

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC.  
AND AFFILIATES**

**CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

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DECEMBER 31, 2010**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Chelsea Neighborhood Developers, Inc. and Affiliates:

We have audited the accompanying consolidating statement of financial position of Chelsea Neighborhood Developers, Inc. (a Massachusetts corporation, not for profit) and Affiliates (collectively, CND, Inc. and Affiliates) as of December 31, 2010, and the related consolidating statements of activities, changes in entities' equity (deficit), cash flows and functional expenses for the year then ended. These consolidating financial statements are the responsibility of CND, Inc. and Affiliates' management. Our responsibility is to express an opinion on these consolidating financial statements based on our audit.

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 consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidating financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Chelsea Neighborhood Developers, Inc. and Affiliates as of December 31, 2010, and the changes in their entities' equity (deficit) and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidating financial statements taken as a whole. The accompanying supplementary information on pages 34 through 40 for the year ended December 31, 2010, is presented for purposes of additional analysis and is not a required part of the basic consolidating financial statements. These statements have been subjected to the auditing procedures applied in the audit of the basic consolidating financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidating financial statements taken as a whole.

*Alexander, Aronson, Finning & Co., P.C.*

Wellesley, Massachusetts  
April 5, 2011

CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010

ASSETS	CND, INC.					GERRISH RETAIL PARTNERS LLC	ELIMI- NATIONS	TOTAL	SYNDICATED PROJECTS (EXHIBIT D)	ELIMI- NATIONS	TOTAL	
	OPERATING	REAL ESTATE DEVELOPMENT	REVOLVING LOAN	CAPITAL FUND	RENTAL (EXHIBIT A)							TOTAL CND, INC.
<b>CURRENT ASSETS:</b>												
Cash and cash equivalents - operating	\$ 517,897	\$ 449,458	\$ -	\$ -	\$ 278,269	\$ 1,245,624	\$ 88,871	\$ -	\$ 1,334,495	\$ 1,224,407	\$ -	\$ 2,558,902
Cash and cash equivalents - working capital	401,155	-	-	-	-	401,155	-	-	401,155	-	-	401,155
Accounts receivable, net	4,709	144,469	-	-	32,836	182,014	3,629	-	185,643	33,399	-	219,042
Current portion of loans receivable	-	-	12,366	-	-	12,366	-	-	12,366	-	-	12,366
Escrows	-	55,333	-	-	9,737	65,070	-	-	65,070	168,925	-	233,995
Current portion of due from related parties	-	995,172	-	-	995,172	995,172	-	(32,452)	962,720	14,432	(977,152)	-
Current portion of projects under development	-	188,515	-	-	-	188,515	-	-	188,515	-	-	188,515
Property held for sale, net of reserve	-	789,256	-	-	-	789,256	-	-	789,256	-	-	789,256
Other current assets	15,680	-	-	-	3,505	19,185	2,780	-	21,965	48,784	-	70,749
Total current assets	939,441	2,622,203	12,366	-	324,347	3,898,357	95,280	(32,452)	3,961,185	1,489,947	(977,152)	4,473,980
<b>OTHER ASSETS:</b>												
Restricted cash	-	42,439	103,409	94,241	451,684	691,773	183,770	-	875,543	1,543,943	-	2,419,486
Projects under development, net of current portion	-	1,407,278	-	-	2,093,729	3,501,007	-	-	3,501,007	9,135,691	(3,199)	12,633,499
Due from related parties, net of current portion	-	458,748	-	-	-	458,748	-	(40,000)	418,748	-	(418,748)	-
Due (to) from funds	18,068	(26,286)	-	358,001	(349,783)	-	-	-	-	-	-	-
Investments in affiliates	-	728,409	-	-	-	728,409	-	(50,180)	678,229	-	(600,282)	77,947
Capitalized costs, net	-	-	-	-	29,035	29,035	56,344	-	85,379	409,361	-	494,740
Notes receivable - affiliates, net of valuation allowance	-	50,000	779,550	1,110,694	-	1,940,244	-	(634,856)	1,305,388	-	(1,305,388)	-
Loans receivable, net of current portion	-	553,605	323,174	-	-	876,779	-	-	876,779	-	-	876,779
Total other assets	18,068	3,214,193	1,206,133	1,562,936	2,224,665	8,225,995	240,114	(725,036)	7,741,073	11,088,995	(2,327,617)	16,502,451
<b>PROPERTY AND EQUIPMENT:</b>												
Land	60,783	530,000	-	-	425,000	1,015,783	585,519	-	1,601,302	3,649,290	-	5,250,592
Land improvements	-	-	-	-	23,732	23,732	-	-	23,732	1,970,180	-	1,993,912
Buildings and improvements	105,636	-	-	-	4,035,672	4,141,308	2,567,985	(47,500)	6,661,793	30,221,588	-	36,883,381
Furniture and equipment	91,800	-	-	-	16,384	108,184	525	-	108,709	555,491	-	664,200
	258,219	530,000	-	-	4,500,788	5,289,007	3,154,029	(47,500)	8,395,536	36,396,549	-	44,792,085
Less - accumulated depreciation	100,176	-	-	-	532,841	633,017	219,669	-	852,686	2,904,522	-	3,757,208
Net property and equipment	158,043	530,000	-	-	3,967,947	4,655,990	2,934,360	(47,500)	7,542,850	33,492,027	-	41,034,877
Total assets	\$ 1,115,552	\$ 6,366,396	\$ 1,218,499	\$ 1,562,936	\$ 6,516,959	\$ 16,780,342	\$ 3,269,754	\$ (804,988)	\$ 19,245,108	\$ 46,070,969	\$ (3,304,769)	\$ 62,011,308
<b>LIABILITIES AND ENTITIES' EQUITY (DEFICIT)</b>												
<b>CURRENT LIABILITIES:</b>												
Current portion of long-term debt	\$ -	\$ 1,275,610	\$ -	\$ -	\$ 395,656	\$ 1,671,266	\$ -	\$ -	\$ 1,671,266	\$ 132,440	\$ -	\$ 1,803,706
Current portion of accounts payable and accrued expenses	110,904	203,884	-	-	368,556	683,344	37,870	-	721,214	447,370	(51,485)	1,117,099
Current portion of due to related parties	-	-	-	-	-	-	32,452	(32,452)	-	925,667	(925,667)	-
Total current liabilities	110,904	1,479,494	-	-	764,212	2,354,610	70,322	(32,452)	2,392,480	1,505,477	(977,152)	2,920,805
<b>LONG-TERM LIABILITIES:</b>												
Accounts payable and accrued expenses, net of current portion	-	-	-	-	593,854	593,854	-	-	593,854	1,729,212	-	2,323,066
Line of credit	-	379,422	-	-	-	379,422	-	-	379,422	-	-	379,422
Due to related parties, net of current portion	-	-	-	-	-	-	40,000	(40,000)	-	418,748	(418,748)	-
Long-term debt, net of current portion	-	300,000	-	-	3,674,267	3,974,267	2,838,685	(423,056)	6,389,896	17,024,817	(44,226)	23,370,487
Total long-term liabilities	-	679,422	-	-	4,268,121	4,947,543	2,878,685	(463,056)	7,363,172	19,172,777	(462,974)	26,072,975
<b>CONTINGENT DEBT AND DEFERRED INTEREST</b>												
	-	570,000	-	-	2,072,686	2,642,686	563,789	(211,800)	2,994,675	9,727,967	(2,863,867)	9,858,775
Total liabilities	110,904	2,728,916	-	-	7,105,019	9,944,839	3,512,796	(707,308)	12,750,327	30,406,221	(4,303,993)	38,852,555
<b>ENTITIES' EQUITY (DEFICIT):</b>												
Unrestricted -												
Operating	354,302	995,172	(5,258)	-	(50,337)	1,293,879	24,958	(40,000)	1,278,837	(182,105)	-	1,096,732
Development	-	1,887,225	-	-	(20,964)	1,866,261	-	(50,180)	1,816,081	1,427,367	-	3,243,448
Property and equipment	176,111	-	-	-	(516,759)	(340,648)	(268,000)	(7,500)	(616,148)	14,419,486	(14,092,929)	(289,591)
Working capital	401,155	-	-	-	-	401,155	-	-	401,155	-	-	401,155
Total unrestricted	931,568	2,882,397	(5,258)	-	(588,060)	3,220,647	(243,042)	(97,680)	2,879,925	15,664,748	(14,092,929)	4,451,744
Temporarily restricted -												
DHCD	-	-	685,868	-	-	685,868	-	-	685,868	-	-	685,868
CDBG	-	-	537,889	-	-	537,889	-	-	537,889	-	-	537,889
MHP	-	250,000	-	-	-	250,000	-	-	250,000	-	-	250,000
NWA - CFRAH	-	323,415	-	-	-	323,415	-	-	323,415	-	-	323,415
Other	73,080	181,668	-	-	-	254,748	-	-	254,748	-	-	254,748
Total temporarily restricted	73,080	755,083	1,223,757	-	-	2,051,920	-	-	2,051,920	-	-	2,051,920
Permanently restricted - NWA	-	-	-	1,562,936	-	1,562,936	-	-	1,562,936	-	-	1,562,936
Total Chelsea Neighborhood Developer, Inc.'s entities' equity (deficit)	1,004,648	3,637,480	1,218,499	1,562,936	(588,060)	6,835,503	(243,042)	(97,680)	6,494,781	15,664,748	(14,092,929)	8,066,600
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	15,092,153	15,092,153
Total entities' equity (deficit)	1,004,648	3,637,480	1,218,499	1,562,936	(588,060)	6,835,503	(243,042)	(97,680)	6,494,781	15,664,748	999,224	23,158,753
Total liabilities and entities' equity (deficit)	\$ 1,115,552	\$ 6,366,396	\$ 1,218,499	\$ 1,562,936	\$ 6,516,959	\$ 16,780,342	\$ 3,269,754	\$ (804,988)	\$ 19,245,108	\$ 46,070,969	\$ (3,304,769)	\$ 62,011,308

The accompanying notes are an integral part of these consolidating statements.

CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	CND, INC.				TOTAL CND, INC.	GERRISH RETAIL PARTNERS LLC	ELIMI- NATIONS	TOTAL	SYNDICATED PROJECTS (EXHIBIT E)	ELIMI- NATIONS	TOTAL
	OPERATING	REAL ESTATE DEVELOPMENT	CAPITAL FUND	RENTAL (EXHIBIT B)							
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>											
Unrestricted revenues -											
Net rental income	\$ 10,923	\$ -	\$ -	\$ 376,164	\$ 387,087	\$ 250,249	\$ (90,105)	\$ 547,231	\$ 2,298,186	\$ -	\$ 2,845,417
Fees and project reimbursements, net	12,285	1,069,500	-	-	1,081,785	-	206,522	1,288,307	-	(37,609)	1,250,698
Grants and contributions	197,229	217,833	-	-	415,062	-	-	415,062	-	-	415,062
Donated services	54,913	13,750	-	-	68,663	-	-	68,663	-	-	68,663
Interest income	146	50,571	-	202	50,919	1,663	-	52,582	4,728	(23,987)	33,323
Other income	6,742	-	-	836	7,578	-	-	7,578	14,651	-	22,229
Net assets released from purpose restrictions	42,850	233,250	-	-	276,100	-	-	276,100	-	-	276,100
Total unrestricted revenues	325,088	1,584,904	-	377,202	2,287,194	251,912	116,417	2,655,523	2,317,565	(61,596)	4,911,492
Operating expenses -											
Community engagement	175,396	-	-	-	175,396	-	(12,428)	162,968	-	-	162,968
Resident asset development	245,995	-	-	-	245,995	-	(18,181)	227,814	-	-	227,814
Real estate development	-	793,613	-	-	793,613	-	(56,976)	736,637	-	-	736,637
Rental	-	-	-	405,183	405,183	256,339	(15,120)	646,402	1,995,032	(58,397)	2,583,037
General and administrative	77,060	144,019	-	-	221,079	-	-	221,079	-	-	221,079
Fundraising	95,176	-	-	-	95,176	-	(2,520)	92,656	-	-	92,656
Total operating expenses before depreciation and amortization	593,627	937,632	-	405,183	1,936,442	256,339	(105,225)	2,087,556	1,995,032	(58,397)	4,024,191
Depreciation and amortization	11,616	6,905	-	107,277	125,798	72,968	-	198,766	1,030,499	-	1,229,265
Total operating expenses	605,243	944,537	-	512,460	2,062,240	329,307	(105,225)	2,286,322	3,025,531	(58,397)	5,253,456
Changes in unrestricted net assets from operations	(280,155)	640,367	-	(135,258)	224,954	(77,395)	221,642	369,201	(707,966)	(3,199)	(341,964)
Other revenues (expenses) -											
Capital grants	-	132,585	-	-	132,585	-	-	132,585	-	-	132,585
Other	24,980	-	-	(24,980)	-	-	-	-	-	-	-
Loss on non-recoverable capitalized costs	-	(66,281)	-	-	(66,281)	-	-	(66,281)	-	-	(66,281)
Loss on sale of property	-	(122,482)	-	-	(122,482)	-	-	(122,482)	-	-	(122,482)
Deferred interest	-	-	-	(26,537)	(26,537)	(8,205)	-	(34,742)	(363,489)	-	(398,231)
Net assets released from restrictions	-	437,336	155,326	-	592,662	-	-	592,662	-	-	592,662
Total other revenues (expenses)	24,980	381,158	155,326	(51,517)	509,947	(8,205)	-	501,742	(363,489)	-	138,253
Changes in unrestricted net assets	(255,175)	1,021,525	155,326	(186,775)	734,901	(85,600)	221,642	870,943	(1,071,455)	(3,199)	(203,711)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>											
Grants	65,000	505,082	-	-	570,082	-	-	570,082	-	-	570,082
Interest income	-	10,844	-	-	10,844	-	-	10,844	-	-	10,844
Net assets released from restrictions	(42,850)	(670,586)	-	-	(713,436)	-	-	(713,436)	-	-	(713,436)
Changes in temporarily restricted net assets	22,150	(154,660)	-	-	(132,510)	-	-	(132,510)	-	-	(132,510)
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:</b>											
Grants	-	-	165,000	-	165,000	-	-	165,000	-	-	165,000
NeighborWorks funds released to unrestricted	-	-	(155,326)	-	(155,326)	-	-	(155,326)	-	-	(155,326)
Changes in permanently restricted net assets	-	-	9,674	-	9,674	-	-	9,674	-	-	9,674
Changes in net assets	(233,025)	866,865	165,000	(186,775)	612,065	(85,600)	221,642	748,107	(1,071,455)	(3,199)	(326,547)
<b>CHANGES IN NET ASSETS ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST</b>											
Changes in net assets attributable to Chelsea Neighborhood Developers, Inc.	\$ (233,025)	\$ 866,865	\$ 165,000	\$ (186,775)	\$ 612,065	\$ (85,600)	\$ 221,642	\$ 748,107	\$ (27,692)	\$ (3,199)	\$ 717,216

The accompanying notes are an integral part of these consolidating statements.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CHANGES IN ENTITIES' EQUITY (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>CND, INC.</u>			<u>CND, INC.</u>	<u>GERRISH</u>	<u>ELIMI-</u>	<u>TOTAL</u>	<u>SYNDICATED</u>	<u>ELIMI-</u>	<u>TOTAL</u>	<u>NON-</u>	<u>TOTAL</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY</u>	<u>PERMANENTLY</u>									
<b>ENTITIES' EQUITY (DEFICIT), December 31, 2009</b>	\$ 2,485,746	\$ 2,184,430	\$ 1,553,262	\$ 6,223,438	\$ (157,442)	\$ (319,322)	\$ 5,746,674	\$ -	\$ -	\$ 5,746,674	\$ -	\$ 5,746,674
Adoption of accounting principle	-	-	-	-	-	-	-	13,372,432	(11,769,722)	1,602,710	13,237,066	14,839,776
Capital contributions	-	-	-	-	-	-	-	3,363,771	(3,363,771)	-	2,898,850	2,898,850
Changes in net assets	<u>734,901</u>	<u>(132,510)</u>	<u>9,674</u>	<u>612,065</u>	<u>(85,600)</u>	<u>221,642</u>	<u>748,107</u>	<u>(1,071,455)</u>	<u>1,040,564</u>	<u>717,216</u>	<u>(1,043,763)</u>	<u>(326,547)</u>
<b>ENTITIES' EQUITY (DEFICIT), December 31, 2010</b>	<u>\$ 3,220,647</u>	<u>\$ 2,051,920</u>	<u>\$ 1,562,936</u>	<u>\$ 6,835,503</u>	<u>\$ (243,042)</u>	<u>\$ (97,680)</u>	<u>\$ 6,494,781</u>	<u>\$ 15,664,748</u>	<u>\$ (14,092,929)</u>	<u>\$ 8,066,600</u>	<u>\$ 15,092,153</u>	<u>\$ 23,158,753</u>

*The accompanying notes are an integral part of these consolidating statements.*

CHelsea NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	CND, INC. AND GERRISH RETAIL PARTNERS LLC	SYNDICATED PROJECTS	ELIMI- NATIONS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Changes in net assets	\$ 748,107	\$ (1,071,455)	\$ (3,199)	\$ (326,547)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Capital grants	(132,585)	-	-	(132,585)
Loss on sale of property	122,482	-	-	122,482
Loss on non-recoverable capitalized costs	66,281	-	-	66,281
Depreciation and amortization	198,766	1,030,499	-	1,229,265
Bad debts	9,809	53,891	-	63,700
Deferred interest	34,742	363,489	-	398,231
Changes in operating assets and liabilities -				
Accounts receivable	292,770	(54,022)	-	238,748
Loans receivable	16,283	-	-	16,283
Escrows	30,301	(70,371)	-	(40,070)
Due from related parties	42,458	-	(42,458)	-
Other current assets	(7,702)	11,305	-	3,603
Accounts payable and accrued expenses	255,837	156,299	36,300	448,436
Due to related parties	-	(6,158)	6,158	-
Net cash provided by operating activities	<u>1,677,549</u>	<u>413,477</u>	<u>(3,199)</u>	<u>2,087,827</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from property held for sale	335,515	-	-	335,515
Purchase of property and equipment	(62,761)	(521,279)	-	(584,040)
Projects under development	(3,582,789)	(6,577,448)	3,199	(10,157,038)
Investment in affiliates	(542,968)	-	465,021	(77,947)
Purchase of property held for sale	(299,318)	-	-	(299,318)
Cash resulting from assignment of partnership interest	(14,103)	-	-	(14,103)
Accounts payable and accrued expenses - development	572,854	677,744	-	1,250,598
Restricted cash	462,214	(409,049)	-	53,165
Financing fees	(23,015)	(65,270)	-	(88,285)
Net cash used in investing activities	<u>(3,154,371)</u>	<u>(6,895,302)</u>	<u>468,220</u>	<u>(9,581,453)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Capital grants	132,585	-	-	132,585
Net increase in long-term debt and contingent debt	1,780,789	2,738,569	-	4,519,358
Capital contributions	-	3,363,771	(465,021)	2,898,750
Proceeds from line of credit	379,422	-	-	379,422
Net cash provided by financing activities	<u>2,292,796</u>	<u>6,102,340</u>	<u>(465,021)</u>	<u>7,930,115</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	815,974	(379,485)	-	436,489
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>919,676</u>	<u>1,603,892</u>	<u>-</u>	<u>2,523,568</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,735,650</u>	<u>\$ 1,224,407</u>	<u>\$ -</u>	<u>\$ 2,960,057</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Projects under development converted to property held for sale	<u>\$ 192,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,415</u>
Forgiveness of debt - Box Works, LLC (see page 18)	<u>\$ 109,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,697</u>
Cost of property sold - Box Works, LLC	<u>\$ 694,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694,694</u>
Projects under development converted to property and equipment	<u>\$ 1,174,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,174,661</u>
Cash paid for interest	<u>\$ 269,578</u>	<u>\$ 412,571</u>	<u>\$ -</u>	<u>\$ 682,149</u>
Capitalized interest	<u>\$ 149,625</u>	<u>\$ 40,340</u>	<u>\$ -</u>	<u>\$ 189,965</u>

The accompanying notes are an integral part of these consolidating statements.

CHelsea NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

CND, INC.

	PROGRAM SERVICES				SUPPORTING SERVICES			GERRISH RETAIL PARTNERS LLC	ELIMI- NATIONS	TOTAL	SYNDICATED PROJECTS (EXHIBIT E)	ELIMI- NATIONS	TOTAL	
	COMMUNITY ENGAGEMENT	RESIDENT ASSET DEVELOPMENT	REAL ESTATE DEVELOPMENT	RENTAL (EXHIBIT B)	TOTAL PROGRAM SERVICES	GENERAL AND ADMINIS- TRATIVE	FUND- RAISING							TOTAL CND, INC.
<b>PERSONNEL AND RELATED COSTS:</b>														
Consulting and contract labor	\$ 13,509	\$ 20,464	\$ 146,882	\$ 104,638	\$ 285,493	\$ 5,556	\$ 63,816	\$ 354,865	\$ -	\$ -	\$ 354,865	\$ 453,352	\$ -	\$ 808,217
Salaries	62,385	118,377	391,013	-	571,775	128,604	19,399	719,778	6,300	(6,300)	719,778	-	-	719,778
Employee benefits	10,253	16,949	39,463	-	66,665	21,183	3,724	91,572	-	-	91,572	-	-	91,572
Payroll taxes	6,188	11,842	39,195	-	57,225	13,646	1,942	72,813	-	-	72,813	-	-	72,813
Total personnel and related costs	92,335	167,632	616,553	104,638	981,158	168,989	88,881	1,239,028	6,300	(6,300)	1,239,028	453,352	-	1,692,380
<b>OCCUPANCY:</b>														
Interest	-	-	-	106,025	106,025	-	-	106,025	163,553	-	269,578	379,825	(20,788)	628,615
Utilities	1,561	2,284	7,158	73,054	84,057	2,099	317	86,473	4,517	(2,837)	88,153	322,387	-	410,540
Real estate taxes	1,141	1,669	5,231	20,297	28,338	1,534	231	30,103	31,762	(9,052)	52,813	149,862	-	202,675
Contracted services	3,665	5,362	16,803	20,740	46,570	2,354	743	49,667	4,600	(9,095)	45,172	122,987	-	168,159
Repairs and maintenance	122	179	561	12,773	13,635	2,411	25	16,071	15,720	(2,641)	29,150	87,910	-	117,060
Insurance	872	1,276	4,000	13,672	19,820	1,172	177	21,169	8,703	(2,480)	27,392	67,926	-	95,318
Rent	7,447	10,894	34,141	1,740	54,222	10,008	1,510	65,740	-	(64,000)	1,740	9,109	-	10,849
Total occupancy	14,808	21,664	67,894	248,301	352,667	19,578	3,003	375,248	228,855	(90,105)	513,998	1,140,006	(20,788)	1,633,216
<b>OTHER:</b>														
Office and other	17,077	16,903	39,463	13,288	86,731	15,322	1,161	103,214	-	-	103,214	65,269	-	168,483
Management fees	-	-	5,008	19,218	24,226	-	-	24,226	8,820	(8,820)	24,226	159,552	(37,609)	146,169
Professional fees	1,378	2,541	14,525	5,905	24,349	11,660	408	36,417	11,231	-	47,648	78,667	-	126,315
Donated services	33,310	21,603	13,750	-	68,663	-	-	68,663	-	-	68,663	-	-	68,663
Bad debts	-	-	-	9,809	9,809	-	-	9,809	-	-	9,809	53,891	-	63,700
Miscellaneous	6,940	7,623	11,878	2,045	28,486	3,956	739	33,181	1,133	-	34,314	21,224	-	55,538
Conferences and meetings	8,376	6,316	19,173	-	33,865	-	746	34,611	-	-	34,611	5,213	-	39,824
Telephone and communications	1,172	1,713	5,369	1,979	10,233	1,574	238	12,045	-	-	12,045	17,858	-	29,903
Total other	68,253	56,699	109,166	52,244	286,362	32,512	3,292	322,166	21,184	(8,820)	334,530	401,674	(37,609)	698,595
Total expenses before depreciation and amortization and allocation of general and administrative	175,396	245,995	793,613	405,183	1,620,187	221,079	95,176	1,936,442	256,339	(105,225)	2,087,556	1,995,032	(58,397)	4,024,191
<b>DEPRECIATION AND AMORTIZATION</b>	3,195	3,461	6,905	107,277	120,838	4,427	533	125,798	72,968	-	198,766	1,030,499	-	1,229,265
Total expenses before allocation of general and administrative	178,591	249,456	800,518	512,460	1,741,025	225,506	95,709	2,062,240	329,307	(105,225)	2,286,322	3,025,531	(58,397)	5,253,456
<b>ALLOCATION OF GENERAL AND ADMINISTRATIVE</b>	21,568	39,157	144,019	-	204,744	(225,506)	20,762	-	-	-	-	-	-	-
Total expenses	\$ 200,159	\$ 288,613	\$ 944,537	\$ 512,460	\$ 1,945,769	\$ -	\$ 116,471	\$ 2,062,240	\$ 329,307	\$ (105,225)	\$ 2,286,322	\$ 3,025,531	\$ (58,397)	\$ 5,253,456

The accompanying notes are an integral part of these consolidating statements.



## CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

### NOTES TO CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2010

#### (1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

##### OPERATIONS AND NONPROFIT STATUS

Chelsea Neighborhood Developers, Inc. (the Agency) was formed in 1978 to revitalize and stabilize neighborhoods using a variety of community development approaches to improve the social, economic and physical qualities of target neighborhoods. The Agency builds neighborhood connections to engage residents in a resilient social fabric and civic infrastructure, supports residents efforts to develop financial skills and assets, and builds great housing, both rental and for sale, by rehabilitating existing housing and constructing new homes. During 2010, the Agency expanded its reach into Revere, Massachusetts, through its new affiliates and related projects. The Agency is a community-based partnership of neighborhood residents, City officials, the business community and individuals with skills relevant to the Agency's work.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from state income taxes. Contributions are deductible by donors within the requirements of the Internal Revenue Code.

##### SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its consolidating financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

##### Principles of Consolidation

The consolidating financial statements include the accounts of the Agency and its subsidiaries: Chelsea Neighborhood Developers LLC, Chelsea Neighborhood Developers II LLC, Box Works LLC, Highland Terrace Limited Partnership, Revere Neighborhood Developers LLC, and Walden House LLC (collectively, CND, Inc.). The activities of Gerrish Retail Partners LLC (GRP) are incorporated in these consolidating financial statements and shown separately. The accompanying consolidating financial statements do not include the non-controlling interest in GRP, since the amount is not material to the accompanying consolidating financial statements. All significant intercompany transactions have been eliminated.

The Agency also owns controlling interest in its affiliated general partners: Chelsea Homes I GP, Inc., Janus Highland GP, Inc., 113 Spencer GP, Inc., Spencer Row GP, Inc., and Highland Terrace GP, Inc. (the General Partners) (see Note 2). The activity of these organizations is reflected in the accompanying consolidating financial statements. The accompanying consolidating financial statements do not include the non-controlling interest in the General Partners, since the amount is not material to the accompanying consolidating financial statements. The Agency also maintains controlling interest in Box Works Homes Condominium Trust (see Note 2).

Chelsea Homes I, Janus Highland, 113 Spencer, and Spencer Row Limited Partnerships (the Partnerships) are considered to be variable interest entities (VIE) within the meaning of standards pertaining to the consolidation of variable interest entities.

An entity considered to be the primary beneficiary of the VIE has both (a) the power to direct activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Under previous guidance, an entity was considered to be a primary beneficiary when it had the obligation to absorb *expected losses* rather than *potential losses*.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Principles of Consolidation (Continued)

Under this new guidance, the General Partners are considered to be the primary beneficiaries. Since the General Partners are the primary beneficiaries, the Partnerships are consolidated with the General Partners and, therefore, included in the accompanying consolidating financial statements of the Agency.

The accompanying consolidating financial statements include the accounts of CND, Inc., GRP, the General Partners and the Partnerships (collectively, CND, Inc. and Affiliates). All significant balances between classes of entities' equity, intercompany balances and transactions have been eliminated in the accompanying consolidating financial statements.

Revenue Recognition

Rental income is recorded pro-rata over the life of the related leases. Fees and project reimbursements are recorded as they are earned.

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets. Donor restricted grants are recorded as permanently restricted revenue and net assets if they are received and committed with donor stipulations that the net assets are held in perpetuity or require specific authorization from donors before they are expended (see page 10).

Interest income on the Revolving Loan Fund (RLF) loans receivable is recognized as temporarily restricted revenue as it is earned. Interest income on all other loans receivable is recognized as unrestricted revenue as it is earned. All other revenue is recognized when earned.

Estimates

The preparation of consolidating financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Expense Allocation

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or function.

CHelsea NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Advertising Costs

CND, Inc. and Affiliates expense advertising costs as they are incurred. Advertising expense for the year ended December 31, 2010, was \$7,427 and is included in office and other in the accompanying consolidating statement of functional expenses.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Buildings and improvements	10 – 40 years
Furniture and equipment	3 – 5 years

Depreciation expense was \$1,139,465 for the year ended December 31, 2010.

CND, Inc. and Affiliates account for the carrying value of long-lived assets in accordance with standards pertaining to *Accounting for the Impairment of Disposal of Long-Lived Assets* under U.S. GAAP. The carrying value is evaluated annually for impairment and no impairment loss was recognized in 2010. The Agency applies this policy to its valuation of property held for sale. The Agency recorded a reserve against its property held for sale during 2010 in accordance with this policy (see Note 15).

Capitalized Costs and Amortization

Capitalized costs consist of intangible costs which have been capitalized and amortized on the straight-line basis (eight - forty years) (see Note 10).

Net Assets Classification

**Unrestricted Net Assets -**

Unrestricted net assets consist of the following:

**Operating** - Represents amounts that have no restrictions and are available as working capital for general operations. Included in operating is a working capital fund which was implemented by the Agency during 2009. The working capital fund is to be used for housing development and emergency cash flow needs of the Agency. Management reports the use of funds to the Finance Committee of the Board of Directors.

**Real Estate Development** - Represents the portion of net assets invested in housing development projects, net of related debt.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Assets Classification (Continued)

**Unrestricted Net Assets -** (Continued)

**Revolving Loan** - Represents the portion of net assets designated as revolving loan capital.

**Rental** - Represents the portion of net assets invested in property producing rental income, net of related debt.

**Temporarily Restricted Net Assets -**

The Agency receives contributions and grants which are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes.

Temporarily restricted net assets consist of the following at December 31, 2010:

Purpose restricted	\$1,420,425
Capital	373,415
Time restricted (see Note 12)	<u>258,080</u>
	<u>\$2,051,920</u>

**Permanently Restricted Net Assets -**

Permanently restricted net assets represent the activities relating to capital grant funds from NeighborWorks® America (NWA) to be used in the establishment and maintenance of a revolving loan and capital projects fund (the Fund). NWA has stipulated that the Fund can be used to make loans to qualifying individuals for affordable housing.

These funds can also be used for acquisition, construction, predevelopment and rehabilitation costs for multi-family and commercial properties. NWA has also indicated that repayment of loans made from the Fund and proceeds from the sale of related properties be returned to the Fund to ensure that the balance is maintained. Interest earned on these funds can be used for general operating purposes.

During 2010, NWA released \$155,326 of permanently restricted capital funds to unrestricted net assets. The amount is shown as Neighborworks funds released to unrestricted in the accompanying consolidating statement of activities for the year ended December 31, 2010.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

CND, Inc. and Affiliates follow the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and expand disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. CND, Inc. and Affiliates value their qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Subsequent Events

Subsequent events have been evaluated through April 5, 2011, which is the date the consolidating financial statements were available to be issued. There were significant events that met the criteria for recognition or disclosure in the consolidating financial statements (see Note 19).

Income Taxes

CND, Inc. and Affiliates follow the *Accounting for Uncertainty in Income Taxes* standard under U.S. GAAP, which requires CND, Inc. and Affiliates to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of December 31, 2010, CND, Inc. and Affiliates determined that there are no material unrecognized tax benefits to report. CND, Inc. and Affiliates do not expect a significant increase or decrease to the total amounts of unrecognized tax benefits during 2011. However, CND, Inc. and Affiliates are subject to audit by tax authorities. CND, Inc. and Affiliates believe that they have appropriate support for the positions taken on their tax returns.

As discussed on page 7, the Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The General Partners are for-profit corporations. At December 31, 2010, the General Partners had, for Federal income tax purposes, net operating loss carryforwards of approximately \$46,000 available to offset future taxable income. These carryforwards expire at various dates through 2030. Following the U.S. GAAP Standards for *Accounting for Income Taxes* did not have a material effect on the consolidating financial statements for the year ended December 31, 2010, since the tax benefits of the net operating loss carryforwards have been fully reserved.

CND, Inc. and Affiliates file information and tax returns in the United States (Federal) and Massachusetts (state). These information returns for 2006 and prior years are no longer subject to audit.

Donated Services

The Agency receives donated services for one of its programs. These donations are reflected in the accompanying consolidating financial statements based upon the estimated value assigned to them by management. The value of the services for the year ended December 31, 2010, was \$68,663.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(2) RELATED PARTY TRANSACTIONS**

Consolidated Entities

The Agency's consolidating financial statements include the following entities in the Real Estate Development fund:

**Chelsea Neighborhood Developers LLC** (CND LLC), a Massachusetts limited liability company, was formed during April, 2005, for the purpose of developing various properties located in Chelsea, Massachusetts. The Agency is the sole member of CND LLC. CND LLC entered into a ground lease agreement with Janus Highland Limited Partnership (Janus Highland) to lease land on which Janus Highland constructed two buildings. The lease term is for ninety-nine years beginning in September, 2007. Under the terms of the agreement, Janus Highland owes annual rental payments of \$1 plus contingent additional rent, as defined in the agreement. Janus Highland is responsible for real estate taxes and insurance related to the use of the land.

**Revere Neighborhood Developers LLC** (RND) a Massachusetts limited liability company, was formed during September, 2009, for the purpose of developing various properties in Revere, Massachusetts. The Agency is the sole member of RND.

**Box Works, LLC** (Box Works), a Massachusetts limited liability company, was formed during July, 2006, for the purpose of developing condominiums located in Chelsea, Massachusetts. The purpose of Box Works is to acquire, construct, rehabilitate, develop and sell twenty-six condominiums to qualified buyers in certain buildings located in Chelsea, Massachusetts. Construction was completed during 2008, at which time the units became available for sale. As of December 31, 2010, 92% of the units had been sold. The Agency is the sole member of Box Works (see Note 15).

**Spencer Row GP, Inc.** (Spencer Row GP) is a Massachusetts corporation. Spencer Row GP has a .01% interest in the capital, income, losses, credits and cash flow of Spencer Row. The Agency holds 100% of the outstanding shares of common stock of Spencer Row GP.

**113 Spencer GP, Inc.** (113 Spencer GP) is a Massachusetts corporation. 113 Spencer GP has a .01% interest in the capital, income, losses, credits and cash flow of 113 Spencer Limited Partnership as its sole general partner. The Agency holds 79% of the outstanding shares of common stock of 113 Spencer GP.

**Janus Highland GP, Inc.** (Janus GP) is a Massachusetts corporation. Janus GP has a .01% interest in the capital, income, losses, credits and cash flow of Janus Highland as its sole general partner. The Agency holds 79% of the outstanding shares of common stock of Janus GP.

**Chelsea Homes I GP, Inc.** (CHI GP) is a Massachusetts corporation. CHI GP holds a .01% interest in the capital, income, losses and cash flow of Chelsea Homes I Limited Partnership as its sole general partner. The Agency holds 79% of the outstanding shares of common stock of CHI GP.

**Highland Terrace GP, Inc.** (HT GP) is a Massachusetts corporation. HT GP holds a 10% interest in the capital, income, losses and cash flow of Highland Terrace Limited Partnership as its sole general partner. The Agency holds 100% of the outstanding shares of common stock of HT GP.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

(Continued)

**(2) RELATED PARTY TRANSACTIONS (Continued)**

Consolidated Entities (Continued)

**Highland Terrace Limited Partnership** (Highland Terrace) a Massachusetts limited partnership formed in May, 2010. The purpose of Highland Terrace is to acquire, construct, rehabilitate, develop, operate and manage certain buildings located in Chelsea, Massachusetts. The Agency holds a 90% interest in Highland Terrace as its limited partner.

**Walden House LLC** (Walden House) a Massachusetts limited liability company was formed during November, 2010, for the purpose of developing property located in Revere, Massachusetts. The Agency is the sole member of Walden House. During 2010, Walden House received state rehabilitation tax credit funds of \$400,000. In addition, Walden House was awarded \$350,000 in program subsidies from the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD) to complete the rehabilitation and conversion of the historic building to seven affordable, elderly housing units.

Consolidating Entity

**Gerrish Retail Partners LLC** (GRP), a Massachusetts limited liability company, was formed on April 4, 2007, for the purpose of developing a building consisting of approximately 22,200 square feet of office and retail space located in Chelsea, Massachusetts. The Agency holds an 80% interest in the capital, income, losses and cash flow of GRP, as defined in the operating agreement. The non-controlling interest of GRP is not material and, therefore, has not been reflected in the accompanying consolidating financial statements.

The Agency and GRP have entered into the following transactions, which have been eliminated in the accompanying consolidating financial statements:

The Agency provides management services to GRP. The Agency billed GRP \$8,820 for these services for the year ended December 31, 2010. The Agency also billed GRP \$6,300 for on-site staff during 2010. GRP owes the Agency \$32,452 for these services as of December 31, 2010, which is included in due from related parties in the accompanying consolidating statement of financial position.

The Agency leases office space from GRP for \$5,333 per month, plus common area maintenance fees (see Note 14). The rent charges for the year ended December 31, 2010, were \$64,000. The common area maintenance fees for the year ended December 31, 2010, were \$26,105. As of December 31, 2010, there was a balance of \$809 that remained unpaid.

GRP was developed by the Agency. The Agency has an agreement with GRP to receive a developer fee of \$40,000 for various services rendered in connection with the development of GRP. The unpaid balance is included in due from related parties in the accompanying consolidating statement of financial position.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

(2) **RELATED PARTY TRANSACTIONS** (Continued)

Syndicated Projects

**Spencer Row Limited Partnership** (Spencer Row) is a Massachusetts limited partnership formed in March, 2009. The purpose of Spencer Row is to acquire, construct, rehabilitate, develop, operate and manage certain buildings located in Chelsea, Massachusetts. The partners of Spencer Row are Bank of America, N.A. (BOA) and Spencer Row GP. The Agency was the initial limited partner of Spencer Row until December 1, 2010, when they withdrew and the investor partner was admitted. BOA has committed capital contributions of \$5,409,468 to Spencer Row. The first installment of \$1,427,367 was paid during 2010. The second, third and fourth installments of \$2,389,261, \$1,327,367 and \$265,473, respectively, are expected to be paid in 2011. Spencer Row has a construction note payable to BOA totaling \$4,545,000, which will be paid in full at the time of the payment of the third installment, along with permanent financing (see page 31).

**113 Spencer Limited Partnership** (113 Spencer) is a Massachusetts limited partnership formed in September, 2007. The purpose of 113 Spencer is to acquire, construct, rehabilitate, develop, operate and manage certain buildings located in Chelsea, Massachusetts. These buildings consist of forty-eight residential units. In December, 2010 and 2009, 113 Spencer GP made capital contributions of \$437,446 and \$135,361, respectively, which are included in investments in affiliates in the accompanying consolidating statement of financial position.

**Janus Highland Limited Partnership** (Janus Highland) is a Massachusetts limited partnership formed in May, 2006, for the purpose of developing an extensive affordable housing apartment complex located in Chelsea, Massachusetts. These buildings consist of forty-one residential units.

Janus Highland and Box Works have a land use agreement granting all parties rights of way to perform site work and obligating all parties to share related expenses.

**Chelsea Homes I Limited Partnership** (Chelsea Homes I) is a Massachusetts limited partnership formed during November, 2004. The purpose of Chelsea Homes I is to acquire, construct, rehabilitate, develop, operate and manage certain buildings located in Chelsea, Massachusetts. These buildings consist of eighty-six residential units. During 2010, the Agency made capital contributions of \$27,585, which is included are investments in affiliates in the accompanying consolidating statement of financial position.

Additionally, Chelsea Homes I owed the Agency \$25,000 for management fees earned as of December 31, 2010. These amounts are included in due from related parties in the accompanying consolidating statement of financial position.

Unconsolidated Entity

The Agency's consolidating financial statements do not include the following entity:

**Chelsea Neighborhood Developers II LLC** (CND II) is a Massachusetts limited liability company formed during April, 2007, for the purpose of developing various properties located in Chelsea, Massachusetts, in which the ownership remains separate from other properties owned by the Agency and CND LLC. CND II has no activity as of December 31, 2010.



**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(2) RELATED PARTY TRANSACTIONS** (Continued)

Other Related Party Transactions

**HarborCOV, Inc.** is a Massachusetts not-for-profit corporation. HarborCOV, Inc. holds a 20% interest in the capital, income, losses and cash flow of GRP, as defined in the operating agreement.

**Box Works Homes Condominium Trust** (BW Trust) is a condominium association formed under the laws of the Commonwealth of Massachusetts to manage and regulate the condominium association. BW Trust is responsible for all common areas. During the initial occupancy period, Box Works will be the sole Trustee until all units are occupied.

The Agency has transactions with organizations that employ members of the Board of Directors. This includes a municipality which is a current mortgage holder of the Agency (see Note 8) and a non-profit organization which provides Section 8 vouchers to the Agency.

Guaranty Against Development and Operating Deficits

The Agency has guaranteed the payment of additional capital contributions to the General Partners to fund the Partnerships' operating deficits, if there are not sufficient funds in the operating reserve. The Agency also guaranteed completion of the properties' rehabilitation, payment of all development costs in excess of the rehabilitation budget, and compliance with all requirements of Section 42 of the Internal Revenue Code to qualify for low-income housing tax credits.

The approximate amounts of guarantees of the Limited Partnerships as of December 31, 2010, are as follows:

**Limited Partnership**

113 Spencer	\$1,389,000
Janus Highland	\$ 225,000
Chelsea Homes I	\$ 270,000

The Agency has an unlimited liability under the Spencer Row guaranty agreement.

Notes and Interest Receivable from Affiliates

Project development notes and accrued interest receivable from the Partnerships are generally subordinate to mortgages held by banks or government entities on the Partnerships' properties. The Agency's ability to realize these assets is dependent on the ability of each partnership to generate sufficient cash flow from operations or from the sale or refinancing by the respective partnership. Due to the long-term nature of expected realization, the Agency has established valuation allowances against the value of some of these balances, including accrued interest, to reflect these assets at expected realizable values.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(2) RELATED PARTY TRANSACTIONS (Continued)**

Notes and Interest Receivable from Affiliates (Continued)

As of December 31, 2010, the balance consisted of:

<u>Borrower</u>	<u># of Notes</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Accrued Interest</u>	<u>Final Maturity</u>
Chelsea Homes I	2	4.84%	\$1,840,818	\$591,505	December, 2034
Janus Highland	1	4.9%	201,505	20,835	September, 2036
113 Spencer	1	4.21%	230,041	27,451	May, 2050
Spencer Row	1	7.0%	44,226	3,199	January, 2051
CND LLC	11	0% - 4%	<u>634,856</u>	<u>-</u>	Various through 2046
			2,951,446	642,990	
Less - valuation allowances (Chelsea Homes I)			<u>1,011,202</u>	<u>591,505</u>	
			1,940,244	51,485	
Less - eliminations			<u>634,856</u>	<u>51,485</u>	
			<u>\$1,305,388</u>	<u>\$ -</u>	

As of December 31, 2010, all of the above notes receivable between the Agency, the Affiliates and the Syndicated Projects have been eliminated in the accompanying consolidating financial statements. The accrued interest, net of valuation allowances, is included in due from related parties in the accompanying consolidating financial statements.

Developer Fees

The Agency, in its role as sponsor and developer, earns developer fees from each project. The Agency earned developer fees totaling \$702,858 from Spencer Row during 2010, which are included in fees and project reimbursements in the accompanying consolidating statement of activities.

Developer fees receivable were as follows as of December 31, 2010:

<u>Entity</u>	<u>Developer Fee</u>	<u>Other</u>
Spencer Row	\$ 656,001	\$ 15,199
Chelsea Homes I	403,748	25,000
113 Spencer	208,923	27,451
GRP	40,000	32,452
Janus Highland	<u>9,000</u>	<u>50,578</u>
	1,317,672	150,680
Less - current portion	<u>873,924</u>	<u>135,680</u>
	<u>\$ 443,748</u>	<u>\$ 15,000</u>

As of December 31, 2010, the developer fees included in due to and from related parties between the Agency and GRP have been eliminated in the accompanying consolidating financial statements.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(3) RESTRICTED CASH**

The balance of restricted cash and escrows consist of the following as of December 31, 2010:

	<u>CND, Inc. and Affiliates</u>	<u>Syndicated Projects</u>	<u>Total</u>
Escrows -			
Real estate tax and insurance	\$ 9,737	\$ 138,285	\$ 148,022
Interest escrow	55,333	-	55,333
Construction escrow	-	30,640	30,640
	<u>\$ 65,070</u>	<u>\$ 168,925</u>	<u>\$ 233,995</u>
Restricted cash -			
Operating, debt service and replacement reserves	\$677,893	\$1,543,943	\$2,221,836
Revolving loan and capital funds (see page 10)	<u>197,650</u>	<u>-</u>	<u>197,650</u>
	<u>\$875,543</u>	<u>\$1,543,943</u>	<u>\$2,419,486</u>

The interest escrow account will be used as a reserve to pay interest on the Box Works construction note.

Under the provisions of mortgage and partnership agreements, CND, Inc. and Affiliates are required to maintain operating and debt service reserves to fund future operating deficits and obligations under the mortgage agreements.

Under the provisions of mortgage and partnership agreements (see Note 7), CND, Inc. and Affiliates are required to establish and maintain replacement reserves to fund future capital improvements.

**(4) PROJECTS UNDER DEVELOPMENT**

All project-related costs incurred during construction are capitalized for real estate developments currently owned by CND, Inc. and Affiliates. Costs considered to be recoverable are capitalized. Recoverable costs expected to be realized within one year from the consolidating statement of financial position date, are classified as current. Other recoverable costs are classified as non-current. Total costs for projects under development are \$12,822,014 as of December 31, 2010. Projects under development include \$206,275 of capitalized interest as of December 31, 2010. Once these projects are complete, the developments will either become rental properties of CND, Inc. and Affiliates or will be sold. During 2010, non-recoverable costs of \$66,281 were written off.

**(5) ACCOUNTS RECEIVABLE**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Accounts receivable is shown net of allowance for doubtful accounts of \$87,630 at December 31, 2010. This allowance is recorded based on management's analysis of specific accounts and the estimate of amounts that may become uncollectible. Account balances are charged off against the allowance when they are determined to be uncollectible.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(6) LINE OF CREDIT**

During 2010, the Agency entered into a revolving line of credit agreement with Life Initiative which allows for borrowings up to \$500,000. Interest is payable quarterly at a rate of 6.5%. Outstanding principal and interest are payable on or before June 30, 2015. The note is secured by all business assets of Highland Terrace. This note is guaranteed by the Agency. As of December 31, 2010, there was \$379,422 outstanding under this agreement.

As specified in the agreement, Highland Terrace must meet certain covenants. Highland Terrace was in compliance with these covenants at December 31, 2010.

**(7) LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2010:

**Real Estate Development**

**Box Works, LLC**

Note payable to Citizens Bank for construction of the buildings.

This note was originally due March 22, 2008, and was extended to September 22, 2009. During 2009, this note was extended to February 5, 2011. Under this extension, interest shall accrue annually at the London InterBank Offered Rate (LIBOR) (.8% at December 31, 2010), plus 3.5%. Prior to the extension, interest was due monthly at 5%. In February, 2011, this note was extended through May 6, 2011. This note is secured by a first mortgage on property. The agreement allowed for borrowings up to \$5,100,000.

\$ 369,697

Non-interest bearing note payable to the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD), through the Housing Stabilization Fund (HSF) program that allowed for borrowings up to \$1,055,000, due September, 2056. The intent of this note is to be forgiven as units were sold. This note is secured by a shared second mortgage on property. During 2010, \$62,460 of this note was forgiven as units were sold during the year, in accordance with the structure of the subsidy agreement (see Note 15).

61,813

Non-interest bearing note payable to DHCD through the Commercial Area Transit Node Housing Program (CATNHP) that allows borrowings up to \$755,771, due September, 2056. The intent of this note is to be forgiven as units were sold. This note is secured by a shared second mortgage on property. During 2010, \$47,237 of this note was forgiven as units were sold during the year, in accordance with the structure of the subsidy agreement (see Note 15). DHCD advanced the Agency the remaining \$40,727 of additional borrowings during 2010 that will be forgiven for the remaining unsold units (see Note 15).

33,200

Total Box Works, LLC

464,710

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

(Continued)

(7) **LONG-TERM DEBT** (Continued)

**Real Estate Development** (Continued)

**Neighborhood Stabilization Initiative**

Three notes payable to Massachusetts Housing Investment Corporation (MHIC) under the National Stabilization Loan Fund (NSLF) program, which allows for borrowings totaling up to \$801,000, bearing interest at rates ranging from 6%-7%. Interest and any outstanding principal are payable upon maturity. The maturity dates range from October, 2010, through May, 2011. The Agency has accrued interest of \$28,741 as of December 31, 2010, for these notes. Each note is secured by a first mortgage on the property. 580,000

6.5% note payable to Community Housing Capital, Inc. (CHC) Principal and interest are due at maturity on June 1, 2011. This note was converted from a line of credit during 2010. 155,900

Non-interest bearing note payable to North Suburban Consortium (NSC) under the HOME loan program (HOME) that allows for borrowings up to \$175,000, due on December 31, 2011. The note was secured by the mortgage of the property. This note was forgiven in January, 2011, upon sale of the property, in accordance with the structure of the subsidy agreement (see Note 19). 75,000

Total Neighborhood Stabilization Initiative (see page 29) 810,900

**Walden House LLC**

6% note payable to MHIC under the NSLF program that allows for borrowings up to \$819,600. Interest and any outstanding principal are payable upon maturity, February, 2012. This note is secured by a first mortgage on the property. 300,000

Total Real Estate Development 1,575,610

**Rental**

**585-593 Broadway**

7.1% note payable to Massachusetts Housing Partnership (MHP) under its PermPlus Program, due in monthly installments of principal and interest of \$3,248 through September, 2020. This note is secured by a first mortgage and security agreement on land, buildings and improvements. 366,743

CHelsea NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010

(Continued)

(7) **LONG-TERM DEBT** (Continued)

**Rental** (Continued)

**585-593 Broadway** (Continued)

5.0% note payable to NSC (HOME), compounded annually.

Upon the annual anniversary date, 50% of net cash flow is due through December, 2029. Accrued interest is added to the outstanding principal at the anniversary date. There is no payment due in 2011 based on 2010 cash flow. This note is secured by a third mortgage and security agreement on land, buildings and improvements.

300,000

Total 585-593 Broadway

666,743

**579-583 Broadway**

Note payable to Metro Credit Union, due in monthly principal and interest installments of \$1,651, with interest at 6%, through March, 2046. This note is secured by a first mortgage on the property.

284,313

Non-interest bearing note payable to NSC (HOME). Upon the annual anniversary date, principal payments are due based upon 25% of net cash flow, through March, 2046. There is no payment due in 2011 based on 2010 cash flow. This note is secured by a second mortgage on the property.

150,000

Total 579-583 Broadway

434,313

**Neighborhood Stabilization Initiative**

Six notes payable to MHIC under the NSLF program, which allows for borrowings up to \$3,192,310, bearing interest at rates ranging from 5.25% - 7%. Interest and any outstanding principal are payable upon maturity. There are various maturity dates through August, 2011. The Agency has accrued interest of \$140,100 as of December 31, 2010, for these notes. Each note is secured by a first mortgage on the properties. Two of these notes, totaling \$862,114, were paid in full in 2011, upon permanent financing closing.

2,054,307

Five non-interest bearing notes payable to NSC (HOME), which allow for borrowings up to \$954,006. The maturity dates range from December, 2025, through December, 2039. These notes are secured by mortgages on the properties.

491,504

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

(Continued)

(7) **LONG-TERM DEBT** (Continued)

**Rental** (Continued)

**Neighborhood Stabilization Initiative** (Continued)

Four notes payable to the Agency under the RLF, which allows for borrowings up to \$425,000, bearing interest ranging from 2% to 4%. Monthly principal and interest are payable ranging from \$296 to \$708 through the maturity dates. The maturity dates are through May, 2040. Each note is secured by first mortgages on the properties.

423,056

Total Neighborhood Stabilization Initiative (see page 29)

2,968,867

Total Rental

4,069,923

**Gerrish Retail Partners LLC**

Note payable to MHIC New Markets CDE IV LLC, bearing interest at 7.0%, due monthly. The principal is due upon maturity on April 30, 2015. The note is secured by a first mortgage on the property and guaranteed by the Agency.

1,750,000

Note payable to MHIC New Markets CDE IV LLC, bearing interest at 2.9%, compounded monthly. Principal is due upon maturity on April 30, 2037. The note is secured by a third mortgage on the property and a debt service reserve and is guaranteed by the Agency.

888,685

Note payable to MHIC New Markets CDE IV LLC, bearing interest at 6.5%, due monthly. The principal is due upon maturity on April 30, 2015. The note is secured by a second mortgage on the property and guaranteed by the Agency.

200,000

Total Gerrish Retail Partners LLC

2,838,685

Total CND, Inc. and Affiliates before eliminations  
Less - eliminations

8,484,218  
423,056

Total CND, Inc. and Affiliates

8,061,162

Total Syndicated Projects (see pages 30 - 31)  
Less - eliminations

17,157,257  
44,226

Total long-term debt  
Less - current portion

25,174,193  
1,803,706

\$23,370,487

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(7) LONG-TERM DEBT (Continued)**

Aggregate maturities of long-term debt over the next five years are as follows:

2011	\$1,803,706
2012	\$ 17,143
2013	\$ 18,364
2014	\$ 19,674
2015	\$2,350,499

The above notes have certain financial and non-financial covenants CND, Inc. and Affiliates must comply with. As of December 31, 2010, CND, Inc. and Affiliates was not in compliance with one of its debt covenants. The lender waived this covenant for 2010.

**(8) CONTINGENT DEBT AND DEFERRED INTEREST**

**Real Estate Development**

**Chelsea Neighborhood Developers LLC**

**21-27 Gerrish Ave.**

Non-interest bearing note payable to NSC (HOME). Outstanding principal is due on April 21, 2036. CND LLC has issued a ground lease on the Property that secures this note to Janus Highland. Principal payments are due only if a \$570,000 NSC HOME loan made to Janus Highland is repaid in full. At that time, contingent rental payments would become due under conditions matching 25% cash flow payment of the Janus Highland note. There are no amounts due in 2011 based on 2010 cash flow. The note is secured by a mortgage on land. \$ 530,000

**Neighborhood Stabilization Initiative**

3% note payable to the Agency, due on December 31, 2025. These funds were provided to the Agency through the NWA Capital Fund. This note is secured by a mortgage on the property (see page 29). 40,000

Total Real Estate Development 570,000

**Rental**

**585-593 Broadway**

Non-interest bearing note payable to City of Chelsea, due the earlier of March, 2046, or the transfer of the property. This note is subject to Housing Development Support Program (HDSP) covenants. This note is secured by a shared second mortgage on the property. 689,000



**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

(Continued)

**(8) CONTINGENT DEBT AND DEFERRED INTEREST (Continued)**

**Rental (Continued)**

**585-593 Broadway (Continued)**

Non-interest bearing note payable to MHP under its PermPlus Program, due September, 2020, as a balloon payment. This note is secured by a shared second mortgage and security agreement on land, buildings and improvements. 584,000

Total 585-593 Broadway 1,273,000

**579-583 Broadway**

Non-interest bearing note payable to the Agency, due in 2046. These funds were provided to the Agency from NWA. This note is secured by a shared mortgage on the property. 40,000

Non-interest bearing note payable to the Agency, due in 2046, under the RLF Program. This note is secured by a shared mortgage on the property. 57,000

Total 579-583 Broadway 97,000

**Neighborhood Stabilization Initiative**

Two non-interest bearing notes payable to MHIC under the National Stabilization Project (NSP), which allows for borrowings up to \$1,272,295. Interest and any outstanding principal are payable at maturity. The maturity dates range through December, 2025. Each note is secured by a second mortgage on the property. 452,886

Two non-interest bearing notes payable to the City of Chelsea under the Community Development Block Grants (CDBG) loan program. The maturity dates are in December, 2024. These notes are secured by mortgages on the property. 175,000

Three notes payable to the Agency, which allow for borrowings up to \$138,800, bearing interest at 2%. The funds were provided to the Agency from NWA. Interest and any outstanding principal are due upon maturity in December, 2025. These notes are secured by mortgages on the property. 74,800

Total Neighborhood Stabilization Initiative (see page 29) 702,686

Total Rental 2,072,686

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(8) CONTINGENT DEBT AND DEFERRED INTEREST (Continued)**

**Gerrish Retail Partners LLC**

Note payable to MHIC New Markets CDE IV LLC, bearing interest at 2.0%, compounded annually. The principal and accrued interest are due upon maturity on April 30, 2037. The note is secured by a fifth mortgage on the property and is guaranteed by the Agency. Deferred interest on this note totaled \$23,986 as of December 31, 2010. 389,803

Non-interest bearing note payable to MHIC New Markets CDE IV LLC, due and payable on April 30, 2037. The note is secured by a fourth mortgage on the property. 150,000

Deferred interest 23,986

Total Gerrish Retail Partners LLC 563,789

Total CND, Inc. and Affiliates before eliminations 3,206,475

Less – eliminations 211,800

Total CND, Inc. and Affiliates 2,994,675

Total Syndicated Projects (see pages 32 - 33) 9,648,532

Deferred interest 79,435

Total contingent debt and deferred interest before eliminations 12,722,642

Less – eliminations 2,863,867

\$ 9,858,775

The above notes have certain financial and non-financial covenants CND, Inc. and Affiliates must comply with. CND, Inc. and Affiliates were in compliance with these covenants as of December 31, 2010.

**(9) LOANS RECEIVABLE**

The Agency has entered into agreements with various low-income residents of Chelsea, Massachusetts, for the rehabilitation of existing homes. Interest rates on these loans range from 0% - 7%. The Agency has funded these loans through grants received through DHCD, NWA, and CDBG. The loans are approved by a vote of the Agency's loan committee.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

(Continued)

**(9) LOANS RECEIVABLE** (Continued)

The future principal payments of the loans receivable over the next five years are as follows:

2011	\$12,366
2012	\$ 9,447
2013	\$ 9,887
2014	\$10,348
2015	\$10,831

The Agency has sold to Neighborhood Housing Services of America, loans receivable with recourse which had a value of approximately \$33,000 as of December 31, 2010. These loans have not been included in the accompanying consolidating financial statements.

The Agency entered into a loan agreement with Atlas Historic Investments LLC for \$212,960. Interest accrues at 10% and is due at maturity, in November, 2015.

The Agency loaned MHIC New Markets Fund III LLC \$389,803, which was to be loaned to GRP. Interest accrues at 2% and is payable upon maturity in April, 2037. These amounts are included in loans receivable in the accompanying consolidating statement of financial position.

**Allowance for Loan Losses**

The Agency provides for an allowance for potential loan losses of the loan portfolio. The allowance is based on the Agency's rating system, which is updated periodically for changes related to the individual loans receivable. There were no allowances for loan losses recorded at December 31, 2010, since there is no significant anticipated losses based on the Agency's allowance policy.

**(10) CAPITALIZED COSTS**

Capitalized costs are shown net of accumulated amortization of \$338,105 as of December 31, 2010. Amortization expense was \$89,800 for the year ended December 31, 2010. Amortization expense for the next five years is \$7,698 per year.

**(11) CONCENTRATION OF CREDIT RISK**

CND, Inc. and Affiliates maintains their cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceed the insured amounts. CND, Inc. and Affiliates have not experienced any losses in these accounts. CND, Inc. and Affiliates believes they are not exposed to any significant credit risk on their cash and cash equivalents.

**(12) GIFT SUBJECT TO LIFE INTEREST**

The Agency is the beneficiary under a split-interest life estate trust arrangement. Under the terms of the agreement, the Agency is to provide an apartment, rent free, during the individual's lifetime. At the end of the agreement, all remaining proceeds remain with the Agency. The Agency has cash of \$24,421 under this agreement at December 31, 2010, which is included in cash and cash equivalents in the accompanying consolidating statement of financial position.

CHelsea NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010

(Continued)

(12) **GIFT SUBJECT TO LIFE INTEREST** (Continued)

The present value of the cost of providing free future rent is estimated to be \$16,341 at December 31, 2010, which is included in current portion of accounts payable and accrued expenses in the accompanying consolidating statement of financial position. The difference between the cash balance and the liability balance at December 31, 2010, is \$8,080, and is included in temporarily restricted net assets (see Note 1).

(13) **MANAGEMENT AGREEMENT**

The Agency had an agreement with Cornu Management Company, Inc. (Cornu) to carry on the day-to-day operations of the rental properties. Cornu received management fees ranging from 5.0% to 5.5% of net collected revenue, as defined in the agreement. In addition, Cornu also provided centralized off-site bookkeeping and data processing services. Compensation for these services was \$5 per unit, per month, and was payable only if sufficient cash flow from operations existed. On September 1, 2010, the Partnership ended their agreement with Cornu and entered into a new agreement with Winn Management Company LLC (Winn). Winn receives management fees ranging from 4.16% to 5.64% of total residential collections, as defined in the agreement. The agreement can be terminated by either party with sixty days written notice. The Agency paid management fees to Cornu and Winn totaling \$136,131 in 2010.

(14) **LEASES**

GRP has long-term leases with its tenants. These leases expire at various dates ranging from February, 2012, to December, 2017. The tenants are also responsible for common area maintenance charges, in addition to rent. There are also renewal options as defined in the lease agreements.

Approximate future minimum rentals to be received on these leases as of December 31, 2010, are as follows:

2011	\$187,480
2012	151,280
2013	146,600
2014	67,200
2015	67,200
Thereafter	<u>134,400</u>
	<u>\$754,160</u>

(15) **PROPERTY HELD FOR SALE**

The Agency developed condominiums to sell to qualified buyers. All costs related to acquisition, real estate taxes, interest, development costs, capital salaries, architect fees, and other costs incurred were capitalized as projects under development before the project was given an occupancy certificate in 2008.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

(Continued)

**(15) PROPERTY HELD FOR SALE (Continued)**

The Agency records the loss on the sale of the condominiums in the period that the loss is anticipated. The anticipated losses are recorded as a reduction in the carrying value property held for sale. The following is a summary as of December 31, 2010:

Property held for sale	\$559,535
Less - reserve for anticipated sales losses	<u>185,000</u>
	<u>\$374,535</u>

As of December 31, 2010, the current year loss on the sale of property of \$359,179 and the forgiveness of debt (see page 18) of \$109,697 was netted against the reserve of anticipated sales losses of \$312,000 as of December 31, 2009. The anticipated sales loss for future sales as of December 31, 2010, is \$185,000. Accordingly, an additional \$122,482 of future losses was recorded and included in the accompanying consolidating statement of activities as of December 31, 2010.

Also included in property held for sale is a Neighborhood Stabilization Initiative (NSI) project that the Agency sold subsequent to December 31, 2010 (see Note 19). This property had a balance of \$414,721 as of December 31, 2010.

**(16) COMMITMENTS**

The Agency entered into a master revolving promissory note agreement with MHIC for borrowings up to \$5,400,000. The Agency has been advanced \$2,634,307 under this agreement as of December 31, 2010. Each project has a separate note that is secured by the respective individual property (see Note 7).

The Agency entered into a promissory note agreement with DHCD through the Massachusetts Housing Partnership Fund Board under the Housing Stabilization and Investment Trust Fund Statute (HSITF) that allows for borrowings up to \$880,700, due December, 2060, which will be used for permanent financing for the NSI projects. There was no outstanding balance on this note as of December 31, 2010. Each project will have a separate note that will be secured by the property.

**(17) CONTINGENCIES**

During 2010, CND LLC invested approximately \$78,000 in 44 Gerrish LLC (44 Gerrish), which is included in investments in affiliates in the accompanying consolidating statement of financial position. Subsequent to year-end, CND LLC was appointed as one of the sponsors and member with a 24% interest in 44 Gerrish. In addition, CND LLC has guaranteed acquisition and construction loans with the Property and Casualty Initiative, LLC (PCI) for up to \$7 million. CND LLC will share the guarantee with another sponsor. For both the acquisition and construction loan periods, the Agency guarantees 25% of the loans. During the acquisition loan period, to the extent that the other sponsor is unable to meet its 75% obligation, CND LLC guarantees up to 50% of the deficiency.

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**(18) CONDITIONAL GRANT**

During 2009, a foundation awarded the Agency a \$300,000 grant, of which \$100,000 was unconditionally pledged as of December 31, 2009. The balance of the grant of \$200,000 was a conditional grant at December 31, 2009. During 2010, the required benchmarks were met and an additional \$100,000 was released from restriction and is included in temporarily restricted net assets as of December 31, 2010. Since this grant is conditional upon the Agency achieving certain benchmarks, the remaining balance of \$100,000 is not reflected in the accompanying consolidating financial statements at December 31, 2010.

**(19) SUBSEQUENT EVENTS**

On January 7, 2011, the Agency sold property located in Chelsea for \$190,000. This property is included in property held for sale in the accompanying consolidating statement of financial position (see Note 15). As part of the sale, NSC forgave related notes totaling \$175,000 (see Note 7).

On January 7, 2011, the Agency sold an additional property located in Chelsea for \$150,000. This property is included in property held for sale in the accompanying consolidating statement of financial position (see Note 15).

In February, 2011, Highland Terrace was awarded \$720,000 in low-income housing tax credits and \$2,015,164 in program subsidies from DHCD to build a new thirty-two unit affordable rental development that will include four units for extremely low-income families. On March, 15, 2011 the Agency purchased the development property for \$1,270,000.

On March, 23, 2011, CND LLC purchased a two unit building for \$150,000 through a loan with MHIC. The intention of this property is to be rehabilitated and sold.

CHelsea NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

DECEMBER 31, 2010

(Continued)

NEIGHBORHOOD STABILIZATION INITIATIVE

	LONG-TERM DEBT					CONTINGENT DEBT			
	MHIC (NSLF)	NSC (HOME)	CND INC. (RLF)	CHC	TOTAL	MHIC (NSP)	CITY OF CHELSEA (CDBG)	CND INC. (NWA)	TOTAL
<u>Real Estate Development</u>									
40 Cottage St.	\$ 250,000	\$ 75,000	\$ -	\$ -	\$ 325,000	\$ -	\$ -	\$ 40,000	\$ 40,000
7 Maverick St.	200,000	-	-	-	200,000	-	-	-	-
150 Marlborough St.	-	-	-	155,900	155,900	-	-	-	-
148 Marlborough St.	130,000	-	-	-	130,000	-	-	-	-
Total Real Estate Development	<u>\$ 580,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 155,900</u>	<u>\$ 810,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>
<u>Rental</u>									
75 Essex St.	\$ 521,000	\$ 125,000	\$ 89,171	\$ -	\$ 735,171	\$ -	\$ -	\$ -	\$ -
102 Grove St.	283,883	136,000	190,041	-	609,924	-	75,000	29,800	104,800
98 Marlborough St.	87,114	96,500	61,811	-	245,425	227,886	100,000	16,000	343,886
31 Suffolk St.	235,000	134,004	82,033	-	451,037	-	-	19,000	19,000
61-63 Grove St.	152,310	-	-	-	152,310	-	-	-	-
14-16 Nahant St.	775,000	-	-	-	775,000	225,000	-	10,000	235,000
Total Rental	<u>\$ 2,054,307</u>	<u>\$ 491,504</u>	<u>\$ 423,056</u>	<u>\$ -</u>	<u>\$ 2,968,867</u>	<u>\$ 452,886</u>	<u>\$ 175,000</u>	<u>\$ 74,800</u>	<u>\$ 702,686</u>

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**LONG-TERM DEBT**

**Syndicated Projects**

Lender	Interest Rate	Security	Payment Terms	Outstanding Principal
<b>Chelsea Homes I Limited Partnership</b>				
MHP	4.2% through December, 2014, and then 5% through December, 2024	First mortgage on the property and assignment of leases and rents	Principal and interest are payable in monthly installments equal to one-sixth of the next payment of semi-annual interest due June 15 <sup>th</sup> and December 15 <sup>th</sup> , and one twelfth of the next payment of annual principal due December 15 <sup>th</sup> .	\$ 2,615,000
NSC	2.95%	Shared third mortgage on the property	Principal and interest payments are due in June of each year limited to 25% of net cash flow of the prior year, as defined in the agreement. Outstanding principal and interest are due in December, 2029.	1,941,151
The Agency	4.84%	Shared fourth mortgage on the property	Principal and interest are due if a certain cash flow level is achieved, as defined in the agreement, or at the maturity date of December 29, 2034.	1,730,817
MHP	2% for \$875,000; 0% for \$375,000	Second mortgage on the property	Due in monthly interest payments of \$1,458. Principal and accrued interest on this note are due in December, 2024.	1,250,000
The Agency	4.84%	Shared fourth mortgage on the property	Principal and interest are due as certain cash flow levels are achieved, as defined in the agreement, or at the maturity date of December, 2034.	110,000
				<u>7,646,968</u>
<b>Janus Highland Limited Partnership</b>				
MHP	6.41%	First mortgage on the property and the assignment of leases and rents	Due in monthly principal and interest installments of \$6,950, amortized over a thirty-year period and is due in September, 2028.	1,081,599
NSC	0%	Shared second mortgage on the property	Payments of principal are due in June of each year limited to 25% of net cash flow of the prior year, as defined in the agreement. Outstanding principal is due on September 22, 2036.	366,856
The Agency	4.9%	Third mortgage on the property	Principal and accrued interest is due annually from available cash flow, as defined in the agreement, or upon maturity in September, 2036.	201,591
				<u>1,650,046</u>



**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**LONG-TERM DEBT** (Continued)

**Syndicated Projects** (Continued)

Lender	Interest Rate	Security	Payment Terms	Outstanding Principal
<b>113 Spencer Limited Partnership</b>				
MHFA	7.15%	First mortgage on the property and an assignment of leases and rents	Due in monthly principal and interest installments of \$13,480, through March, 2050. 113 Spencer LP may not prepay this note before April 29, 2025, without prior approval by Massachusetts Housing Finance Agency (MHFA).	1,994,794
NSC	0%	Shared second mortgage on the property and an assignment of leases and rents.	Payments of principal are due in June of each year subject to 25% of the prior year net cash flow, as defined in the agreement. Outstanding principal is due in March, 2050.	1,150,000
CND	4.21%	Shared third mortgage on the property.	Principal and accrued interest are due annually from available cash flow, as defined in the agreement, or upon maturity in March, 2050.	230,041
				<u>3,374,835</u>
<b>Spencer Row Limited Partnership</b>				
BOA	LIBOR plus 3.5%	First mortgage on the property and an assignment of leases and rents	After completion of construction, this note will be assigned to MHP. After assignment to MHP, the note will be paid down to \$1,275,490 and will be due in monthly principal and interest installments, with interest at 8.08%, amortized over a thirty-year period. The note is to be assigned to MHP on or before December 21, 2011. The note is due in December, 2031. This note is guaranteed by the Agency.	3,585,408
NSC	0%	Shared third mortgage on the property and an assignment of leases and rents	Payments of principal are due in June of each year subject to 25% of the prior year net cash flow, as defined in the agreement. Outstanding principal is due in February, 2051.	900,000
				<u>4,485,408</u>
Total long-term debt - syndicated projects				<u><u>\$ 17,157,257</u></u>

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**CONTINGENT DEBT AND DEFERRED INTEREST**

**Syndicated Projects**

Lender	Interest Rate	Security	Payment Terms	Outstanding Principal	Deferred Interest
<b>Chelsea Homes I Limited Partnership</b>					
City of Chelsea	0%	Shared third mortgage on the property	Repayment is due if there is an event of default, the Property is refinanced, the Property is sold, or at the maturity date of December, 2029.	\$ 364,390	\$ -
City of Chelsea	0%	Shared third mortgage on the property	Repayment is due if there is an event of default, the Property is refinanced, the Property is sold, or at the maturity date of December, 2029.	311,636	-
DHCD	0%	Shared third mortgage on the property	Repayment is due if there is an event of default, the Property is refinanced, the Property is sold, or at the maturity date of December, 2029.	177,289	-
City of Chelsea	0%	Shared third mortgage on the property	Repayment is due if there is an event of default, the Property is refinanced, the Property is sold, or at the maturity date of December, 2029.	24,849	-
				<u>878,164</u>	<u>-</u>
<b>Janus Highland Limited Partnership</b>					
City of Chelsea	0%	Shared second mortgage on the property	Due in September, 2036.	2,000,000	-
DHCD	5.02%	Shared second mortgage on the property	All outstanding principal and accrued interest are due in September, 2036.	385,000	79,435
				<u>2,385,000</u>	<u>79,435</u>
<b>113 Spencer Limited Partnership</b>					
DHCD	0%	Shared second mortgage on the property and an assignment of leases and rents.	Outstanding principal is due in March, 2050.	1,645,000	-
MHFA	0%	Shared second mortgage on the property and an assignment of leases and rents.	Outstanding principal is due in March, 2050.	1,000,000	-

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**NOTES TO CONSOLIDATING FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

(Continued)

**CONTINGENT DEBT AND DEFERRED INTEREST (Continued)**

**Syndicated Projects (Continued)**

Lender	Interest Rate	Security	Payment Terms	Outstanding Principal	Deferred Interest
<b>113 Spencer Limited Partnership (Continued)</b>					
MHP	0%	Shared second mortgage on the property and an assignment of leases and rents.	Outstanding principal is due in March, 2059.	750,000	-
CEDAC	0%	Shared second mortgage on the property and an assignment of leases and rents.	Payments of principal are due in February of each year to the extent that gross cash receipts exceed 105% of gross cash expenditures as defined in the agreement. Outstanding principal is due in March, 2039.	594,643	-
				<u>3,989,643</u>	<u>-</u>
<b>Spencer Row Limited Partnership</b>					
DHCD	0%	Shared third mortgage on the property and an assignment of leases and rents	There is a principal payment due up to \$162,496 on December 31, 2026 if the Partnership's operating reserve exceeds a certain balance, as defined in the agreement. Outstanding principal is due in February, 2051.	1,162,496	-
DHCD	0%	Shared third mortgage on the property and an assignment of leases and rents	Outstanding principal is due in February, 2051.	495,000	-
CEDAC	0%	Shared third mortgage on the property and an assignment of leases and rents	Payments of principal are due to Community Economic Development Assistance Corporation (CEDAC) in February of each year to the extent that prior year gross cash receipts exceed 105% of gross cash expenditures as defined in the agreement. Outstanding principal is due in February, 2041.	449,304	-
City of Chelsea	0%	Shared third mortgage on the Property and an assignment of leases and rents	Outstanding principal is due in February, 2051.	241,500	-
The Agency	7.0%	Fourth mortgage on the property and an assignment of leases and rents	Principal and simple interest is due upon maturity in January, 2051.	47,425	-
				<u>2,395,725</u>	<u>-</u>
Total contingent debt and deferred interest - syndicated projects				<u>\$ 9,648,532</u>	<u>\$ 79,435</u>

**CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES**

**SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION OF  
SELECTED FUNDING SOURCE RESTRICTED NET ASSETS  
DECEMBER 31, 2010**

<u>ASSETS</u>	<u>NEIGHBORWORKS® AMERICA</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANTS</u>	<u>DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT</u>
<b>CURRENT ASSETS -</b>			
Current portion of loans receivable	\$ -	\$ 1,477	\$ 10,889
<b>RESTRICTED CASH</b>	94,241	20,346	83,063
<b>DUE FROM OTHER FUNDS</b>	358,001	-	-
<b>NOTES RECEIVABLE - AFFILIATES</b> , net of reserve and current portion	1,110,694	356,494	423,056
<b>LOANS RECEIVABLE</b> , net of current portion	-	159,572	168,860
Total assets	<u>\$ 1,562,936</u>	<u>\$ 537,889</u>	<u>\$ 685,868</u>
 <u>NET ASSETS</u>			
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	\$ -	\$ 537,889	\$ 685,868
<b>PERMANENTLY RESTRICTED NET ASSETS</b>	<u>1,562,936</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 1,562,936</u>	<u>\$ 537,889</u>	<u>\$ 685,868</u>

**NOTE:** The above supplemental schedule has been prepared for the purpose of providing additional information to certain users of CND, Inc. and Affiliates' consolidating financial statements and to comply with requirements of agreements with certain funding sources of CND, Inc. and Affiliates. It is intended to be used by these funding sources and should not be used by anyone other than these specified parties.

CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

EXHIBIT A

SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION - RENTAL  
DECEMBER 31, 2010

ASSETS	CHELSEA							REVERE	TOTAL RENTAL
	585 BROADWAY	579-583 BROADWAY	75 ESSEX ST.	102 GROVE ST.	98 MARLBOROUGH ST.	31 SUFFOLK ST.	61 - 63 GROVE ST.	14/16 NAHANT ST.	
<b>CURRENT ASSETS:</b>									
Cash and cash equivalents - operating	\$ 16,387	\$ 3,711	\$ 219,116	\$ 2,300	\$ 2,819	\$ -	\$ 23,839	\$ 10,097	\$ 278,269
Accounts receivable, net	5,820	7,128	5,391	5,750	6,371	-	-	2,376	32,836
Escrows	7,957	780	-	-	-	-	1,000	-	9,737
Other current assets	2,552	-	263	309	381	-	-	-	3,505
Total current assets	<u>32,716</u>	<u>11,619</u>	<u>224,770</u>	<u>8,359</u>	<u>9,571</u>	<u>-</u>	<u>24,839</u>	<u>12,473</u>	<u>324,347</u>
<b>OTHER ASSETS:</b>									
Restricted cash	109,487	4,776	40,486	26,061	122,012	136,965	-	11,897	451,684
Projects under development	-	-	-	-	-	503,191	167,053	1,423,485	2,093,729
Due (to) from funds	(234,350)	(12,719)	(42,740)	(9,808)	(4,598)	(707)	(32,250)	(12,611)	(349,783)
Capitalized costs, net	5,576	-	4,517	9,982	8,960	-	-	-	29,035
Total other assets	<u>(119,287)</u>	<u>(7,943)</u>	<u>2,263</u>	<u>26,235</u>	<u>126,374</u>	<u>639,449</u>	<u>134,803</u>	<u>1,422,771</u>	<u>2,224,665</u>
<b>PROPERTY AND EQUIPMENT:</b>									
Land	180,000	60,000	35,000	75,000	75,000	-	-	-	425,000
Land improvements	-	-	10,059	6,395	7,278	-	-	-	23,732
Buildings and improvements	1,398,289	1,174,393	470,036	613,284	379,670	-	-	-	4,035,672
Furniture and equipment	-	-	6,821	-	9,563	-	-	-	16,384
	<u>1,578,289</u>	<u>1,234,393</u>	<u>521,916</u>	<u>694,679</u>	<u>471,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,500,788</u>
Less - accumulated depreciation	337,594	147,238	23,420	14,900	9,689	-	-	-	532,841
Net property and equipment	<u>1,240,695</u>	<u>1,087,155</u>	<u>498,496</u>	<u>679,779</u>	<u>461,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,967,947</u>
Total assets	<u>\$ 1,154,124</u>	<u>\$ 1,090,831</u>	<u>\$ 725,529</u>	<u>\$ 714,373</u>	<u>\$ 597,767</u>	<u>\$ 639,449</u>	<u>\$ 159,642</u>	<u>\$ 1,435,244</u>	<u>\$ 6,516,959</u>
<b>LIABILITIES AND ENTITIES' EQUITY (DEFICIT)</b>									
<b>CURRENT LIABILITIES:</b>									
Current portion of long-term debt	\$ 13,127	\$ 2,875	\$ 140,230	\$ -	\$ 87,114	\$ -	\$ 152,310	\$ -	\$ 395,656
Current portion of accounts payable and accrued expenses	54,068	26,734	46,838	35,908	26,723	169,412	7,332	1,541	368,556
Total current liabilities	<u>67,195</u>	<u>29,609</u>	<u>187,068</u>	<u>35,908</u>	<u>113,837</u>	<u>169,412</u>	<u>159,642</u>	<u>1,541</u>	<u>764,212</u>
<b>LONG-TERM LIABILITIES:</b>									
Accounts payable and accrued expenses, net of current portion	160,119	-	-	-	-	-	-	433,735	593,854
Long-term debt, net of current portion	653,616	431,438	594,941	609,924	158,311	451,037	-	775,000	3,674,267
Total long-term liabilities	<u>813,735</u>	<u>431,438</u>	<u>594,941</u>	<u>609,924</u>	<u>158,311</u>	<u>451,037</u>	<u>-</u>	<u>1,208,735</u>	<u>4,268,121</u>
<b>CONTINGENT DEBT AND DEFERRED INTEREST</b>	<u>584,000</u>	<u>786,000</u>	<u>-</u>	<u>104,800</u>	<u>343,886</u>	<u>19,000</u>	<u>-</u>	<u>235,000</u>	<u>2,072,686</u>
Total liabilities	<u>1,464,930</u>	<u>1,247,047</u>	<u>782,009</u>	<u>750,632</u>	<u>616,034</u>	<u>639,449</u>	<u>159,642</u>	<u>1,445,276</u>	<u>7,105,019</u>
<b>ENTITIES' EQUITY (DEFICIT):</b>									
Unrestricted -									
Operating	(15,776)	(15,115)	(4,619)	(17,567)	(8,192)	-	-	10,932	(50,337)
Development	-	-	-	-	-	-	-	(20,964)	(20,964)
Property and equipment	(295,030)	(141,101)	(51,861)	(18,692)	(10,075)	-	-	-	(516,759)
Total unrestricted	<u>(310,806)</u>	<u>(156,216)</u>	<u>(56,480)</u>	<u>(36,259)</u>	<u>(18,267)</u>	<u>-</u>	<u>-</u>	<u>(10,032)</u>	<u>(588,060)</u>
Total entities' equity (deficit)	<u>(310,806)</u>	<u>(156,216)</u>	<u>(56,480)</u>	<u>(36,259)</u>	<u>(18,267)</u>	<u>-</u>	<u>-</u>	<u>(10,032)</u>	<u>(588,060)</u>
Total liabilities and entities' equity (deficit)	<u>\$ 1,154,124</u>	<u>\$ 1,090,831</u>	<u>\$ 725,529</u>	<u>\$ 714,373</u>	<u>\$ 597,767</u>	<u>\$ 639,449</u>	<u>\$ 159,642</u>	<u>\$ 1,435,244</u>	<u>\$ 6,516,959</u>

CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

EXHIBIT B

SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES - RENTAL  
FOR THE YEAR ENDED DECEMBER 31, 2010

	CHELSEA					REVERE	TOTAL RENTAL
	585 BROADWAY	579-583 BROADWAY	75 ESSEX ST.	102 GROVE ST.	98 MARLBOROUGH ST.	14/16 NAHANT ST.	
<b>OPERATING REVENUES:</b>							
Net rental income	\$ 213,270	\$ 57,038	\$ 33,820	\$ 24,824	\$ 34,675	\$ 12,537	\$ 376,164
Interest income	199	3	-	-	-	-	202
Other income	641	15	180	-	-	-	836
Total operating revenues	214,110	57,056	34,000	24,824	34,675	12,537	377,202
<b>OPERATING EXPENSES:</b>							
Personnel and related costs -							
Consulting and contract labor	60,642	14,983	9,671	9,671	9,671	-	104,638
Occupancy -							
Interest	13,190	17,237	38,989	24,287	12,322	-	106,025
Utilities	29,958	15,785	3,748	4,499	3,777	15,287	73,054
Real estate taxes	9,454	4,779	3,142	-	2,922	-	20,297
Contracted services	12,062	5,863	1,142	-	1,142	531	20,740
Repairs and maintenance	4,078	2,297	2,228	(9)	(1,014)	5,193	12,773
Insurance	9,219	1,862	-	1,116	1,475	-	13,672
Rent	1,440	300	-	-	-	-	1,740
Total occupancy	79,401	48,123	49,249	29,893	20,624	21,011	248,301
Other -							
Office and other	174	1,447	3,541	3,519	3,642	965	13,288
Management fees	11,335	2,875	2,849	508	1,058	593	19,218
Professional fees	4,545	1,360	-	-	-	-	5,905
Bad debts	2,243	1,547	-	2,407	3,612	-	9,809
Miscellaneous	1,301	744	-	-	-	-	2,045
Telephone and communications	1,555	424	-	-	-	-	1,979
Total other	21,153	8,397	6,390	6,434	8,312	1,558	52,244
Total operating expenses	161,196	71,503	65,310	45,998	38,607	22,569	405,183
Changes in unrestricted net assets before depreciation and amortization	52,914	(14,447)	(31,310)	(21,174)	(3,932)	(10,032)	(27,981)
<b>DEPRECIATION AND AMORTIZATION</b>	36,419	33,324	12,712	15,085	9,737	-	107,277
Changes in unrestricted net assets from operations	16,495	(47,771)	(44,022)	(36,259)	(13,669)	(10,032)	(135,258)
<b>OTHER EXPENSE</b>	-	(24,980)	-	-	-	-	(24,980)
<b>DEFERRED INTEREST</b>	26,537	-	-	-	-	-	26,537
Changes in unrestricted net assets	\$ (10,042)	\$ (72,751)	\$ (44,022)	\$ (36,259)	\$ (13,669)	\$ (10,032)	\$ (186,775)

## CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

SUPPLEMENTARY CONSOLIDATING STATEMENT OF CHANGES IN ENTITIES' EQUITY (DEFICIT) - RENTAL  
FOR THE YEAR ENDED DECEMBER 31, 2010

	CHELSEA					REVERE	TOTAL RENTAL
	585 BROADWAY	579-583 BROADWAY	75 ESSEX ST.	102 GROVE ST.	98 MARLBOROUGH ST.	14/16 NAHANT ST.	
ENTITIES' EQUITY (DEFICIT), December 31, 2009	\$ (300,764)	\$ (83,465)	\$ (12,458)	\$ -	\$ (4,598)	\$ -	\$ (401,285)
Changes in unrestricted net assets	<u>(10,042)</u>	<u>(72,751)</u>	<u>(44,022)</u>	<u>(36,259)</u>	<u>(13,669)</u>	<u>(10,032)</u>	<u>(186,775)</u>
ENTITIES' EQUITY (DEFICIT), December 31, 2010	<u>\$ (310,806)</u>	<u>\$ (156,216)</u>	<u>\$ (56,480)</u>	<u>\$ (36,259)</u>	<u>\$ (18,267)</u>	<u>\$ (10,032)</u>	<u>\$ (588,060)</u>

## CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SYNDICATED PROJECTS  
DECEMBER 31, 2010

<u>ASSETS</u>	<u>CHELSEA HOMES I LP</u>	<u>JANUS HIGHLAND LP</u>	<u>113 SPENCER LP</u>	<u>SPENCER ROW LP</u>	<u>TOTAL SYNDICATED PROJECTS</u>
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents - operating	\$ 136,014	\$ 147,067	\$ 394,058	\$ 547,268	\$ 1,224,407
Accounts receivable, net	18,520	6,020	7,859	1,000	33,399
Escrows	90,168	21,860	56,897	-	168,925
Current portion of due from related parties	14,432	-	-	-	14,432
Other current assets	33,081	10,496	5,207	-	48,784
Total current assets	<u>292,215</u>	<u>185,443</u>	<u>464,021</u>	<u>548,268</u>	<u>1,489,947</u>
<b>OTHER ASSETS:</b>					
Restricted cash	891,025	299,179	353,739	-	1,543,943
Projects under development	-	-	-	9,135,691	9,135,691
Capitalized costs, net	197,713	57,005	154,643	-	409,361
Total other assets	<u>1,088,738</u>	<u>356,184</u>	<u>508,382</u>	<u>9,135,691</u>	<u>11,088,995</u>
<b>PROPERTY AND EQUIPMENT:</b>					
Land	1,415,928	405,362	1,828,000	-	3,649,290
Land improvements	-	713,851	1,256,329	-	1,970,180
Buildings and improvements	9,779,243	8,965,616	11,476,729	-	30,221,588
Furniture and equipment	305,231	100,213	150,047	-	555,491
	<u>11,500,402</u>	<u>10,185,042</u>	<u>14,711,105</u>	<u>-</u>	<u>36,396,549</u>
Less - accumulated depreciation	1,488,947	832,651	582,924	-	2,904,522
Net property and equipment	<u>10,011,455</u>	<u>9,352,391</u>	<u>14,128,181</u>	<u>-</u>	<u>33,492,027</u>
Total assets	<u>\$ 11,392,408</u>	<u>\$ 9,894,018</u>	<u>\$ 15,100,584</u>	<u>\$ 9,683,959</u>	<u>\$ 46,070,969</u>
<b><u>LIABILITIES AND ENTITIES' EQUITY (DEFICIT)</u></b>					
<b>CURRENT LIABILITIES:</b>					
Current portion of long-term debt	\$ 55,000	\$ 46,931	\$ 30,509	\$ -	\$ 132,440
Current portion of accounts payable and accrued expenses	218,373	99,529	129,468	-	447,370
Current portion of due to related parties	10,000	38,743	208,923	668,001	925,667
Total current liabilities	<u>283,373</u>	<u>185,203</u>	<u>368,900</u>	<u>668,001</u>	<u>1,505,477</u>
<b>LONG-TERM LIABILITIES:</b>					
Accounts payable and accrued expenses, net of current portion	1,021,754	-	-	707,458	1,729,212
Due to related parties, net of current portion	418,748	-	-	-	418,748
Long-term debt, net of current portion	7,591,968	1,603,115	3,344,326	4,485,408	17,024,817
Total long-term liabilities	<u>9,032,470</u>	<u>1,603,115</u>	<u>3,344,326</u>	<u>5,192,866</u>	<u>19,172,777</u>
<b>CONTINGENT DEBT AND DEFERRED INTEREST</b>					
	878,164	2,464,435	3,989,643	2,395,725	9,727,967
Total liabilities	<u>10,194,007</u>	<u>4,252,753</u>	<u>7,702,869</u>	<u>8,256,592</u>	<u>30,406,221</u>
<b>ENTITIES' EQUITY (DEFICIT):</b>					
Unrestricted -					
Operating	(354,906)	47,171	125,630	-	(182,105)
Development	-	-	-	1,427,367	1,427,367
Property and equipment	1,553,307	5,594,094	7,272,085	-	14,419,486
Total unrestricted	<u>1,198,401</u>	<u>5,641,265</u>	<u>7,397,715</u>	<u>1,427,367</u>	<u>15,664,748</u>
Total entities' equity (deficit)	<u>1,198,401</u>	<u>5,641,265</u>	<u>7,397,715</u>	<u>1,427,367</u>	<u>15,664,748</u>
Total liabilities and entities' equity (deficit)	<u>\$ 11,392,408</u>	<u>\$ 9,894,018</u>	<u>\$ 15,100,584</u>	<u>\$ 9,683,959</u>	<u>\$ 46,070,969</u>



## CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES - SYNDICATED PROJECTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>CHELSEA HOMES LLP</u>	<u>JANUS HIGHLAND LP</u>	<u>113 SPENCER LP</u>	<u>SPENCER ROW LP</u>	<u>TOTAL SYNDICATED PROJECTS</u>
<b>OPERATING REVENUES:</b>					
Net rental income	\$ 949,918	\$ 604,164	\$ 744,104	\$ -	\$ 2,298,186
Interest income	3,893	420	415	-	4,728
Other income	5,035	5,398	4,218	-	14,651
Total operating revenues	<u>958,846</u>	<u>609,982</u>	<u>748,737</u>	<u>-</u>	<u>2,317,565</u>
<b>OPERATING EXPENSES:</b>					
Personnel and related costs -					
Consulting and contract labor	<u>212,013</u>	<u>107,134</u>	<u>134,205</u>	<u>-</u>	<u>453,352</u>
Occupancy -					
Interest	181,848	69,717	128,260	-	379,825
Utilities	135,091	106,563	80,733	-	322,387
Real estate taxes	74,384	44,465	31,013	-	149,862
Contracted services	51,841	29,223	41,923	-	122,987
Repairs and maintenance	57,223	16,408	14,279	-	87,910
Insurance	27,983	19,816	20,127	-	67,926
Rent	5,160	2,380	1,569	-	9,109
Total occupancy	<u>533,530</u>	<u>288,572</u>	<u>317,904</u>	<u>-</u>	<u>1,140,006</u>
Other -					
Office and other	35,671	14,869	14,729	-	65,269
Management fees	65,296	53,463	40,793	-	159,552
Professional fees	24,858	23,735	30,074	-	78,667
Bad debts	28,960	11,977	12,954	-	53,891
Miscellaneous	8,628	3,994	8,602	-	21,224
Conferences and meetings	4,358	405	450	-	5,213
Telephone and communications	7,611	3,972	6,275	-	17,858
Total other	<u>175,382</u>	<u>112,415</u>	<u>113,877</u>	<u>-</u>	<u>401,674</u>
Total operating expenses	<u>920,925</u>	<u>508,121</u>	<u>565,986</u>	<u>-</u>	<u>1,995,032</u>
Changes in unrestricted net assets before depreciation and amortization	37,921	101,861	182,751	-	322,533
<b>DEPRECIATION AND AMORTIZATION</b>	<u>286,965</u>	<u>287,992</u>	<u>455,542</u>	<u>-</u>	<u>1,030,499</u>
Changes in unrestricted net assets from operations	(249,044)	(186,131)	(272,791)	-	(707,966)
<b>DEFERRED INTEREST</b>	<u>320,411</u>	<u>32,676</u>	<u>10,402</u>	<u>-</u>	<u>363,489</u>
Changes in unrestricted net assets	<u>\$ (569,455)</u>	<u>\$ (218,807)</u>	<u>\$ (283,193)</u>	<u>\$ -</u>	<u>\$ (1,071,455)</u>

## CHELSEA NEIGHBORHOOD DEVELOPERS, INC. AND AFFILIATES

SUPPLEMENTARY CONSOLIDATING STATEMENT OF CHANGES IN ENTITIES' EQUITY - SYNDICATED PROJECTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>CHELSEA HOMES I LP</u>	<u>JANUS HIGHLAND LP</u>	<u>113 SPENCER LP</u>	<u>SPENCER ROW LP</u>	<u>TOTAL SYNDICATED PROJECTS</u>
<b>ENTITIES' EQUITY</b> , December 31, 2009	\$ 1,740,271	\$ 5,860,072	\$ 5,772,089	\$ -	\$ 13,372,432
Capital contributions	27,585	-	1,908,819	1,427,367	3,363,771
Changes in unrestricted net assets	<u>(569,455)</u>	<u>(218,807)</u>	<u>(283,193)</u>	<u>-</u>	<u>(1,071,455)</u>
<b>ENTITIES' EQUITY</b> , December 31, 2010	<u>\$ 1,198,401</u>	<u>\$ 5,641,265</u>	<u>\$ 7,397,715</u>	<u>\$ 1,427,367</u>	<u>\$ 15,664,748</u>