

**PREFERRED PROPERTIES, INC.
AND AFFILIATES**

COMPILED COMBINED FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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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, 2007 and 2006, 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.

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.

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PREFERRED PROPERTIES, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2007 (with June 30, 2006 Comparative Totals)

	2007			
	Preferred Properties, Inc.	Accessible Country Trail Estates, Inc.	Swan Creek West	Ottawa River Estates, Inc.
ASSETS				
Cash and cash equivalents	\$ 118,128	\$ 253	\$ 2,608	\$ 26
Accounts receivable - tenants and other	5,750	129		1,430
Accounts receivable - affiliates	187,646	1,137		
Grants receivable	6,800			87,423
Housing assistance receivable		4,742	2,941	7,672
Prepaid expenses, deposits, and other assets	4,364	40,136	35,341	14,985
Undeveloped land	207,691			
Investment in partnership	150,000			
Mortgages receivable - affiliates, limited to use	1,163,181			
Interest receivable - affiliates, limited to use	287,123			
Property, furniture, & equipment, net	2,482,656	1,286,738	1,254,173	2,168,122
Total assets	<u>\$ 4,613,339</u>	<u>\$ 1,333,135</u>	<u>\$ 1,295,063</u>	<u>\$ 2,279,658</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable - affiliates	\$ 17,480	\$ 7,257	\$ 2,239	\$ 30,826
Accounts payable	27,368	2,834	3,575	1,307
Accounts payable - construction				87,423
Accrued liabilities	24,331			
Prepaid rent		4,742	2,941	1,894
Security deposits	19,327	6,685	4,319	2,734
Long-term debt	205,285			
Total liabilities	<u>293,791</u>	<u>21,518</u>	<u>13,074</u>	<u>124,184</u>
Net assets				
Unrestricted	3,113,464	(315,083)	82,572	(11,984)
Temporarily restricted	1,106,084	1,626,700	1,199,417	2,167,458
Permanently restricted	100,000			
Total net assets	<u>4,319,548</u>	<u>1,311,617</u>	<u>1,281,989</u>	<u>2,155,474</u>
Total liabilities and net assets	<u>\$ 4,613,339</u>	<u>\$ 1,333,135</u>	<u>\$ 1,295,063</u>	<u>\$ 2,279,658</u>

Brook View Gardens, Inc.	Woodside Village	Total	Eliminations	Combined Total	2006 Combined Total
\$ 1,349	\$ 50	\$ 122,414	\$ 0	\$ 122,414	\$ 353,254
1,397		8,706		8,706	17,501
		188,783	(162,127)	26,656	57,150
		94,223		94,223	36,800
4,078		19,433		19,433	58,122
30,415		125,241		125,241	91,485
		207,691		207,691	203,239
		150,000		150,000	157,180
		1,163,181		1,163,181	1,163,181
		287,123		287,123	224,470
1,774,642	91,527	9,057,858		9,057,858	8,868,862
<u>\$ 1,811,881</u>	<u>\$ 91,577</u>	<u>\$ 11,424,653</u>	<u>\$ (162,127)</u>	<u>\$ 11,262,526</u>	<u>\$ 11,231,244</u>
\$ 30,198	\$ 74,127	\$ 162,127	\$ (162,127)	\$ 0	\$ 0
1,570		36,654		36,654	27,638
6,392		93,815		93,815	52,837
		24,331		24,331	18,692
4,078		13,655		13,655	11,594
3,840		36,905		36,905	32,462
		205,285		205,285	182,919
46,078	74,127	572,772	(162,127)	410,645	326,142
(39,697)	17,450	2,846,722		2,846,722	3,066,079
1,805,500		7,905,159		7,905,159	7,739,023
		100,000		100,000	100,000
<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>\$ 1,811,881</u>	<u>\$ 91,577</u>	<u>\$ 11,424,653</u>	<u>\$ (162,127)</u>	<u>\$ 11,262,526</u>	<u>\$ 11,231,244</u>

See accountants' compilation report.

PREFERRED PROPERTIES, INC. AND AFFILIATES
COMBINED STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2007
(With Comparative Totals for the Year Ended June 30, 2006)

	2007			
	Preferred Properties, Inc.	Accessible Country Trail Estates, Inc.	Swan Creek West	Ottawa River Estates, Inc.
Support and revenues				
Lucas County Board of Mental Retardation and Developmental Disabilities				
Administrative subsidy	\$ 402,731	\$ 0	\$ 0	\$ 0
Rental income, net of vacancy loss	265,770	72,609	51,679	24,056
Interest income	74,452	490	456	97
Donated rent	9,357			
Contributions and other grants	57,500			369,541
Ohio Department of Mental Retardation and Developmental Disabilities - RHAP				
Development income	56,250			
Management income	188,114			
Tenant assistance		56,270	35,193	18,110
Miscellaneous income	3,452	295	373	2,137
Total support and revenues	1,057,626	129,664	87,701	413,941
Expenses				
Salaries	432,966			
Payroll taxes	175,264			
Repairs and maintenance	58,603	42,051	24,003	15,561
Lawn and grounds	47,586			
Interest	14,294			
Utilities	23,982	41,099	22,950	17,487
Travel, meals, and conventions	17,476			
Supplies and office expense	16,655	4,424	4,421	2,091
Insurance	18,715	8,122	7,646	9,235
Professional services	52,862	6,854	6,075	1,000
Rent expense	9,357			
Telephone	8,651			
Appliances	3,127			
Real estate taxes	24,722			
Van expense	13,819			
Contributions to affiliate	40,000			
Dues and subscriptions	2,190			
Printing	385			
Development	96,377			
Advertising	542			
Bank fees	440			
Temporary services				
Management fees		12,672	8,370	5,075
Bad debt expense				
Impairment loss on investment in partnership	113,663			
Miscellaneous	9	9,520	6,348	4,630
Total expenses before depreciation	1,171,685	124,742	79,813	55,079
Depreciation	133,658	40,872	38,069	41,535
Total expenses	1,305,343	165,614	117,882	96,614
Change in net assets	(247,717)	(35,950)	(30,181)	317,327
Net assets at beginning of year	4,567,265	1,347,567	1,312,170	1,838,147
Net assets at end of year	\$ 4,319,548	\$ 1,311,617	\$ 1,281,989	\$ 2,155,474

Brook View Gardens, Inc.	Woodside Village	Total	Eliminations	Combined Total	2006 Combined Total
\$ 0	\$ 0	\$ 402,731	\$ 0	\$ 402,731	\$ 391,000
46,284		460,398		460,398	405,789
239		75,734		75,734	88,766
		9,357		9,357	7,130
		427,041	(40,000)	387,041	1,511,337
		0		0	15,000
		56,250		56,250	164,418
		188,114	(92,987)	95,127	39,425
48,614		158,187		158,187	146,695
810		7,067		7,067	19,932
95,947	0	1,784,879	(132,987)	1,651,892	2,789,492
		432,966		432,966	379,615
		175,264		175,264	135,477
29,092		169,310	(31,758)	137,552	102,040
		47,586		47,586	40,711
		14,294		14,294	21,444
25,293		130,811		130,811	116,426
		17,476		17,476	9,240
2,438		30,029		30,029	25,237
9,881		53,599		53,599	45,929
7,517		74,308		74,308	38,760
		9,357		9,357	7,130
		8,651		8,651	8,949
		3,127		3,127	2,194
		24,722		24,722	53,311
		13,819		13,819	16,646
		40,000	(40,000)	0	8,000
		2,190		2,190	2,130
		385		385	1,853
		96,377		96,377	12,573
		542		542	1,004
		440		440	193
		0		0	2,285
8,264		34,381	(34,381)	0	0
		0		0	0
		113,663		113,663	
6,350		26,857	(26,848)	9	677
88,835	0	1,520,154	(132,987)	1,387,167	1,031,824
63,812		317,946		317,946	279,221
152,647	0	1,838,100	(132,987)	1,705,113	1,311,045
(56,700)	0	(53,221)	0	(53,221)	1,478,447
1,822,503	17,450	10,905,102	0	10,905,102	9,426,655
\$ 1,765,803	\$ 17,450	\$ 10,851,881	\$ 0	\$ 10,851,881	\$ 10,905,102

See accountants' compilation report.

PREFERRED PROPERTIES, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ (53,221)	\$ 1,478,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	317,946	279,221
Allowance for doubtful accounts	0	60,518
Impairment loss on investment in partnership	113,663	0
Interest on mortgages receivable, limited to use	(62,653)	(82,699)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	39,289	253,190
Grants receivable	(57,423)	(36,800)
Housing assistance receivable	38,689	(48,585)
Prepaid expenses, deposits and other assets	(33,756)	(14,333)
Increase (decrease) in:		
Accounts payable	49,994	(106,067)
Accrued liabilities	5,639	2,411
Prepaid rent	2,061	2,057
Security deposits	4,443	(1,017)
Net cash provided by operating activities	364,671	1,786,343
Cash flows from investing activities		
Purchase of property, furniture, and equipment	(506,942)	(1,422,256)
Investment in undeveloped land	(4,452)	0
Investment in partnership	(106,483)	(157,180)
Net cash used in investing activities	(617,877)	(1,579,436)
Cash flows from financing activities		
Proceeds (payments) on long-term debt	22,366	(17,930)
Net cash used in financing activities	22,366	(17,930)
Net increase in cash and cash equivalents	(230,840)	188,977
Cash and cash equivalents at beginning of year	353,254	164,277
Cash and cash equivalents at end of year	\$ 122,414	\$ 353,254
Supplemental disclosure of cash flows information		
Interest paid during the year	\$ 14,294	\$ 21,444

See accountants' compilation report.