774                         |
| Housing Assistance Council Self-Help Housing Opportunity Program (SHOP)  | 14.247                    |   |                                   | 357,000                         |
| Northwest Regional Facilitators Self-Help Housing Opportunity Program (SHOP)   | 14.247                    |   |                                   | 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                    |   |                                   | 1,247,010                       |
| County of San Mateo / Section 108 Loan Guarantee   | 14.248                    |   |                                   | 325,123                         |
| Economic Development Initiative - Special Project, Neighborhood Initiative   | 14.251                    |   |                                   | -                               |
| Low Income Investment Fund / Capacity Building For Affordable Housing and Community Development Grants   | 14.252                    |   |                                   | 10,389                          |
| Local Initiatives Support Corporation / Capacity Building For Affordable Housing And Community Development Grants  | 14.252                    |   |                                   | -                               |
| City of Chicago / Chicago Department of Housing / American Recovery & Reinvestment Act (ARRA)  | 14.256                    |   |                                   | 63,919,387                      |
| City of Chicago / Chicago Department of Housing / American Recovery & Reinvestment Act (ARRA)  | 14.256                    |   |                                   | 2,722,336                       |
| Wisconsin Housing and Economic Development Authority / Tax Credit Assistance Program   | 14.258                    | 468-0323-100-8 &<br>468-0210-1  |                                   | 1,825,586                       |
| Washington State Tax Credit Assistance Program TCAP  | 14.258                    |   |                                   | 1,400,000                       |
| California State Tax Credit Assistance Program TCAP  | 14.258                    |   |                                   | 24,697,708                      |
| Assisted Housing Stability and Energy and Green Retrofit Investments Program (ARRA)  | 14.318                    |   |                                   | 53,533                          |
| Housing Authority of the City of Atlanta, Georgia / Hope VI  | 14.866                    |   |                                   | 5,870,567                       |
|  |                           |   | 217,008,569                       | 301,641,979                     |
| <b>Passed Through:</b>   |                           |   |                                   |                                 |
| <b><u>United States Department of Energy</u></b>   |                           |   |                                   |                                 |
| Weatherization Assistance Program (WAP)  | 81.042                    |   |                                   | 37,982                          |
| <b>Passed Through:</b>   |                           |   |                                   |                                 |
| <b><u>United States Department of Labor</u></b>  |                           |   |                                   |                                 |
| Migrant and Seasonal Farm Workers  | 17.264                    | DOL09-9011-08   |                                   | 19,348                          |
| <b><u>United States Department of Treasury</u></b>   |                           |   |                                   |                                 |
| Department of Treasury - General Programs  | 21.020                    |   | 1,500,000                         |                                 |
| <b><u>United States Department of Health and Human Services</u></b>  |                           |   |                                   |                                 |
| Refugee and Entrant Assistance   | 93.576                    |   | -                                 |                                 |
| <b>Passed Through:</b>   |                           |   |                                   |                                 |
| <b><u>United States Department of Health and Human Services</u></b>  |                           |   |                                   |                                 |
| City of Chicago / United States Department of Health and Human Services (DHHS) / Substance Abuse and Mental Health Services Projects of Regional and National Significance | 14.235                    | 18823   |                                   | -                               |
| Rural Community Assistance Corporation / Community Service Block Grant   | 93.569                    |   |                                   | 4,930                           |
| City of Chicago/ AIDS Foundation of Chicago / Substance Abuse and Mental Health Services Projects of Regional and National Significance                                    | 93.569                    |   |                                   | -                               |
| Department of Health and Human Services for Children and Families  | 93.558                    |   |                                   | -                               |
| Illinois Department of Human Services / Department of Substance Abuse and Mental Health Services   | 93.959                    |   |                                   | 13,054                          |
| Substance Abuse & Mental Health Services Projects of Regional & National Significance  | 93.243                    |   |                                   | 421,306                         |
|  |                           |   | -                                 | 439,290                         |
|  |                           |   | <u>\$ 251,363,020</u>             | <u>302,410,813</u>              |
| <b>Total Expenditures of Federal Awards</b>  |                           |   |                                   | <u><b>553,773,833</b></u>       |

Mercy Housing, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended December 31, 2011

| Grantor and Program Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying<br>Number | Direct<br>Federal<br>Expenditures | Pass<br>Through<br>Expenditures |
|--|---------------------------|---------------------------------------|-----------------------------------|---------------------------------|
| <b><u>United States Department of Agriculture (USDA)</u></b>   |                           |                                       |                                   |                                 |
| <b>Summary by CFDA Number:</b>   |                           |                                       |                                   | <b><u>Expenditures</u></b>      |
| USDA Rural Rental Housing Loans  | 10.415                    |                                       |                                   | 27,371,590                      |
| USDA Rural Self-Help Housing Technical Assistance  | 10.420                    |                                       |                                   | -                               |
| USDA Rural Rental Assistance Payments  | 10.427                    |                                       |                                   | 4,479,759                       |
| Rural Housing Preservation Grants  | 10.433                    |                                       |                                   | -                               |
| USDA Food Stamp Nutrition Education  | 10.561                    |                                       |                                   | 82,165                          |
| USDA Summer Food Service Program for Children  | 10.559                    |                                       |                                   | -                               |
| USDA Intermediary Relending Program  | 10.767                    |                                       |                                   | 1,166,151                       |
| USDC Broadband Technology Opportunities Program (BTOP)   | 11.557                    |                                       |                                   | 27,000                          |
| HUD Interest Reduction Payments Section 236  | 14.103                    |                                       |                                   | 1,050,144                       |
| HUD Mortgage Insurance for the Purchase Section 223(a)(7)  | 14.155                    |                                       |                                   | 17,197,060                      |
| HUD Supportive Housing for the Elderly Direct Loan Section/Capital Advance Section   |                           |                                       |                                   |                                 |
| 202/HUD Project Rental Assistance contract (PRAC) Section 202  | 14.157                    |                                       |                                   | 133,230,389                     |
| HUD Supportive Housing for Persons with Disabilities Capital Advance Section 811/HUD   |                           |                                       |                                   |                                 |
| Project Rental Assistance Contract (PRAC) Section 811  | 14.181                    |                                       |                                   | 8,776,978                       |
| HUD Section 8 New Construction and Substantial Rehabilitation  | 14.182                    |                                       |                                   | 712,982                         |
| HUD Housing Finance Agencies (HFA) Risk Sharing Loans  | 14.188                    |                                       |                                   | 6,346,165                       |
| HUD Multi-Family Services Coordinator Grant  | 14.191                    |                                       |                                   | 75,915                          |
| HUD Housing Assistance Payments (HAP) Section 8  | 14.195                    |                                       |                                   | 28,669,051                      |
| HUD Multi-Family Assisted Housing Reform & Affordability Act   | 14.197                    |                                       |                                   | 12,410,701                      |
| HUD Community Development Block Grant Entitlement Grant  | 14.218                    |                                       |                                   | 18,716,165                      |
| HUD Comm. Dev. Block Grant/Technical Assistance Program  | 14.227                    |                                       |                                   | 63,932                          |
| HUD Community Development Block Grant/State's Program  | 14.228                    |                                       |                                   | 28,369,613                      |
| HUD Supportive Housing Program - Capital Advance/Office of Community Planning & Development - Supportive Housing Program/Forgivable Loan | 14.235                    |                                       |                                   | 17,996,628                      |
| HUD Shelter Plus Care  | 14.238                    |                                       |                                   | 1,070,524                       |
| HUD HOME Investment Partnership Program/HOME Grant CHDO  | 14.239                    |                                       |                                   | 118,423,602                     |
| HUD Housing Opportunities for Persons with AIDS HOPWA Grant  | 14.241                    |                                       |                                   | 9,867,262                       |
| Community Development Block Grants Brownfields Economic Development Initiative   | 14.246                    |                                       |                                   | -                               |
| HUD Self-Help Home Ownership Opportunity Program (SHOP)  | 14.247                    |                                       |                                   | 1,627,000                       |
| HUD Community Development Block Section 108 Loan Guarantee   | 14.248                    |                                       |                                   | 2,446,607                       |
| Economic Development Initiative - Special Project, Neighborhood Initiative   | 14.251                    |                                       |                                   | -                               |
| HUD Capacity Building For Affordable Housing And Community Development Grants  | 14.252                    |                                       |                                   | 10,389                          |
| City of Chicago / Chicago Department of Housing / American Recovery & Reinvestment Act (ARRA)  | 14.256                    |                                       |                                   | 66,641,723                      |
| HUD Tax Credit Assistance Program (Recovery Act Funded)  | 14.258                    |                                       |                                   | 27,923,294                      |
| HUD Sec 8 ARRA Multifamily   | 14.317                    |                                       |                                   | -                               |
| Assisted Housing Stability and Energy and Green Retrofit Investments Program (ARRA)  | 14.318                    |                                       |                                   | 11,153,858                      |
| Revitalization of Severely Distressed Public Housing (Hope VI)   | 14.866                    |                                       |                                   | 5,870,567                       |
| HUD Lead Hazard Control Program  | 14.900                    |                                       |                                   | -                               |
| Department of Labor and Migrant and Seasonal Farm Workers  | 17.264                    |                                       |                                   | 19,347                          |
| Department of Treasury   | 21.020                    |                                       |                                   | 1,500,000                       |
| Department of Energy Weatherization Assistance Program (WAP)   | 81.042                    |                                       |                                   | 37,982                          |
| DHHS - Community Service Block Grants (CDBG)   | 93.569                    |                                       |                                   | 4,930                           |
| Department of Health and Human Services for Children and Families  | 93.558                    |                                       |                                   | -                               |
| DHHS - Flood Mitigation Assistance   | 97.029                    |                                       |                                   | -                               |
| Substance Abuse & Mental Health Services Projects of Regional & National Significance  | 93.243                    |                                       |                                   | 421,306                         |
| Department of Health and Human Services Substance Abuse and Mental Health Services Administration  | 93.959                    |                                       |                                   | 13,054                          |
| <b>Total Expenditures of Federal Awards</b>  |                           |                                       |                                   | <b><u>553,773,833</u></b>       |

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, 2011, and have issued our report thereon dated April 26, 2012. 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

Management of Mercy Housing Inc. is responsible for establishing and maintaining effective 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 Mercy Housing Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mercy Housing Inc.'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.

### 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 26, 2012.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the entity and federal awarding agencies and pass through entities 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 26, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2011. 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, 2011.

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 26, 2012



Mercy Housing, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Mercy Housing, Inc.
2. No significant deficiencies related to the audit of financial statements were reported in the Independent Auditor's 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.
3. No instances of noncompliance material to the financial statements of Mercy Housing, Inc. were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs were disclosed in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Mercy Housing, Inc. expresses an unqualified opinion.
6. There were no findings or questioned costs required to be reported under Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

|  |        |
|--|--------|
| USDA Rural Rental Housing Loans  | 10.415 |
| USDA Rural Rental Assistance Payments  | 10.427 |
| HUD Supportive Housing for the Elderly   | 14.157 |
| HUD Community Development Block Grants Section 108 Loan Guarantees                                     | 14.248 |
| HUD Neighborhood Stabilization Program (Recovery Act Funded)   | 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 |
| HUD Demolition and Revitalization of Severely Distressed Public Housing                                | 14.866 |
| TREAS Community Development Financial Institutions Program   | 21.020 |
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.

Mercy Housing, Inc.

PRIOR YEAR AUDIT FINDINGS

December 31, 2011

B. PRIOR YEAR AUDIT FINDINGS

Finding No. 2008-2

Fiscal Year Finding Initially Occurred

2008

Description of Finding

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 was unable to finalize the footnotes for the financial statements until the final balances were received from Reznick Group. In addition, the Organization did not have an automated system to produce a schedule of non-controlling interest. The previous process required manual maneuvering of the data, which could result in errors.

Corrective Action Taken

Yes

Planned Corrective Action or Partial Corrective Action Taken or Status

To address this deficiency, Management researched and selected a solution to 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. This solution was implemented during 2011.

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

NONE