



mercy
HOUSING

The Spirit Lives On

Celebrating our 30th Anniversary

MERCY HOUSING ACCOUNTABILITY REPORT 2012

Honor the Legacy

The Spirit Lives On

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This year, Mercy Housing is proud to celebrate our 30th year of providing service-enriched quality affordable housing for families and individuals. We will continue to respond to the growing need of affordable housing through financial strength, flexibility and an unwavering focus on achieving our mission.

The Mercy Housing team strongly believe in accountability and responsible stewardship for the funds generously provided by our contributors, lenders and other funding sources. The commitment these organizations and the resources they entrust to us is invaluable to our mission and through sound business practices, strong financial controls and transparent reporting, we strive to be good stewards of the funds and other resources entrusted to us.

Mercy Housing would like to thank all of our donors, partners and investors not only for their support but also for believing that service-enriched affordable housing helps bring mercy and dignity to the residents we serve in our communities across the country.

Live in Hope,



L. Steven Spears
CFO, Mercy Housing

Organization Performance

As of December 31, 2012

In the last 30 years, Mercy Housing has developed financed or provided consulting services for more than \$2.5 billion in affordable housing and has provided housing for more than 144,000 residents.

Mercy Housing's consolidated total assets increased to **\$1.9 billion**

Mercy Loan Fund had provided more than **\$228 million** in loans to support the development or preservation of more than **\$1.5 billion** of affordable housing in **38 states**.

Housing Development encompasses the activities of our regional development offices and our national preservation effort. Through their efforts, Mercy Housing has an ownership interest in **267** operating properties, as well as **146** projects in various stages of development or feasibility.

\$0.93 cents of every dollar was used directly in program activities.

\$0.77 cents of every philanthropic dollar was used directly for program activities.

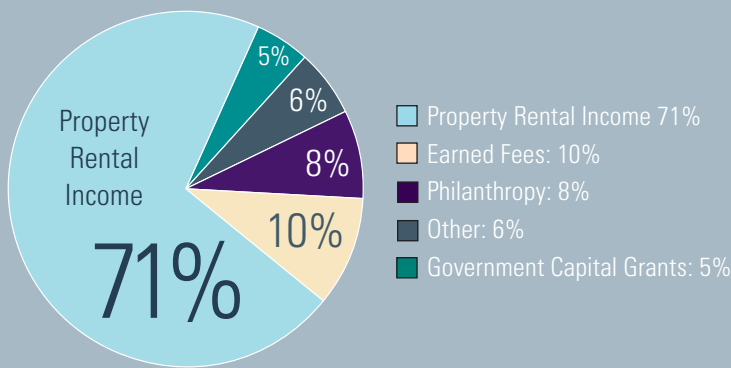
Continue the Work

Financial Summary

The revenue and expenses encompasses the activities of all the subsidiary organizations including the operating multifamily properties, commercial properties and construction projects in which Mercy Housing Inc. holds an interest.

Mercy Housing is committed to providing you the most accurate financial statements. They comply with Generally Accepted Accounting Principles (GAAP), are examined annually by our outside independent auditor and a separate independent Audit Committee of the Board of Trustees reviews them as well. To view our complete audited financial statement for 2012, go to mercyhousing.org.

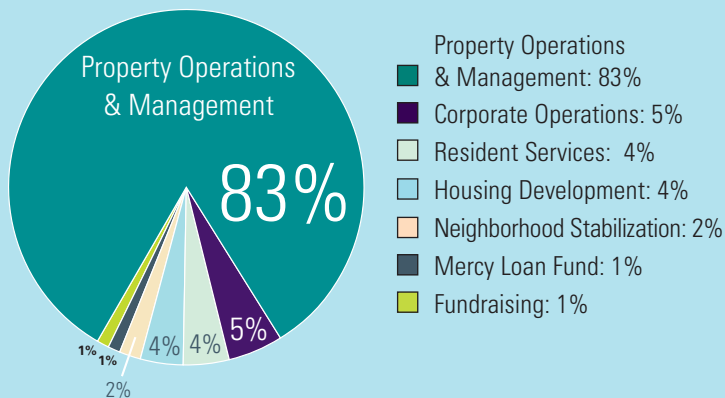
Organization Revenue by Source 2012



Philanthropic giving and capital grants contributed \$12 million to the operating results for the housing development business line. This amount consists largely of funds received from government agencies and others to support the construction of new affordable units that will become available over the next few years. The generosity of agency and individual giving is an important element for sustaining the growth of our affordable housing portfolio.

Property Operations & Management increased their units under management to 16,877 units in 19 states.

Organization Expenses by Program 2012

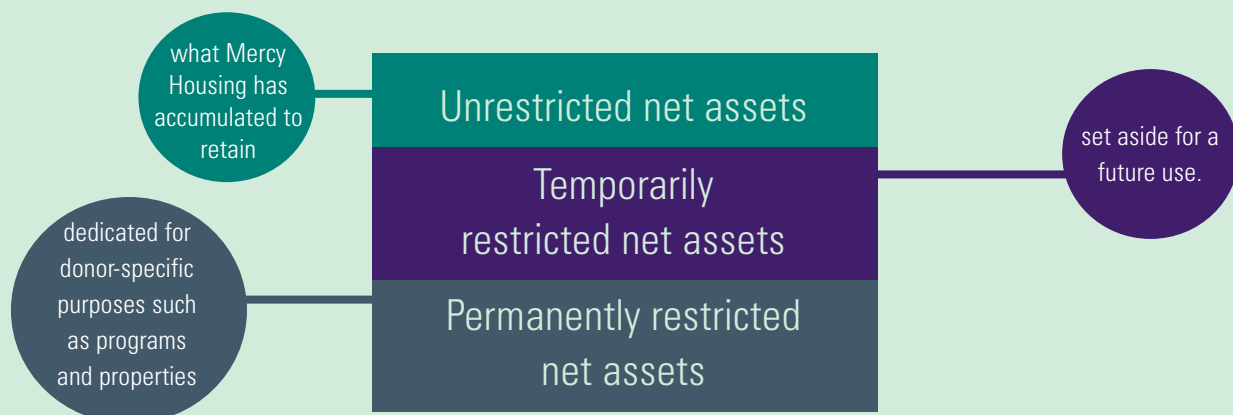


Resident Services includes fundraising revenues and cost of providing resident-focused programming at 72% of our properties. Our programs include health and wellness, education, community, and economic development activities.

Consolidated Statement of Financial Position

As of December 31, 2012

| | 2012 | 2011 |
|--|------------------------|------------------------|
| Assets – What Mercy Housing Owns | | |
| Cash and equivalents - Unrestricted | \$31,393,731 | \$25,961,338 |
| Cash and equivalents - Restricted | 169,537,075 | 147,726,092 |
| Investments | 8,750,902 | 7,798,499 |
| Cash and investments | 209,681,708 | 181,485,929 |
| Notes Receivable | 39,024,810 | 44,652,011 |
| Pledges receivable | 1,165,410 | 1,794,060 |
| Grants Receivable | 9,262,523 | 11,175,936 |
| Notes, pledges and grants receivable | 49,452,743 | 57,622,007 |
| Receivables (net of allowance) | 5,705,771 | 7,340,764 |
| Investments in limited partnerships | 391,289 | 17,776 |
| Receivables and investments | 6,097,060 | 7,358,540 |
| Project development costs | 4,067,854 | 5,778,850 |
| Gross property and equipment | 2,155,043,122 | 1,970,665,802 |
| Accumulated depreciation | (513,630,015) | (460,098,014) |
| Net property and equipment | 1,645,480,961 | 1,516,346,638 |
| Other assets | 37,251,788 | 40,470,193 |
| Total assets | \$1,947,964,260 | \$1,803,283,307 |
| Liabilities | | |
| Accounts payable and accrued expenses | \$56,010,168 | \$48,671,705 |
| Accrued interest | 73,976,280 | 69,998,177 |
| Accounts Payable, accrued expenses and accrued interest | 129,986,448 | 118,669,882 |
| Current portion of notes payable | 140,888,177 | 67,131,043 |
| Long term portion of notes payable | 925,553,665 | 892,728,966 |
| Notes payable | 1,066,441,842 | 959,860,009 |
| Deferred revenue | 70,447,529 | 60,698,478 |
| Tenant security deposits | 6,068,165 | 5,777,774 |
| Total liabilities | 1,272,943,984 | 1,145,006,143 |
| Net assets | | |
| Unrestricted net assets | 42,119,464 | 35,576,477 |
| Temporarily restricted net assets | 226,737,023 | 228,731,615 |
| Permanently restricted net assets | 3,400,000 | 3,965,706 |
| Total net assets | 272,256,487 | 268,273,798 |
| Non Controlling Interest | 402,763,789 | 390,003,366 |
| Total liabilities and net assets | \$1,947,964,260 | \$1,803,283,307 |



Consolidated Statement of Revenues and Expenses

For the Year Ended December 31, 2012

| | Property Operations & Management | Resident Services | Housing Development |
|--|-------------------------------------|-----------------------|------------------------|
| Revenues | | | |
| Rent - net of vacancies | \$ 135,108,810 | \$ - | \$ - |
| Developer Fees | 16,483 | - | 12,725,604 |
| Service Fees | 572,051 | 268,927 | (35,391) |
| Philanthropy | 270,023 | 6,675,412 | 3,542,086 |
| Capital Grants | 1,210,039 | - | 8,494,392 |
| Consulting | 43,687 | 219,814 | 410,525 |
| Interest | 648,492 | 4,566 | 73,094 |
| Other | 7,438,385 | 31,356 | 1,372,168 |
| Total revenues | 145,307,970 | 7,200,075 | 26,582,478 |
| Expenses and losses | | | |
| Compensation | 43,534,805 | 8,242,513 | 6,220,306 |
| Administrative | 10,070,766 | 1,289,954 | 1,301,943 |
| Professional services | 4,970,339 | 512,830 | 539,823 |
| Depreciation and amortization | 72,225,046 | 1,308 | 61,904 |
| Grants | 500,565 | - | 645,574 |
| Facility | 45,845,731 | 19,826 | 681,283 |
| Interest and fees | 28,735,774 | 229 | 660,489 |
| Bad debts | 1,225,642 | 1,207 | 6,570 |
| Provision for impaired assets | 219,887 | - | 278,972 |
| Project expenses | - | - | 725,116 |
| Allocation | 5,644,792 | 1,606,940 | 2,934,818 |
| (Gain) loss on sale of assets | (3,871,229) | - | (5) |
| (Gain) loss on investment in limited partnership | 2,158 | - | 269,001 |
| Total expenses and losses | 209,104,276 | 11,674,807 | 14,325,794 |
| Excess (deficiency) of revenues over expenses | | | |
| Consolidated | (63,796,306) | (4,474,732) | 12,256,684 |
| Attributable to non-controlling interests | (52,982,414) | - | (4,225) |
| Excess (deficiency) of revenues over expenses attributable to Mercy Housing, Inc. | \$ (10,813,892) | \$ (4,474,732) | \$ 12,260,909 |

Celebrating our 30th Anniversary

MERCY HOUSING FINANCIAL REPORT 2012

| Mercy Loan Fund | Neighborhood Stabilization | Corporate Operations | Consolidated Total |
|---------------------|----------------------------|----------------------|-----------------------|
| \$ - | \$ - | \$ - | \$ 135,108,810 |
| - | - | - | 12,742,087 |
| - | - | 423,473 | 1,229,060 |
| 1,971,503 | 474,760 | 1,517,442 | 14,451,226 |
| - | - | - | 9,704,431 |
| - | 3,835,865 | - | 4,509,891 |
| 1,472,783 | 81,045 | 133,072 | 2,413,052 |
| 413,666 | 107,295 | 520,657 | 9,883,527 |
| 3,857,952 | 4,498,965 | 2,594,644 | 190,042,084 |
| 854,076 | 3,104,850 | 8,364,399 | 70,320,949 |
| 139,319 | 333,090 | 2,713,869 | 15,848,941 |
| 177,732 | 182,916 | 884,379 | 7,268,019 |
| - | 18,997 | 135,527 | 72,442,782 |
| - | 488,000 | 80,000 | 1,714,139 |
| 880 | 175,248 | 749,638 | 47,472,606 |
| 832,653 | 163,766 | - | 30,392,911 |
| - | - | - | 1,233,419 |
| - | - | - | 498,859 |
| - | 615 | - | 725,731 |
| 347,168 | 1,049,418 | (11,583,136) | - |
| - | - | - | (3,871,234) |
| - | - | - | 271,159 |
| 2,351,828 | 5,516,900 | 1,344,676 | 244,318,281 |
| 1,506,124 | (1,017,935) | 1,249,968 | (54,276,197) |
| - | - | - | (52,986,639) |
| \$ 1,506,124 | \$ (1,017,935) | \$ 1,249,968 | \$ (1,289,558) |

**Mercy Housing national headquarters
and**

**Mercy Housing Colorado
Mercy Housing Management Group**

Mercy Loan Fund

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303.830.3300

Mercy Housing California

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415.355.7100

Los Angeles
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Los Angeles, California 90015
213.743.5820

Sacramento
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West Sacramento, California 95691
916.414.4400

Mercy Housing Lakefront

Mercy Portfolio Services

120 S. LaSalle, Suite 1850
Chicago, Illinois 60603
312.447.4500

Mercy Housing Midwest

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Omaha, Nebraska 68137
402.557.0141

Mercy Housing Northwest

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206.838.5700

Mercy Housing Northwest - Idaho

540 North Eagle Rd., Suite 117
Eagle, Idaho 83616
208.939.6838

Mercy Housing Southeast

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Mercy Housing Southwest

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480.467.3159

Washington D.C. Office

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