

**PREFERRED PROPERTIES, INC.  
AND AFFILIATES**

**COMPILED COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2008 AND 2007**

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# GILMORE, JASION & MAHLER, LTD

Board of Trustees  
Preferred Properties, Inc. and Affiliates  
Toledo, OH

We have compiled the accompanying combined statements of financial position of Preferred Properties, Inc. and Affiliates (Accessible Country Trail Estates, Inc., Swan Creek West, Ottawa River Estates, Inc., Brook View Gardens, Inc., and Woodside Village, Inc.) as of June 30, 2008 and 2007, and the related combined statements of activities and cash flows for the years then ended, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting information that is the representation of management in the form of financial statements. We have not audited or reviewed the accompanying combined financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Kevin M. Gilmore, CPA, CVA

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the combined financial statements, they might influence the user's conclusions about the Organization's financial position, results of operations, and cash flows. Accordingly, these combined financial statements are not designed for those who are not informed about such matters.

Adele M. Jasion, CPA

J. Stephen Schult, CPA

An audit of the financial statements in accordance with U.S. generally accepted auditing standards was completed on the separate financial statements of Preferred Properties, Inc., Accessible Country Trail Estates, Inc., Swan Creek West, Brook View Gardens, Inc. and Ottawa River Estates, Inc.

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**PREFERRED PROPERTIES, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2008 (with June 30, 2007 Comparative Totals)**

	2008			
	Preferred Properties, Inc.	Accessible Country Trail Estates, Inc.	Swan Creek West	Ottawa River Estates, Inc.
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,887	\$ 1,126	\$ 1,853	\$ 1,366
Accounts receivable - tenants and other	26,204	257	220	1,658
Accounts receivable - affiliates	251,489	1,377		
Grants receivable	10,000			
Housing assistance receivable		3,959	2,739	4,125
Prepaid expenses, deposits, and other assets	2,175	42,687	40,453	20,315
Undeveloped land	207,691			
Investment in partnership	150,000			
Mortgages receivable - affiliates, limited to use	1,163,181			
Interest receivable - affiliates, limited to use	349,776			
Property, furniture, & equipment, net	2,463,212	1,252,765	1,217,608	2,118,281
Total assets	<u>\$ 4,653,615</u>	<u>\$ 1,302,171</u>	<u>\$ 1,262,873</u>	<u>\$ 2,145,745</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable - affiliates	\$ 13,363	\$ 24,460	\$ 7,860	\$ 38,070
Accounts payable	3,425	0	936	1,698
Accounts payable - construction				0
Accrued liabilities	24,659			
Prepaid rent		3,959	2,739	4,125
Security deposits	19,349	6,221	4,249	2,877
Long-term debt	184,756			
Total liabilities	<u>245,552</u>	<u>34,640</u>	<u>15,784</u>	<u>46,770</u>
<b>Net assets</b>				
Unrestricted	3,224,535	(359,169)	51,356	(68,483)
Temporarily restricted	1,083,528	1,626,700	1,195,733	2,167,458
Permanently restricted	100,000			
Total net assets	<u>4,408,063</u>	<u>1,267,531</u>	<u>1,247,089</u>	<u>2,098,975</u>
Total liabilities and net assets	<u>\$ 4,653,615</u>	<u>\$ 1,302,171</u>	<u>\$ 1,262,873</u>	<u>\$ 2,145,745</u>

Brook View Gardens, Inc.		Woodside Village	Total	Eliminations	Combined Total	2007 Combined Total
\$ 849	\$ 50	\$ 35,131	\$ 0	\$ 35,131	\$ 122,414	
0		28,339		28,339	8,706	
		252,866	(198,875)	53,991	26,656	
		10,000		10,000	94,223	
4,811		15,634		15,634	19,433	
36,787		142,417		142,417	125,241	
		207,691		207,691	207,691	
		150,000		150,000	150,000	
		1,163,181		1,163,181	1,163,181	
		349,776		349,776	287,123	
1,712,212	95,560	8,859,638		8,859,638	9,057,858	
<u>\$ 1,754,659</u>	<u>\$ 95,610</u>	<u>\$ 11,214,673</u>	<u>\$ (198,875)</u>	<u>\$ 11,015,798</u>	<u>\$ 11,262,526</u>	
\$ 36,962	\$ 78,160	\$ 198,875	\$ (198,875)	\$ 0	\$ 0	
378		6,437		6,437	36,654	
		0		0	93,815	
		24,659		24,659	24,331	
4,811		15,634		15,634	13,655	
3,545		36,241		36,241	36,905	
		184,756		184,756	205,285	
45,696	78,160	466,602	(198,875)	267,727	410,645	
(96,537)	17,450	2,769,152		2,769,152	2,846,722	
1,805,500		7,878,919		7,878,919	7,905,159	
		100,000		100,000	100,000	
<u>1,708,963</u>	<u>17,450</u>	<u>10,748,071</u>	<u>0</u>	<u>10,748,071</u>	<u>10,851,881</u>	
<u>\$ 1,754,659</u>	<u>\$ 95,610</u>	<u>\$ 11,214,673</u>	<u>\$ (198,875)</u>	<u>\$ 11,015,798</u>	<u>\$ 11,262,526</u>	

See accountants' compilation report.

**PREFERRED PROPERTIES, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2008**  
**(With Comparative Totals for the Year Ended June 30, 2007)**

	2008			
	Preferred Properties, Inc.	Accessible Country Trail Estates, Inc.	Swan Creek West	Ottawa River Estates, Inc.
<b>Support and revenues</b>				
Lucas County Board of Mental Retardation and Developmental Disabilities				
Administrative subsidy	\$ 414,812	\$ 0	\$ 0	\$ 0
Rental income, net of vacancy loss	261,365	70,824	53,377	35,021
Interest income	67,743	184	173	38
Donated rent	0			
Contributions and other grants	34,500			0
Ohio Department of Mental Retardation and Developmental Disabilities - RHAP	105,485			
Development income	103,479			
Management income	251,891			
Tenant assistance		50,874	33,381	48,801
Miscellaneous income	8,492	701	186	417
<b>Total support and revenues</b>	<b>1,247,767</b>	<b>122,583</b>	<b>87,117</b>	<b>84,277</b>
<b>Expenses</b>				
Salaries	471,051			
Payroll taxes	202,588			
Repairs and maintenance	37,774	34,433	22,687	23,112
Lawn and grounds	42,776			
Interest	18,593			
Utilities	27,833	43,380	26,355	26,927
Travel, meals, and conventions	12,467			
Supplies and office expense	27,325	12,342	5,730	2,851
Insurance	23,312	8,536	7,604	15,961
Professional services	51,943	5,225	5,550	6,179
Rent expense	11,665			
Telephone	9,535			
Appliances	1,552			
Real estate taxes	55,158			
Van expense	18,257			
Contributions to affiliate	0			
Dues and subscriptions	2,145			
Printing	319			
Development	3,277			
Advertising	1,661			
Bank fees	212			
Temporary services	595			
Management fees		12,110	8,356	9,220
Bad debt expense				
Impairment loss on investment in partnership				
Miscellaneous	598	9,659	7,353	6,685
<b>Total expenses before depreciation</b>	<b>1,020,636</b>	<b>125,685</b>	<b>83,635</b>	<b>90,935</b>
Depreciation	138,616	40,984	38,382	49,841
<b>Total expenses</b>	<b>1,159,252</b>	<b>166,669</b>	<b>122,017</b>	<b>140,776</b>
Change in net assets	88,515	(44,086)	(34,900)	(56,499)
Net assets at beginning of year	4,319,548	1,311,617	1,281,989	2,155,474
Net assets at end of year	<b>\$ 4,408,063</b>	<b>\$ 1,267,531</b>	<b>\$ 1,247,089</b>	<b>\$ 2,098,975</b>

<b>Brook View Gardens, Inc.</b>	<b>Woodside Village</b>	<b>Total</b>	<b>Eliminations</b>	<b>Combined Total</b>	<b>2007 Combined Total</b>
\$ 0	\$ 0	\$ 414,812	\$ 0	\$ 414,812	\$ 402,731
46,619		467,206		467,206	460,398
126		68,264		68,264	75,734
		0		0	9,357
		34,500		34,500	387,041
		105,485		105,485	0
		103,479		103,479	56,250
		251,891	(98,833)	153,058	95,127
48,770		181,826		181,826	158,187
589		10,385		10,385	7,067
<u>96,104</u>	<u>0</u>	<u>1,637,848</u>	<u>(98,833)</u>	<u>1,539,015</u>	<u>1,651,892</u>
		471,051		471,051	432,966
		202,588		202,588	175,264
29,048		147,054	(32,508)	114,546	137,552
		42,776		42,776	47,586
		18,593		18,593	14,294
28,410		152,905		152,905	130,811
		12,467		12,467	17,476
2,805		51,053		51,053	30,029
8,091		63,504		63,504	53,599
5,295		74,192		74,192	74,308
		11,665		11,665	9,357
		9,535		9,535	8,651
		1,552		1,552	3,127
		55,158		55,158	24,722
		18,257		18,257	13,819
		0		0	0
		2,145		2,145	2,190
		319		319	385
		3,277		3,277	96,377
		1,661		1,661	542
		212		212	440
		595		595	0
8,317		38,003	(38,003)	0	0
		0		0	0
		0		0	113,663
6,984		31,279	(28,322)	2,957	9
<u>88,950</u>	<u>0</u>	<u>1,409,841</u>	<u>(98,833)</u>	<u>1,311,008</u>	<u>1,387,167</u>
<u>63,994</u>		<u>331,817</u>		<u>331,817</u>	<u>317,946</u>
<u>152,944</u>	<u>0</u>	<u>1,741,658</u>	<u>(98,833)</u>	<u>1,642,825</u>	<u>1,705,113</u>
(56,840)	0	(103,810)	0	(103,810)	(53,221)
<u>1,765,803</u>	<u>17,450</u>	<u>10,851,881</u>	<u>0</u>	<u>10,851,881</u>	<u>10,905,102</u>
<u>\$ 1,708,963</u>	<u>\$ 17,450</u>	<u>\$ 10,748,071</u>	<u>\$ 0</u>	<u>\$ 10,748,071</u>	<u>\$ 10,851,881</u>

See accountants' compilation report.

**PREFERRED PROPERTIES, INC. AND AFFILIATES**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (103,810)	\$ (53,221)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	331,817	317,946
Impairment loss on investment in partnership	0	113,663
Loss on sale of asset	216	0
Interest on mortgages receivable, limited to use	(62,653)	(62,653)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(46,968)	39,289
Grants receivable	84,223	(57,423)
Housing assistance receivable	3,799	38,689
Prepaid expenses, deposits and other assets	(17,176)	(33,756)
Increase (decrease) in:		
Accounts payable	(124,032)	49,994
Accrued liabilities	328	5,639
Prepaid rent	1,979	2,061
Security deposits	(664)	4,443
Net cash provided by operating activities	67,059	364,671
<b>Cash flows from investing activities</b>		
Purchase of property, furniture, and equipment	(211,222)	(506,942)
Proceeds from sale of property	77,409	0
Investment in undeveloped land	0	(4,452)
Investment in partnership	0	(106,483)
Net cash used in investing activities	(133,813)	(617,877)
<b>Cash flows from financing activities</b>		
Proceeds (payments) on long-term debt	(20,529)	22,366
Net cash provided by (used in) financing activities	(20,529)	22,366
Net decrease in cash and cash equivalents	(87,283)	(230,840)
Cash and cash equivalents at beginning of year	122,414	353,254
Cash and cash equivalents at end of year	\$ 35,131	\$ 122,414
<b>Supplemental disclosure of cash flows information</b>		
Interest paid during the year	\$ 18,593	\$ 14,294

See accountants' compilation report.