

**Tenants' Development Corporation  
and  
Subsidiaries**

Consolidated Financial Statements  
and  
Auditors' Report

December 31, 2009 with Comparative Totals for 2008



**Daniel Dennis & Company LLP**

*Certified Public Accountants*

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# Daniel Dennis & Company LLP

*Certified Public Accountants*

To the Board of Directors of  
**Tenants' Development Corporation**

## *Independent Auditors' Report*

We have audited the accompanying consolidated statement of financial position of Tenants' Development Corporation and Subsidiaries (collectively referred to as the Corporation) as of December 31, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's 2008 financial statements and, in our report dated July 30, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tenants' Development Corporation and Subsidiaries as of December 31, 2009, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Daniel Dennis & Company LLP". The signature is written in a cursive, flowing style.

*February 8, 2011*

**Tenants' Development Corporation and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**December 31, 2009 with Comparative Totals for 2008**

	2009	2008
<b>Assets</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 561,102	\$ 437,562
Accounts receivable	60,686	24,222
Investments	1,544,830	1,895,661
Prepaid expenses	<u>11,957</u>	<u>8,950</u>
Total current assets	<u>2,178,574</u>	<u>2,366,395</u>
<i>Property and Equipment</i>		
Land	4,993,931	4,993,931
Building	11,095,117	10,712,531
Vehicles	84,347	31,114
Office furniture and equipment	55,629	55,629
Less: accumulated depreciation	<u>(1,835,614)</u>	<u>(1,517,420)</u>
Net property and equipment	<u>14,393,410</u>	<u>14,275,785</u>
<i>Other Assets</i>		
Restricted deposits and reserves	908,865	996,924
Ground lease rent receivable	4,887,429	3,891,334
Notes receivable from affiliates, net of reserve	7,978,216	8,128,216
Advances to affiliates, net of reserve	<u>424,140</u>	<u>252,382</u>
Total other assets	<u>14,198,651</u>	<u>13,268,856</u>
Total assets	<u>\$ 30,770,635</u>	<u>\$ 29,911,036</u>
<b>Liabilities and Net Assets</b>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 102,654	\$ 130,934
Prepaid rents	20,086	9,277
Notes payable - current portion	<u>13,104</u>	<u>12,376</u>
Total current liabilities	<u>135,844</u>	<u>152,587</u>
<i>Other Liabilities</i>		
Security deposits	93,667	86,164
Investment in limited partnerships	<u>708</u>	<u>601</u>
Total other liabilities	<u>94,375</u>	<u>86,765</u>
<i>Long-Term Debt</i>		
Notes payable	8,765,128	8,773,177
Accrued interest payable	<u>3,308,880</u>	<u>3,094,746</u>
Total long-term debt	<u>12,074,008</u>	<u>11,867,923</u>
Total liabilities	<u>12,304,227</u>	<u>12,107,275</u>
<i>Unrestricted Net Assets</i>		
	<u>18,466,407</u>	<u>17,803,761</u>
Total liabilities and net assets	<u>\$ 30,770,635</u>	<u>\$ 29,911,036</u>

See accompanying notes to consolidated financial statements.

**Tenants' Development Corporation and Subsidiaries**  
 Consolidated Statement of Activities  
 For the Year Ended December 31, 2009 with Comparative Totals for 2008

<i>Change in Unrestricted Net Assets</i>	2009	2008
<i>Revenue</i>		
Management fee	\$ 296,122	\$ 107,749
Rental income	2,255,798	1,932,576
Interest and dividend income	497,097	259,905
Unrealized (loss) gain on investments	(431,234)	717,156
Interest on partnership loans and leases	480,716	646,394
Other income	7,345	38,754
Partnership loss	<u>(108)</u>	<u>(203)</u>
Total revenue	<u>3,105,736</u>	<u>3,702,331</u>
<i>Expenses</i>		
Affordable Housing	2,400,460	2,924,049
Management and general	<u>42,630</u>	<u>36,277</u>
Total expenses	<u>2,443,090</u>	<u>2,960,326</u>
Change in net assets	662,646	742,005
Net assets, beginning of year	<u>17,803,761</u>	<u>17,061,756</u>
Net assets, end of year	<u>\$18,466,407</u>	<u>\$17,803,761</u>

*See accompanying notes to consolidated financial statements.*

**Tenants' Development Corporation and Subsidiaries**

## Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2009 with Summarized Comparative Totals for 2008

<i>Description</i>	<i>Affordable Housing</i>	<i>Management and General</i>	<i>2009 Total</i>	<i>2008 Total</i>
Salaries and related expenses	\$ 226,173	\$ 11,904	\$ 238,077	\$ 232,906
Professional fees	95,076	20,520	115,596	59,678
Office expense	16,197	852	17,049	7,620
Insurance	3,593	189	3,782	4,845
Depreciation	317,639	554	318,193	298,398
Taxes	16,945	8,611	25,556	13,915
Other	57,272	-	57,272	93,814
Bad debt	480,716	-	480,716	1,009,569
Limited partnership expenses	<u>1,186,849</u>	<u>-</u>	<u>1,186,849</u>	<u>1,239,581</u>
Total	<u>\$ 2,400,460</u>	<u>\$ 42,630</u>	<u>\$ 2,443,090</u>	<u>\$2,960,326</u>

*See accompanying notes to consolidated financial statements.*

**Tenants' Development Corporation and Subsidiaries**  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2009 with Comparative Totals for 2008

	2009	2008
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 662,646	\$ 742,005
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Partnership loss	108	203
Depreciation	318,193	298,398
Unrealized (loss) gain on investments	431,234	(717,156)
Bad debt	480,716	1,009,569
Accrued interest on loans and advances to affiliates	(480,716)	(1,009,569)
(Increase)/ decrease in operating assets:		
Accounts receivable	(36,464)	(1,154)
Prepaid expenses	(3,007)	(1,411)
Ground lease rent receivable	(996,095)	(917,704)
Increase/ (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(28,280)	76,447
Security deposits	7,503	9,457
Prepaid rents	10,809	(2,021)
Accrued interest payable	214,134	216,163
Net cash provided by (used in) operating activities	<u>580,782</u>	<u>(296,773)</u>
<i>Cash Flows from Investing Activities</i>		
Property and equipment purchases	(435,819)	(76,110)
(Advances to) and repayment of loans from affiliates	(21,758)	497,401
Transfers from (deposits to) reserves	88,059	(70,027)
(Purchases of) proceeds from sales of investments	<u>(80,403)</u>	<u>67,071</u>
Net cash (used in) provided by investing activities	<u>(449,921)</u>	<u>418,335</u>
<i>Cash Flows from Financing Activities</i>		
Principal repayments	<u>(7,321)</u>	<u>(6,211)</u>
Net cash used in financing activities	<u>(7,321)</u>	<u>(6,211)</u>
Net increase in cash and cash equivalents	123,540	115,351
Cash and cash equivalents at beginning of year	<u>437,562</u>	<u>322,211</u>
Cash and cash equivalents at end of year	<u>\$ 561,102</u>	<u>\$ 437,562</u>
<b>Supplemental Disclosure:</b>		
Cash paid for interest	<u>\$ 256,740</u>	<u>\$ 257,508</u>
Cash paid for income taxes	<u>\$ 18,079</u>	<u>\$ 8,625</u>

*See accompanying notes to consolidated financial statements.*

## Tenants' Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

### 1. *Summary of Significant Accounting Policies*

#### *Nature of Activities*

Tenants' Development Corporation (TDC) is located in the South End of Boston, Massachusetts. Its purpose is the promotion, maintenance and management of housing in the South End of Boston, Massachusetts, to low and moderate-income families of every race, religion, and nationality. Primarily management fees, rental income and interest on loans generated from the management of and agreements with affiliated affordable housing developments fund TDC's operations. The promotion, maintenance and management of housing comprise all of the program services of TDC.

TDC Management, Inc., TDC III Management, Inc., TDC East Berkeley Street Management, Inc., Tenants' Development I Corporation, Tenants' Development II Corporation, and Tenants' Development III Corporation are wholly-owned for profit subsidiaries of TDC. The principal activity of the corporations is to perform the general partner duties of limited partnerships that provide housing to low and moderate-income people. The limited partnerships are Tenants' Development I (TD I), Tenants' Development II (TD II), and Tenants' Development III (TD III) Limited Partnerships.

TD III Limited Partnership is a Massachusetts limited partnership that was formed on September 2, 2004 to acquire and manage units of low and moderate-income rental housing (the Project) in the South End section of Boston. TD III Limited Partnership is 1% owned by Tenants Development III Corporation and 99% by TDC. TD III Limited Partnership's operations are subject to the terms of a regulatory agreement with MassHousing.

TDC and its wholly-owned subsidiaries are hereafter collectively referred to as the Corporation.

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of TDC and its wholly-owned subsidiaries. All significant intercompany transactions and account balances have been eliminated in the consolidation.

#### *Basis of Accounting*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### *Cash Equivalents*

For purposes of the consolidated statement of cash flows, the Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**1. Summary of Significant Accounting Policies – Continued**

*Contributions*

Contributions are recognized when the donor makes a promise to give to TDC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

*Property and Equipment*

Property and equipment acquisitions are recorded at cost, if purchased, or fair market value, if donated. Donated assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed on the straight-line basis using estimated useful lives. Depreciation expense for the years ended December 31, 2009 and 2008 was \$318,193 and \$298,398, respectively.

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. There was no impairment loss recognized in 2009 or 2008.

*Receivables and Advances to Affiliates*

Receivables and advances to affiliates are presented net of an allowance for doubtful accounts. The Corporation's periodic evaluation of the adequacy of the allowance is based on its past experience and estimates of future collectibility. Receivables and advances to affiliates are charged off when deemed uncollectible. During 2009 and 2008, TDC wrote off interest income due on loans and advances to affiliated limited partnerships in the amounts of \$480,716 and \$1,009,569, respectively. At December 31, 2009 and 2008, the Corporation had an allowance of \$2,103,478 and 1,622,762, respectively, for receivables and advances to affiliates that were deemed to be uncollectible.

*Planned Major Maintenance Activities*

The Corporation uses the direct expensing method to account for planned major maintenance activities.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**1. *Summary of Significant Accounting Policies – Continued***

*Income Tax Status*

TDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for 2009 and 2008, would be subject to federal and state income taxes. Consequently, the accompanying consolidated financial statements do not reflect any provision for income taxes.

TD III Limited Partnership is not a taxable entity for income tax purposes. Items of income, deductions and credits “pass through” to the partners of the limited partnership.

TDC Management, Inc., TDC III Management, Inc., TDC East Berkeley Street Management, Inc., Tenants' Development I Corporation, Tenants' Development II Corporation, and Tenants' Development III Corporation are taxable entities. Any provision for income taxes is included in the consolidated financial statements.

The Corporation evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable federal or state authority. The Corporation has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2009 returns and believe they are more-likely-than-not of being sustained if examined by federal or state tax authorities. The Corporation's 2002 through 2008 tax years remain subject to examination by federal and state tax authorities.

*Revenue Recognition*

Development and management fees are recorded as revenue in accordance with the underlying partnership and management agreements and as services are provided.

Rental income is derived from commercial and residential rents and is recognized as earned in accordance with the underlying leases. All leases between the Corporation and its tenants are operating leases.

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**1. *Summary of Significant Accounting Policies – Continued***

*Fair Value Measurement*

The Financial Accounting Standards Board (FASB) has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), second highest to quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies (Level 2 measurements), and the lowest priority to unobservable inputs (Level 3 measurements).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

*Investments in Marketable Securities*

The Corporation carries investments in marketable securities with readily determinable values at their fair values in the consolidated statement of financial position. Realized and unrealized gains and losses are reflected in the consolidated statement of activities. Investment income and gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

*Investments in Limited Partnerships*

Investments in unconsolidated limited partnerships are carried at equity, adjusted for the Corporation's proportionate share of earnings or losses. If the Corporation (a) is not committed to provide further financial support to the partnerships, (b) has already reduced its investment in and advances to the partnerships to zero, and (c) has no other investments (i.e. loans, leases, etc.) in the partnerships, the Corporation does not continue to record its share of the partnerships' losses.

*Functional Allocation of Expenses*

The costs of providing the programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**1. Summary of Significant Accounting Policies – Continued**

*Summarized Comparative Information*

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's consolidated financial statements for 2008, from which the summarized information was derived.

**2. Investments**

At December 31, 2009 and 2008 investments consisted of the following:

*Investments in Marketable Securities*

<i>Description</i>	<i>2009</i>	<i>2008</i>
Government bonds	\$ 160,477	\$ 160,250
Closed end funds	197	118
Mutual funds	17,338	14,421
Certificate of deposit	77,180	-
Interest rate swap agreement	<u>1,289,638</u>	<u>1,720,872</u>
Total	<u>\$ 1,544,830</u>	<u>\$ 1,895,661</u>

*Investments in Limited Partnerships*

	<i>2009</i>	<i>2008</i>
TD I Limited Partnership	\$ (149)	\$ (149)
TD II Limited Partnership	<u>(559)</u>	<u>(452)</u>
Total	<u>\$ (708)</u>	<u>\$ (601)</u>

The Corporation is obligated to fund certain deficits as defined in the partnership agreements. Therefore, its share of losses will be recorded up to the amount obligated.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**2. Investments - Continued**

The following is summary of the Corporation's investments in marketable securities measured at fair value on a recurring basis:

<i>2009 Investments</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government bonds	\$ -	\$ 160,477	\$ -	\$ 160,477
Closed end funds	-	197	-	197
Mutual funds	17,338	-	-	17,338
Certificate of deposit	77,180	-	-	77,180
Interest rate swap agreement	-	<u>1,289,638</u>	-	<u>1,289,638</u>
Total	<u>\$ 94,518</u>	<u>\$ 1,450,312</u>	<u>\$ -</u>	<u>\$ 1,544,830</u>
<i>2008 Investments</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Government bonds	\$ -	\$ 160,250	\$ -	\$ 160,250
Closed end funds	-	118	-	118
Mutual funds	14,421	-	-	14,421
Certificate of deposit	-	-	-	-
Interest rate swap agreement	-	<u>1,720,872</u>	-	<u>1,720,872</u>
Total	<u>\$ 14,421</u>	<u>\$ 1,881,240</u>	<u>\$ -</u>	<u>\$ 1,895,661</u>

**3. Interest Rate Swap Agreement**

In connection with the TD I Limited Partnership housing development, Tenants' Development I Corporation is a party to an interest rate swap agreement, whereby it exchanges periodic interest payments with Centerline Capital Group (Centerline). Tenants' Development I Corporation makes monthly interest payments at a floating rate based on a notional amount of \$12,642,000 to Centerline and receives interest payments from Centerline at a fixed rate of 6.10%. For the year ended December 31, 2009 and 2008, net interest payments received under the interest rate swap agreement totaled \$484,387 and \$240,917, respectively. The interest rate swap agreement expires in August 2023.

**4. Pension**

TDC contributes to a retirement plan for its employees. All full time employees are eligible to participate in the plan. TDC's contribution is discretionary and is determined annually. The approved pension contribution totaled \$0 and \$95,000 respectively, for the years ended December 31, 2009 and 2008.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**5. Related Party Transactions**

*Notes Receivable*

	2009	2008
<p>Note receivable from TD I Limited Partnership with interest at a rate of 5.21% compounded annually. The note is unsecured and matures on August 1, 2048. Periodic payments are required only to the extent of available cash flow as defined in the partnership agreement. All principal and accrued interest is due and payable on the maturity date. Interest receivable was \$314,868 and \$213,071, respectively, at December 31, 2009 and 2008.</p>	\$ 1,740,799	\$ 1,740,799
<p>Note receivable from TD II Limited Partnership with interest at a rate of 6% compounded annually. The note is unsecured and matures on August 19, 2046. All principal and accrued interest is due and payable on the maturity date. During 2009, TD II limited Partnership made a \$150,000 principal payment. Interest receivable was \$405,921 and \$275,079, respectively, at December 31, 2009 and 2008.</p>	1,850,000	2,000,000
<p>Development fee receivable from TD I Limited Partnership for management services performed. The development fee will be paid out of Development Surplus, as defined in the partnership agreement. To the extent that funds are not available to make the payments, the balance will be deferred and will bear interest, compounded annually, payable on the 13th anniversary of the project completion date as defined in the partnership agreement. During 2008, TDC agreed to reduce its development fee by \$550,000 pursuant to the partnership agreement.</p>	1,387,417	1,387,417
<p>Note receivable from TD II Limited Partnership with interest at a rate of 6% compounded annually. The note matures on June 20, 2043. All principal and accrued interest is due and payable on the maturity date. The note is secured by a mortgage and security agreement on the real estate owned by the limited partnership. Interest receivable was \$1,382,689 and \$1,134,612, respectively, at December 31, 2009 and 2008.</p>	<u>3,000,000</u>	<u>3,000,000</u>
<p>Total notes receivable</p>	<u>\$ 7,978,216</u>	<u>\$ 8,128,216</u>

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**5. *Related Party Transactions - Continued***

*Notes Receivable – Continued*

Due to the substantial uncertainty about the ability of the partnerships to repay the interest, as well as uncertainty as to the market value of the secured properties, TDC has established a reserve for uncollectible interest account. These notes receivable are presented net of the reserve account in the consolidated financial statements. In the event that the partnerships have sufficient cash flow to pay their obligations, including interest, at the dates of maturity, TDC will recognize the income at that time.

*Partnership Fees*

TDC is due a non-cumulative resident services fee of \$75,000 (adjusted annually for the Consumer Price Index (CPI)) from TD II Limited Partnership, payable from cash flow. As of December 31, 2009 and 2008, no fees were accrued or due.

Tenants Development II Corporation is entitled to a non-cumulative partnership management fee from TD II Limited Partnership in the amount of \$11,210 (adjusted annually for the CPI) and a non-cumulative incentive supervisory fee of \$10,000. The fees are payable from cash flow. As of December 31, 2009 and 2008, there were no fees accrued or due.

Tenants Development I Corporation is entitled to a non-cumulative general partner supervisory management fee beginning on the seventh annual anniversary of Completion as defined in the partnership agreement equal to 9.9% of remaining cash flow as also defined in the partnership agreement. No general partner supervisory management fee was earned for 2009 or 2008.

*Management Fees*

TDC provides management services to TD I and TD II Limited Partnerships. Property management fees of \$288,167 and \$107,749, respectively, were earned for 2009 and 2008.

*Operating Costs*

TDC is reimbursed for payroll, accounting and operating and maintenance costs directly related to the partnerships.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**5. Related Party Transactions - Continued**

*Ground Leases*

During 2003, TDC entered into a 50-year ground lease agreement with TD II Limited Partnership. The lease required an initial annual base rent in the amount of \$562,000 for the first year with a 3% increase for each of the remaining years. Any outstanding payments due to lack of operating cash flow bears interest at 8% per annum. \$4,646,749 and \$3,728,848, respectively, was due from TD II Limited Partnership at December 31, 2009 and 2008. During 2009 and 2008, TDC earned income of \$917,901 and \$846,671, respectively.

Lease payments due to TDC under the TD II Limited Partnership ground lease for each of the next five years are as follows:

<i>Year</i>	<i>Amount</i>
2010	\$ 691,189
2011	\$ 711,925
2012	\$ 733,283
2013	\$ 755,281
2014	\$ 777,939

During 2006, TDC entered into a 75-year ground lease agreement with TD I Limited Partnership. The lease requires an initial annual base rent in the amount of \$61,792 for the first year with a 3% increase for each of the remaining years. Any outstanding payments due to lack of operating cash flow bears interest at 8% per annum. \$240,680 and \$162,486, respectively, was due from TD I Limited Partnership at December 31, 2009 and 2008. During 2009 and 2008, TDC earned income of \$78,194 and \$71,033, respectively.

Lease payments due to TDC under the TD I Limited Partnership lease for each of the next five years are as follows

<i>Year</i>	<i>Amount</i>
2010	\$ 69,547
2011	\$ 71,634
2012	\$ 73,783
2013	\$ 75,996
2014	\$ 78,276

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**5. Related Party Transactions - Continued**

*Summary of Income/Accounts Receivable*

Income recognized and amounts receivable, excluding loans and related interest, as of December 31, 2009 from the affiliated partnerships with summarized comparative totals for 2008 are as follows:

	<i>TD I</i>	<i>TD II</i>		
	<i>Limited</i>	<i>Limited</i>	<i>2009</i>	<i>2008</i>
	<i>Partnership</i>	<i>Partnership</i>	<i>Total</i>	<i>Total</i>
Management fee income	\$ 91,685	\$ 196,482	\$ 288,167	\$ 107,749
Management services receivable	\$ 23,390	\$ 9,294	\$ 32,684	\$ -
Rental income	\$ 78,194	\$ 917,901	\$ 996,095	\$ 917,704
Rents receivable	\$ 240,680	\$4,646,749	\$4,887,429	\$3,891,334
Advances due from affiliates for operations, net of reserves	\$ 177,827	\$ 246,313	\$ 424,140	\$ 252,382

Accounts and notes receivable from affiliated partnerships represented 43% and 41% of the Corporation's total assets at December 31, 2009 and 2008.

*Board Compensation*

Members of TDC's board of directors are compensated for attending board meetings. During 2009 and 2008, payments to board members totaled \$13,875 and \$11,100, respectively.

**6. Restricted Deposits and Reserves**

Restricted deposits and reserves at December 31, 2009 and 2008, consisted entirely of TD III Limited Partnership's assets and are restricted for the following:

<i>Description</i>	<i>2009</i>	<i>2008</i>
Reserve for replacement	\$ 762,270	\$ 850,041
Insurance and tax escrow	44,859	51,175
Restructuring fee escrow	2,513	2,493
Tenant security deposits	<u>99,223</u>	<u>93,215</u>
Total	<u>\$ 908,865</u>	<u>\$ 996,924</u>

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**7. Notes Payable**

At December 31, 2009 and 2008, notes payable consisted of the following:

	2009	2008
<p>Permanent financing is being provided to TD III Limited Partnership by MassHousing in the form of a thirty (30) year \$4,504,882 mortgage note, secured by real estate. The mortgage note bears interest at 7.35% compounded monthly and matures on October 1, 2033. Minimum annual and minimum monthly payments are due based on Net Operating Income Targets outlined in the mortgage agreement plus required escrow deposits. Replacement reserve deposits of \$17,000 per month are due until December 31, 2010, and \$2,500 per month beginning January 1, 2011, or such greater amount from operating income as may be requested by MassHousing. Insurance and tax escrow deposits of \$1,010 and \$6,400, respectively, are also due monthly. At December 31, 2009 and 2008, the accrued interest was \$117,970 and \$157,941. Interest expense for the years ended December 31, 2009 and 2008 was \$256,740 and \$257,851, respectively.</p>	\$4,414,588	\$4,421,909

TD III Limited Partnership is indebted to MassHousing on a SHARP subsidy loan, which it assumed from TDC III Limited Partnership, the previous owner of the affordable housing project. Financing is provided at the following rates:

Principal Rate	Interest
\$2,500,000	5%
\$1,467,644	9%

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

7. *Notes Payable – Continued*

	2009	2008
Principal and interest on this note shall be payable on the first to occur of the following dates or events:		
1. On July 1, 2018,		
2. Any default or breach of the terms and provisions of the Mortgage Loan Note,		
3. The sale transfer, disposition, assignment or refinancing of TD III Limited Partnership, or the conveyance, assignment, transfer, surrender or relinquishment of any general partnership interest or twenty-five percent of the limited partnership interests to any limited partner or partners or any right to manage or receive the rents and profits of the Project, except with MassHousing's prior written consent.		
 In the event this note becomes due and payable on or about the time of the termination date of the Mortgage Loan Note and the Project's assets are insufficient to meet all obligations under both the Mortgage Loan Note and this note then principal and interest under the Mortgage Loan Note shall be paid first and the remaining assets shall then be applied to the repayment of this note. At December 31, 2009 and 2008, the accrued interest was \$3,094,724 and \$2,845,418, respectively. Interest expense for 2009 and 2008 was \$332,631 and \$337,395, respectively.	3,967,644	3,967,644
 TD III Limited Partnership is indebted to Boston Redevelopment Authority for \$96,000. Principal from the loan will be due upon any future sale, refinancing or re-syndication. Interest on the loan shall accrue 5% per annum. At December 31, 2009 and 2008 the accrued interest was \$96,187 and \$91,387, respectively. Interest expense for 2009 and 2008 was \$4,800.	96,000	96,000
 TD III Limited Partnership is also indebted to Neighborhood Housing Trust on a \$300,000 promissory note with no interest. The note matures on July 1, 2034.	<u>300,000</u>	<u>300,000</u>
 Total mortgages and notes payable	8,778,232	8,785,553
 Less – current portion	<u>13,104</u>	<u>12,376</u>
 Mortgages and notes payable - long-term	<u>\$8,765,128</u>	<u>\$8,773,177</u>

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**7. Notes Payable - Continued**

Annual maturities of debt for each of the next five years are as follows:

<i>Year</i>	<i>Amount</i>
2010	\$ 13,104
2011	\$ 44,811
2012	\$ 47,330
2013	\$ 51,917
2014	\$ 55,290

**8. Income Taxes**

The subsidiary corporations have net operating loss carry forwards of approximately \$1,146,677 and \$1,137,861, respectively, at December 31, 2009 and 2008 that may be offset against future taxable income. No tax benefit has been reported in the consolidated financial statements; however, because the Corporation believes that the loss carry forwards will expire unused. Accordingly, the tax benefit of the loss carry forward has been offset by a valuation allowance of the same amount.

**9. Compensated Absences**

Employees are entitled to paid vacation and sick days, depending on job classification, length of service, and other factors. However, it is impracticable to estimate the amount of compensation for absences. Accordingly, no liability has been recorded in the consolidated financial statements.

**10. Contingency**

The Corporation is jointly and severally liable for its affiliated limited partnerships' obligations. Significant portions of the liabilities are secured by real estate owned by the limited partnerships. At December 30, 2009 and 2008, the Corporation's share of the limited partnerships' recourse liability was approximately \$16,646,434 and \$11,358,997, respectively.

**11. Guarantees**

TDC, Tenants Development I Corporation, and Tenants Development II Corporation have made various guarantees to make operating deficits loans up to \$700,000, make replacement reserves loans up to \$20.83 per apartment per unit, and pay development deficits and expenses up to \$3,530,000, to TD I and TD II Limited Partnerships, if necessary, in accordance with the partnership agreements. Additionally, in the event of a "Tax Credit Recapture Event", TDC, Tenants Development I Corporation and Tenants Development II Corporation will reimburse the limited partners for certain amounts, as outlined in the partnership agreements. At December 31, 2009 and 2008, no payments were required to be made.

**Tenants' Development Corporation and Subsidiaries**  
Notes to Consolidated Financial Statements - *Continued*  
December 31, 2009 and 2008

**12. Concentrations**

*Market Concentration*

TD III Limited Partnership's and the affiliated partnerships' sole asset is an affordable housing project. Their operations are concentrated in the multifamily real estate market. In addition, they operate in a heavily regulated environment. Their operations are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD and MassHousing. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or MassHousing. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

*Credit Risk*

The Corporation maintains its cash accounts at several financial institutions. The accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2009 and 2008, the uninsured balances totaled \$0 and \$83,618, respectively. The Corporation maintains its cash accounts with high quality financial institutions, which it believes minimizes its risk.

TDC receives the majority of its income from affiliated limited partnerships. TDC had total net receivables of \$13,322,830 and \$12,271,932, respectively, from these partnerships at December 31, 2009 and 2008.

**13. Subsequent Events**

The Corporation has evaluated subsequent events through February 8, 2011, which is the date the financial statements were available to be issued.