

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

**CARITAS COMMUNITIES, INC.
AND SUBSIDIARIES**

DECEMBER 31, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

Caritas Communities, Inc. and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Caritas Communities, Inc. and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Caritas Communities, Inc. and Subsidiaries as of December 31, 2011, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior-year summarized comparative information have been derived from Caritas Communities, Inc.'s 2010 financial statements. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Caritas Communities, Inc.'s financial statements for the year ended December 31, 2010, from which the summarized information was derived.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Caritas Communities, Inc. and Subsidiaries as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information hereinafter is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Reznick Group, P.C.

Boston, Massachusetts
May 11, 2012

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2011 (with comparative totals for 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 1,533,861	\$ 1,088,547
Short-term investments	1,167,952	1,478,053
Tenant security deposits	265,629	241,425
Accounts receivable - (net of allowance for bad debts of \$71,200 and \$41,720, respectively)	229,907	159,108
Accounts receivable - other	693,012	153,041
Prepaid expenses and escrows	<u>406,194</u>	<u>246,294</u>
Total current assets	<u>4,296,555</u>	<u>3,366,468</u>
Property and equipment		
Land and site improvements	4,517,169	4,218,364
Buildings and improvements	43,107,621	40,794,091
Construction in progress	2,539,942	10,142
Furnishings and equipment	<u>1,128,125</u>	<u>1,125,514</u>
	51,292,857	46,148,111
Less: Accumulated depreciation	<u>(11,257,101)</u>	<u>(9,893,314)</u>
Net property and equipment	<u>40,035,756</u>	<u>36,254,797</u>
Other assets		
Reserve for replacements	1,488,549	1,365,795
Operating and debt service reserves	642,206	690,990
Deferred fees	379,784	239,881
Development costs	<u>147,605</u>	<u>306,722</u>
Total other assets	<u>2,658,144</u>	<u>2,603,388</u>
TOTAL ASSETS	<u>\$ 46,990,455</u>	<u>\$ 42,224,653</u>

(continued)

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31, 2011 (with comparative totals for 2010)

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current liabilities		
Current maturities of long-term debt	\$ 281,445	\$ 184,966
Accounts payable and accrued expenses	413,529	228,354
Accounts payable - construction	1,285,197	-
Accrued interest payable - first mortgage	24,116	905
Tenant security deposits	248,786	228,169
Prepaid rent	68,489	39,847
	<u>2,321,562</u>	<u>682,241</u>
Total current liabilities		
Long-term debt		
Mortgages payable, less current maturities	34,603,954	31,012,740
Bonds payable, less current maturities	4,430,000	4,555,000
	<u>39,033,954</u>	<u>35,567,740</u>
Total long-term debt		
Other liabilities		
Deferred interest	2,080,972	1,956,692
Deferred revenue	1,971	6,702
	<u>2,082,943</u>	<u>1,963,394</u>
Total other liabilities		
Total liabilities	<u>43,438,459</u>	<u>38,213,375</u>
Net assets :		
Unrestricted undesignated controlling	101,652	870,852
Unrestricted undesignated noncontrolling	3,388,344	3,077,926
	<u>3,489,996</u>	<u>3,948,778</u>
Total unrestricted net assets		
Temporarily restricted	62,000	62,500
	<u>62,000</u>	<u>62,500</u>
Temporarily restricted		
Total net assets	<u>3,551,996</u>	<u>4,011,278</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,990,455</u>	<u>\$ 42,224,653</u>

See notes to consolidated financial statements

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended December 31, 2011 (with comparative totals for 2010)

	2011			2010
	Unrestricted	Temporarily restricted	Total	Total
Revenue, gains and other support				
Net rents	\$ 5,411,652	\$ -	\$ 5,411,652	\$ 4,569,187
Annual dinner	278,775	-	278,775	289,298
Contributions	4,690	-	4,690	27,430
Foundation grants	265,632	62,000	327,632	1,170,472
Investment income	25,944	-	25,944	28,576
Miscellaneous income (loss)	26,327	-	26,327	8,569
Net assets released from restrictions:				
Satisfaction of restrictions	62,500	(62,500)	-	-
Total revenue, gains and other support	6,075,520	(500)	6,075,020	6,093,532
Expenses				
Program services	6,358,184	-	6,358,184	5,775,002
Supporting services:				
Management and general	745,424	-	745,424	562,562
Fundraising	250,545	-	250,545	224,295
Total expenses	7,354,153	-	7,354,153	6,561,859
Excess of expenses over revenue before other revenue	(1,278,633)	(500)	(1,279,133)	(468,327)
Other revenue				
Gain on acquisition	530,898	-	530,898	917,609
Total other revenue	530,898	-	530,898	917,609
Excess of (expenses over revenue) revenue over expense	(747,735)	(500)	(748,235)	449,282
Excess of revenue over expenses (expenses over revenue) attributable to noncontrolling interests	21,465	-	21,465	(437,047)
Excess of (expenses over revenue) revenue over expenses attributable to the organization	\$ (769,200)	\$ (500)	\$ (769,700)	\$ 886,329

See notes to consolidated financial statements

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2011 (with comparative totals for 2010)

	2011				2010
	Program services	Management and general	Fundraising	Total	Total
Compensation	\$ 1,192,345	\$ 399,672	\$ 76,064	\$ 1,668,081	\$ 1,459,614
Payroll taxes	99,016	33,190	6,317	138,523	128,616
Employee benefits	148,310	49,713	9,461	207,484	187,406
Management fee expense	18,197	6,099	1,161	25,457	1,296
Insurance	121,896	38,939	8,465	169,300	141,155
Automobile	32,939	10,523	2,288	45,750	43,864
Rent	121,191	38,714	8,416	168,321	163,214
Office and telephone	95,460	30,494	6,629	132,583	98,991
Legal	127,763	40,813	8,872	177,448	136,729
Accounting	109,006	34,822	7,570	151,398	58,339
Meetings	-	5,023	-	5,023	4,388
Dinner costs	-	-	102,819	102,819	112,304
Other costs	179,754	57,422	12,483	249,659	282,826
Social services	157,972	-	-	157,972	139,574
Undeveloped properties	-	-	-	-	141,352
Utilities	812,838	-	-	812,838	699,929
Real estate tax	239,747	-	-	239,747	212,841
Depreciation and amortization	1,409,688	-	-	1,409,688	1,229,412
Repairs and maintenance	787,844	-	-	787,844	591,797
Interest	704,218	-	-	704,218	728,212
	<u>\$ 6,358,184</u>	<u>\$ 745,424</u>	<u>\$ 250,545</u>	<u>\$ 7,354,153</u>	<u>\$ 6,561,859</u>

See notes to consolidated financial statements

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES OF NET ASSETS

Year ended December 31, 2011 (with comparative totals for 2010)

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2010	\$ (192,081)	\$ 3,514,973	\$ 3,322,892	\$ 289,104	\$ 3,611,996
Release of restrictions	176,604	-	176,604	(226,604)	(50,000)
Excess of expenses over revenue attributable to noncontrolling interests	-	(437,047)	(437,047)	-	(437,047)
Excess of revenue over expenses attributable to the Organization	886,329	-	886,329	-	886,329
Ending balance, December 31, 2010	870,852	3,077,926	3,948,778	62,500	4,011,278
Capital contributions from noncontrolling interests	-	288,953	288,953	-	288,953
Excess of revenue over expenses attributable to noncontrolling interests	-	21,465	21,465	-	21,465
Excess of expenses over revenue attributable to the Organization	(769,200)	-	(769,200)	(500)	(769,700)
Ending balance, December 31, 2011	<u>\$ 101,652</u>	<u>\$ 3,388,344</u>	<u>\$ 3,489,996</u>	<u>\$ 62,000</u>	<u>\$ 3,551,996</u>

See notes to consolidated financial statements

Caritas Communities, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, 2011 (with comparative totals for 2010)

	2011	2010
Cash flows from operating activities		
Excess of (expenses over revenue) revenue over expenses	\$ (748,235)	\$ 449,282
Adjustments to reconcile excess of (expenses over revenue) revenue over expenses to cash (used in) provided by operating activities		
Depreciation and amortization	1,409,688	1,229,412
Gain on acquisition of property	(530,898)	(917,609)
Interest on short-term investments	(3,538)	(7,758)
Interest on first mortgage payable	23,211	(1,545)
Deferred interest on mortgages	124,280	341,511
Increase (decrease) in allowance for bad debt	29,480	20,096
Changes in:		
Accounts receivable - tenant	(100,279)	(36,699)
Accounts receivable - other	79,082	(247,560)
Prepaid expenses and escrows	(159,900)	(17,335)
Deferred revenue	(4,731)	-
Tenant security deposits, net	(3,587)	(3,605)
Accounts payable, accrued expenses and prepaid rent	213,817	(19,939)
Net cash provided by operating activities	<u>328,390</u>	<u>788,251</u>
Cash flows from investing activities		
Funding of reserve for replacements and interest thereon, net of withdrawals	(122,754)	(98,182)
Funding of operating and debt reserves and interest thereon, net of withdrawals	48,784	(28,360)
Purchase of short-term investments	(90,335)	(1,155,015)
Sale of short-term and long-term investment	403,974	1,259,513
Increase in development costs	-	(868,073)
Purchase of property and equipment	(2,721,534)	(2,942,086)
Net cash used in investing activities	<u>(2,481,865)</u>	<u>(3,832,203)</u>
Cash flows from financing activities		
Capital contributions received	288,953	-
Payments on mortgages and construction loans	(141,816)	(546,299)
Repayment of bond principal	(120,000)	(115,000)
Mortgage and notes proceeds	3,371,652	3,843,284
Accounts receivable - other	(619,053)	-
Financing costs paid	(180,947)	(41,471)
Net cash provided by financing activities	<u>2,598,789</u>	<u>3,140,514</u>
Net increase in cash and cash equivalents	<u>445,314</u>	<u>96,562</u>
Cash and cash equivalents, beginning of year	<u>1,088,547</u>	<u>991,985</u>
Cash and cash equivalents, end of year	<u>\$ 1,533,861</u>	<u>\$ 1,088,547</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized	<u>\$ 574,639</u>	<u>\$ 388,246</u>

Significant noncash investing and financing activities:

As of December 31, 2011, purchase of property and equipment included construction costs payable of \$45,610, development fees payable of \$79,794 and construction contract payable of \$1,159,793.

During 2011, the Organization acquired 820 SRO LLC in which the fair value of the debt assumed totaled \$448,000.

During 2011, development costs decreased by \$159,117 is included in purchase of property and equipment.

As of December 31, 2010, fixed asset additions included in accrued interest totaled \$126,742.

During 2010, development costs of \$2,042,515 were reclassified to fixed assets.

During 2010, the Organization acquired two properties in which the fair value of debt assumed totaled \$1,121,366.

See notes to consolidated financial statements

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Caritas Communities, Inc. (Caritas), a Massachusetts nonprofit organization founded March 7, 1985, was established to acquire and develop housing to benefit low-income members of society. Caritas is supported primarily through rents, its annual dinner, contributions and grants. Approximately 10% of Caritas' support for the year ended December 31, 2011 came from its annual dinner, fundraising events, contributions and grants.

Parkview Housing LLC: During 1991, Caritas acquired the 100% interest in Parkview Housing, Inc., a real estate development company. Parkview Housing, Inc. is the general partner in the Parkview Limited Partnership which provides affordable single room housing in two buildings on Westland Avenue, Boston, Massachusetts. Caritas currently owns 100% of Parkview Limited Partnership, which it acquired during 2005. Effective January 1, 2010, Parkview Housing, Inc. became an LLC for tax purposes.

17 Rooms Corporation: On December 19, 2000, Caritas acquired a 100% interest in 17 Rooms Corporation, a real estate development company. 17 Rooms Corporation is the general partner in the Dudley Inn Limited Partnership which provides affordable single room housing in four buildings on Dudley Street, Boston, Massachusetts.

One Lenox Street Corporation: On March 5, 2005, Caritas acquired a 100% interest in One Lenox Street Corporation, a real estate development company. One Lenox Street Corporation is the general partner in the One Lenox Limited Partnership which provides affordable single room housing in a building on the corner of Lenox Street and Washington Street, Boston, Massachusetts.

Alaska Housing LLC: On August 31, 2007, Caritas acquired a 100% interest in Alaska Housing LLC. Alaska Housing LLC owns and operates affordable single room housing in a building at 23-25 Alaska Street, Boston, Massachusetts.

Caritas Worcester House LLC: On January 8, 2010, Caritas acquired a 100% interest in Caritas Worcester House LLC. Caritas Worcester House LLC owns and operates affordable studios, one-bedroom units, and single room housing in a building located at 186 Marlborough Street, Boston, Massachusetts.

Caritas Acquisition LLC: On December 28, 2010, Caritas acquired a 100% interest in Caritas Acquisition LLC. Caritas Acquisition LLC owns and operates affordable single room housing in a building located on Cortes Street, Boston, Massachusetts.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

820 SRO MM LLC: On September 7, 2011, Caritas acquired a 50% interest in 820 SRO MM LLC, a real estate development company. 820 SRO MM LLC is the managing member in 820 SRO LLC which provides affordable single room housing in Cambridge, Massachusetts.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Caritas and its wholly-owned subsidiaries (the Organization): 17 Rooms Corporation, One Lenox Street Corporation, Parkview Housing LLC, Alaska Housing LLC, Caritas Acquisition LLC, Caritas Worcester House LLC, a 50% owned subsidiary, 820 SRO MM LLC, where Caritas is the controlling member, and two nonprofit entities in which Caritas is the sole voting member, Bedford Veterans Quarters, Inc. and Sean Brook House, Inc. Additionally, the consolidated statements include the assets, liabilities, partners' capital and financial activities of Dudley Inn Limited Partnership, One Lenox Limited Partnership, and 820 SRO LLC in which affiliates serve as the general partner or managing member. The effect of all significant inter-company transactions have been eliminated in consolidation.

ASC 810-20

Caritas accounts for subsidiary partnerships in accordance with ASC-810-20, *Control of Partnerships and Similar Entities*. Caritas uses ASC-810-20 to evaluate each partnership and determine whether control over the partnership lies with the general partner, or the limited partners when the limited partners have certain rights. The general partner in a limited partnership is presumed to control that limited partnership, unless that presumption is overcome by the limited partners having either (i) the substantive ability, either by a single limited partner or through a simple majority vote, to dissolve the limited partnership or otherwise remove the general partner without cause; or (ii) substantive participating rights. If Caritas or its wholly or partially owned subsidiary is the general partner and has control over the partnership, or if the limited partnership ownership does not include the ability to dissolve the partnership or does not have substantive participating rights, as discussed above, Caritas consolidates the partnership.

In accordance with ASC 810-20, all the entities that are controlled by the Organization are consolidated, all significant intercompany balances are eliminated and an equity account is established for the non-controlling members' interest.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Caritas is the sole voting member of two nonprofit entities, Bedford Veterans Quarters, Inc. (Bedford) and Sean Brook House, Inc. (Sean Brook), 501(c)(3) nonprofit organizations. In accordance with accounting principles generally accepted in the United States of America, a nonprofit should consolidate a related nonprofit in which it has a controlling financial interest. Therefore, Bedford and Sean Brook have been consolidated into Caritas and all inter-company transactions have been eliminated.

Basis of Presentation

The financial statements of Caritas Communities, Inc. and Subsidiaries have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

Net assets

The Organization has classified its net assets for accounting and reporting purposes into the following three net asset categories according to externally (donor) imposed restrictions.

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. There are no permanently restricted net assets in 2011.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Depreciation and Amortization

Property and equipment are stated at cost. The Organization capitalizes operating income, expenses and renovations for the operating properties during the development period. The Organization depreciates the costs of the assets over their estimated useful lives using the straight-line method.

Building and leasehold improvements	27.5 - 35 years
Site improvements	15 years
Furnishings	7 - 10 years
Equipment	5 - 7 years

Construction in progress consists of cost incurred rehabilitating projects. Such costs will begin to depreciate when the rehabilitation costs are placed in service.

Expenditures for maintenance and repairs are charged to expense as incurred; betterments, which add to the value of the related assets or materially extend the life of the assets are capitalized.

Development Costs

These costs consists primarily of predevelopment and development costs incurred in connection with acquiring and redeveloping properties. Such costs will be reclassified to property and equipment when the projects are placed in service or they will be expensed upon management's decision to not move forward with the project.

Fair Value Measurement

The Organization adopted a framework for measuring fair values as defined as the exchange price that would be received for certain assets or liabilities in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. The Organization utilizes the valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. For land, building and notes payable, fair value is calculated using the present value cash flow models based on a discount rate (see note 13). The Organization has not adopted a framework for measuring fair values of certain nonfinancial assets and liabilities.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Deferred Fees and Amortization

Financing fees are amortized over the term of the loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense relating to finance fees for the year ended December 31, 2011 was \$39,479. Accumulated amortization as of December 31, 2011 was \$260,993.

Estimated annual amortization expense for each of the ensuing years through December 31, 2016 is as follows:

December 31, 2012	\$	22,379
2013		22,379
2014		21,522
2015		20,077
2016		20,077

Costs related to obtaining low-income housing tax credits are being amortized over the mandatory 15-year compliance period. Amortization expense for the year ended December 31, 2011 was \$1,565. Accumulated amortization as of December 31, 2011 was \$12,024. Estimated amortization expense for each of the ensuing years through December 31, 2016 is \$1,565 per year.

Reserve for Replacements

The Organization maintains savings accounts for future major repairs and replacements. The Organization funds these accounts as required by mortgage loan covenants and as determined by management.

Operating and Debt Service Reserves

The Organization has established operating and debt service reserve accounts as required by the loan covenants. These reserve accounts are held by the lender.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Grant Revenue

Revenue from various grants are recognized as costs incurred have satisfied their respective restrictions. The grants are subject to audit by their grantor agencies. No provisions for possible adjustments resulting from the audit has been made in the accompanying consolidated financial statements because, in the opinion of management, such adjustments, if any, would not have a material effect on the consolidated financial statements.

Promises to Give

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents except for short term investments, the reserve for replacements account and operating and debt service reserves.

Investments

Investments are recorded at market value. Investment income consists of interest and dividends. Gains and losses on sales of investments using the market value basis are recorded on the trade date, and are based on specific identification. Short-term investments at December 31, 2011 consist of certificates of deposit. They are considered to be Level 1 investments.

Tenant Account Receivable

The Organization uses the allowance method to account for uncollectible accounts receivable. The allowance is based on management's estimate of possible bad debt. The allowance for doubtful accounts was \$71,200 and \$41,720 at December 31, 2011 and 2010, respectively.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

Expenses are charged directly to program, management and general, or fundraising categories based on specific identification. Certain expenses have been allocated based on salary expenditures.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time, and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements, acquisitions and for general reserve purposes. In 2011 and 2010, there were no designations of unrestricted net assets.

Rental Income

Rents are recognized for room rentals as they accrue. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Organization and tenants of the properties are operating leases.

Impairment of Long-Lived Assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. During 2011 and 2010, no impairment loss was recognized.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Low-Income Housing Tax Credit

Dudley Inn Limited Partnership has received an allocation of low-income housing tax credits from the Commonwealth of Massachusetts Department of Housing and Community Development (DHCD). This credit, which commenced in 2001, was calculated at 8.39% of qualified rehabilitation costs and at 3.59% of acquisition costs. The Organization intends to maintain 67 apartments (100% of the total) as qualified low-income units for tax credit purposes. The annual allocation, which may be claimed each year for ten years, is subject to adjustment by DHCD, and is estimated to be \$255,000 annually.

One Lenox Limited Partnership has received an allocation of low-income housing tax credits from DHCD. This credit, which commenced in 2006, was calculated at 8.08% of qualified development costs. The annual allocation, which may be claimed each year for ten years, is subject to adjustment by DHCD, and is estimated to be \$295,000 annually.

820 SRO LLC is expected to qualify to receive low-income housing tax credits from DHCD. The credits will be based on qualified acquisition and rehabilitation costs and are expected to begin during 2012 upon the completion of the rehabilitation.

Provisions of Section 42 of the Internal Revenue Code regulate the use of the projects as to occupancy eligibility and unit gross rent, among other requirements. Recapture of low-income credits could result in a required repayment by the partners of a portion of the credits if these provisions are not met. The partnerships entered into extended low-income housing agreements which extends the low-income housing tax credit restrictions under Section 42 of the Internal Revenue Code beyond the initial 15-year compliance period.

Reclassification

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance on mergers and acquisitions for nonprofit entities. The guidance established the principles and requirements for accounting for a combination of nonprofit entities, which is a transaction or other event that results in a nonprofit entity initially recognizing another nonprofit entity, a business, or nonprofit activity in its financial statements. The guidance also changed the manner in which nonprofit entities account for changes in a parent's

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

ownership interests in consolidated subsidiaries after control is obtained. This guidance applies to a combination that meets the definition of either a merger of nonprofit entities or an acquisition by a nonprofit entity. Mergers are accounted for using the carryover method, which is based on the historical cost information of both entities. Acquisitions are accounted for using the acquisition method, which follows the same rules used by for-profit entities with some notable exceptions. For existing consolidated subsidiaries with noncontrolling interests, the accounting guidance requires the noncontrolling ownership interests to be included in net assets of the Organization. It was effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2009, and therefore, was adopted by the Organization for the year ended December 31, 2010. The adoption of this new guidance did not have a material effect on the Organization's consolidated financial statements.

NOTE 3 - RENTAL PROPERTY

On September 7, 2011, 820 SRO LLC acquired a property for a purchase price of \$2,554,634 less acquired escrows of \$91,064. The initial carrying amount of the property is stated at fair value. The cost of the acquired property is allocated to various components, including land and building, based on their respective fair values as noted below. A summary of the purchase price allocated to rental property is as follows:

Land	\$ 298,805
Building	<u>2,164,765</u>
	<u>\$ 2,463,570</u>

On December 15, 2010, Caritas Acquisition LLC acquired a property totaling \$2,731,211 for cash paid of \$38,795 and the assumption of the outstanding mortgage balances, which had face value and accrued interest amounts totaling \$2,683,376 and fair value of \$676,368. The initial carrying amount of the property is stated at fair value. The cost of the acquired property is allocated to various components, including land and building. A summary of the purchase price allocated to rental property is as follows:

Land	\$ 819,501
Building	<u>907,582</u>
	<u>\$ 1,727,083</u>

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

On January 8, 2010, Caritas Worcester House LLC acquired a property totaling \$447,607 for cash paid of \$16,577 and the assumption of the outstanding mortgage balances, which had face value and accrued interest amounts totaling \$445,000. The face value of the debt approximated its fair value. The initial carrying amount of the property is stated at fair value. The cost of the acquired property is allocated to various components, including land and building. A summary of the purchase price allocated to rental property is as follows:

Land	\$	45,000
Building		<u>450,309</u>
	\$	<u><u>495,309</u></u>

For additional detail, see note 13 - Fair Value.

NOTE 4 - FEDERAL INCOME TAX

The corporation has received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2011. The organization is publicly supported and is not a private foundation. The corporation is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the corporation has no other tax positions which must be considered for disclosure.

The partnerships and limited liability companies have elected to be treated as pass-through entities for income tax purposes, and as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The partnerships and limited liability companies' federal tax status as pass-through entities are based on its legal status as partnerships. Accordingly, the partnerships and limited liability companies are not required to take any tax positions in order to qualify as pass-through entities. The partnerships and limited liability companies are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the partnerships and limited liability companies have no other tax positions which must be considered for disclosure.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

The Organization's subsidiaries, 17 Rooms Corporation and One Lenox Street Corporation (the wholly owned subsidiaries) and 820 SRO MM LLC (50% owned subsidiary) are subject to both federal and state corporate taxes. The amount of federal and state corporate taxes associated with these entities are immaterial as the activity is recorded at the partnership level. No provision has been made for income taxes for any of the partnerships as the results of operations are included in the tax returns of the partners.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following notes and bonds payable:

	<u>2011</u>	<u>2010</u>
Caritas Communities, Inc.		
Massachusetts Housing Partnership Fund Massachusetts Tax-Exempt Revenue Bonds Interest rate - 1.6% to 5.043% (current rate 3.9%) Current monthly payments - \$29,324 for principal and interest Final payments - July 15, 2022 Secured by mortgages on various properties with primary rights	\$ 4,555,000	\$ 4,675,000
Massachusetts Housing Partnership Interest rate - None Final payments - June 28, 2018 to November 18, 2029 Secured by mortgages on various properties with subordinate rights	2,706,000	2,706,000
Community Economic Development Assistance Corporation (CEDAC) Interest rate - None Monthly payments - Subject to cash flow Final payments - Due July 24, 2009 to May 4, 2030 Secured by mortgages on five properties with subordinate rights	357,500	357,500

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
Department of Housing and Community Development (DHCD) Interest rate - None Monthly payments - None Final payment - October 2, 2026 Secured by real estate in Everett with subordinate rights	499,000	499,000
DHCD Private Housing Interest rate - None Monthly payments - None Final payment - December 31, 2028 Secured by real estate in Arlington with subordinate rights	275,000	275,000
CEDAC Interest rate - None Monthly payments - Subject to cash flow Final payments - January 5, 2029 to November 18, 2029 Secured by various real estate with subordinate rights	764,995	764,995
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payment - March 7, 2032 Secured by real estate in Wakefield with subordinate rights	500,000	500,000

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
DHCD - Housing Stabilization Fund	750,000	750,000
Interest rate - None		
Monthly payments - None		
Final payment - March 7, 2032		
Secured by real estate in Wakefield with subordinate rights		
 Affordable Housing Trust Fund	 210,000	 210,000
Interest rate - None		
Monthly payments - None		
Final payment - March 1, 2032		
Secured by real estate in Wakefield with subordinate rights		
 Town of Brookline	 1,100,000	 1,100,000
Interest rate - 5% simple interest through March 18, 2033		
Monthly payments - None		
Final payments - March 18, 2033		
Secured by real estate in Brookline with subordinate rights		
 Massachusetts Housing Partnership - SSRP Loan	 500,000	 500,000
Interest rate - None		
Monthly payments - None		
Final payment - July 1, 2024		
Secured by real estate in Brookline with subordinate rights		
 Affordable Housing Trust Fund	 316,000	 316,000
Interest rate - None		
Monthly payments - None		
Final payment - March 18, 2033		
Secured by real estate in Brookline with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	2011	2010
DHCD - Housing Stabilization Fund Interest rate - 5% compounded annually Monthly payments - None Final payments - December 22, 2027 Secured by real estate in Salem with subordinate rights	465,000	465,000
DHCD - Housing Stabilization Fund Interest rate - None Monthly payments - None Final payment - October 20, 2054 Secured by real estate in Quincy with primary rights	750,000	750,000
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payments - October 20, 2034 Secured by real estate in Quincy with subordinate rights	640,000	640,000
City of Quincy Interest rate - None Monthly payments - None Final payment - November 1, 2034 Secured by real estate in Quincy with subordinate rights	100,000	100,000
A Massachusetts Savings Bank Interest rate - 5.75% Monthly payment - \$2,779 Final payments - March 7, 2027 Secured by real estate in Wakefield with primary rights	335,478	350,186

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
Citizens Bank	417,319	429,630
Interest rate - 4.75%		
Monthly payment - \$2,728		
Final payments - October 20, 2029		
Secured by real estate in Quincy with primary rights		
Massachusetts Housing Partnership - 1st Mortgage	318,409	323,876
Interest rate - 7.09%		
Monthly payments - \$2,350		
Final payments - July 1, 2024		
Secured by real estate in Brookline with subordinate rights		
Danvers Savings Bank	684,018	703,688
Interest rate - 6.25%		
Monthly payment - \$5,319		
Final payments - November 23, 2014		
Secured by real estate in Salem with primary rights		
Bank of Canton	598,504	615,558
Interest rate - 6.85% to 2013 and index rate thereafter		
Monthly payment - \$4,925		
Final payments - February 1, 2018		
Secured by real estate in Chelsea with primary rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
CEDAC - Housing Innovation Fund	728,000	728,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - January 14, 2039		
Secured by real estate in Melrose with subordinate rights		
DHCD - CATNHP Loan	650,000	650,000
Interest rate - None		
Monthly payments - None		
Final payment - September 30, 2059		
Secured by real estate in Melrose with subordinate rights		
DHCD - Housing Stabilization Fund Loan	113,825	113,825
Interest rate - None		
Monthly payments - None		
Final payment - September 30, 2059		
Secured by real estate in Melrose with subordinate rights		
North Suburban Consortium HOME Loan	775,000	775,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - September, 2039		
Secured by real estate in Melrose with subordinate rights.		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	2011	2010
Stoneham Bank	48,260	49,191
Interest rate - 6%		
Monthly payments - \$325		
Final payments - January 15, 2020		
Secured by real estate in Melrose with primary rights		
Alaska Housing LLC		
City of Boston - Leading the Way Loan	911,635	877,431
Interest rate - 1% compounded starting in 2011		
Monthly payments - Subject to cash flow		
Final payments - January 1, 2040		
Secured by real estate in Boston with subordinate rights and subject to annual cash flow requirements		
DHCD - CATNHP Loan	750,000	750,000
Interest rate - None		
Monthly payments - None		
Final payment - January 29, 2040		
Secured by real estate in Boston with subordinate rights		
DHCD - Housing Stabilization Fund Loan	822,150	822,150
Interest rate - None		
Monthly payments - None		
Final payment - January 29, 2060		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
The Property and Casualty Initiative, LLC	269,846	274,424
Interest rate - 5.75%		
Monthly payments - \$1,737		
Final payments - October 27, 2020		
Secured by real estate in Boston with primary rights		
Parkview Housing LLC		
CEDAC - Housing Innovation Fund	350,000	350,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - July 15, 2033		
Secured by real estate in Boston with subordinate rights		
CDBG - LEND Loan	200,000	200,000
Interest rate - 2%		
Monthly payments - None		
Final payments - December 7, 2105		
Secured by real estate in Boston with subordinate rights		
City of Boston - Linkage Program	550,000	550,000
Interest rate - 1.5%		
Monthly payments - None		
Final payments - December 6, 2021		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
Dudley Inn Limited Partnership		
Massachusetts Property and Casualty Insurance Co. Interest rate - 7% Monthly payments - \$3,032 Final payments - June, 2017 Secured by real estate in Boston with primary rights	341,281	352,084
City of Boston - Home Program Interest rate - 6.4% compounded annually Monthly payments - Subject to cash flow Final payments - January 1, 2032 Secured by real estate in Boston with subordinate rights	480,000	480,000
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payment - December, 2030 Secured by real estate in Boston with subordinate rights	500,000	500,000
Massachusetts Housing Partnership Fund Board - HSF Loan Interest rate - None Monthly payments - None Final payment - December, 2030 (with 10-year extension option) Secured by real estate in Boston with subordinate rights	600,000	600,000

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
One Lenox Limited Partnership		
City of Boston - Home Loan	559,516	559,516
Interest rate - 4.83% compounded annually		
Monthly payments - Subject to cash flow		
Final payments - November 30, 2036		
Secured by real estate in Boston with subordinate rights		
DHCD - Home Loan	550,000	550,000
Interest rate - 4.33% compounded annually		
Monthly payments - None		
Final payments - August 3, 2035		
Secured by real estate in Boston with subordinate rights		
DHCD - HSF Loan	745,520	745,520
Interest rate - 0.1%		
Monthly payments - None		
Final payments - August 3, 2055 (with 10-year extension option)		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	2011	2010
820 SRO LLC		
Boston Private Bank & Trust Company (Series 2011 B Bonds) Interest rate - 5.35% compounded Monthly Payment - \$5,062 Final Payment - September 1, 2028 Secured by real estate in Cambridge with primary rights	896,028	-
Boston Private Bank & Trust Company (Series 2011 A Bonds) Construction Loan Interest Rate - 3.39% at 12/31/2011 Final Payment - September 1, 2013 Secured by real estate in Cambridge with primary rights	759,061	-
City of Cambridge AHT program Interest rate - 2% Monthly payment - None Final payment - September 1, 2061 Secured by real estate in Cambridge with subordinate rights	1,073,299	-
City of Cambridge Loan - recorded at fair value Interest Rate - 4.0% Monthly payment - None Final payment - September 1, 2061 Secured by real estate in Cambridge with subordinate rights At the time of acquisition and as of December 31, face value of the assumed note was \$485,704 and the fair value was \$244,000. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan. During 2011, \$1,644 of amortization was included in amortization expense.	245,644	-

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	2011	2010
YMCA Assumed Loan - recorded at fair value	207,213	-
Interest rate - 5.52%		
Monthly payment - None		
Final payment - August 29, 2041		
Secured by real estate in Cambridge with subordinate rights		
At the time of acquisition and as of December 31, 2011, the face value of the assumed note was \$493,194 and the fair value was \$204,000. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan. During 2011, \$3,213 of amortization was included in amortization expense.		
Cambridge Young Members Christian Association	363,267	-
Interest rate - 0.01%		
Monthly payment - None		
Final payment - August 31, 2051		
Secured by real estate in Cambridge with subordinate rights		
Bedford Veterans Quarters, Inc.		
Massachusetts Affordable Housing Trust Fund	1,000,000	1,000,000
Interest rate - None		
Monthly payments - None		
Final payment - October 19, 2056		
Secured by leasehold in Bedford with subordinate rights		
CEDAC - Housing Innovation Loan	900,000	900,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - October 19, 2036		
Secured by leasehold in Bedford with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
DHCD - HSF Loan	900,000	900,000
Interest rate - None		
Monthly payments - None		
Final payment - October 19, 2056		
Secured by leasehold in Bedford with subordinate rights		
 Brookline Bank	 369,138	 417,499
Interest rate - 5.78%		
Monthly payments - \$5,941		
Final payments - February 7, 2018		
Secured by leasehold in Bedford with primary rights		
 Bedford Housing Trust	 20,000	 20,000
Interest rate - None		
Monthly payments - None		
Final payment - October 19, 2036		
Secured by leasehold in Bedford with subordinate rights		
 Sean Brook House, Inc.		
 Citizens Bank construction/permanent loan	 276,580	 280,000
Interest rate - One month LIBOR Advantage plus 3.5% not to exceed 7%, current rate: 3.96%		
Monthly payment - interest-only through December 31, 2010; \$1,442 beginning in 2011		
Final payments - December 26, 2025		
Secured by real estate in New Bedford with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
RBS Citizens / FHLB Subsidy Note	280,000	280,000
Interest rate - None		
Monthly payments - None		
Subsidy expiration - May 28, 2025		
Secured by real estate in New Bedford with subordinate rights		
MHPF Housing Stabilization Fund	1,348,391	1,311,945
Interest rate - None		
Monthly payments - None		
Final payment - June 15, 2060		
Secured by real estate in New Bedford with subordinate rights		
CEDAC Housing Innovation Fund	1,312,980	1,274,110
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - June 16, 2039		
Secured by real estate in New Bedford with subordinate rights and subject to annual cash flow requirements		
DHCD - AHTF Loan	844,605	789,210
Interest rate - None		
Monthly payments - None		
Final payment - June 15, 2040		
Secured by real estate in New Bedford with subordinate rights		
City of New Bedford HOME Loan	500,000	500,000
Interest rate - 3%		
Monthly payments - None		
Final payments - June 15, 2040		
Secured by real estate in New Bedford with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
Caritas Acquisition LLC		
CEDAC Housing Innovation Fund - recorded at fair value	138,349	138,349
Interest rate - None		
Monthly payments - None		
Final payment - April 1, 2031		
Secured by real estate in Boston with subordinate rights		
At the time of acquisition and as of December 31, 2010, the face value of the assumed note was \$500,000. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan.		
City of Boston DND Home Loan	110,570	-
Interest rate - None		
Maturity Payments - Subject to cash flow		
Final payment - November 1, 2041		
MassDevelopment - recorded at fair value	400,482	400,482
Interest rate - 4%		
Monthly payments - Interest-only		
Final payments - May 15, 2013		
Secured by real estate in Boston with subordinate rights		
At the time of acquisition and as of December 31, 2010, the face value of the assumed note was \$478,977. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan.		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	2011	2010
City of Boston - NHT Loan - recorded at fair value	137,537	137,537
Interest rate - 3%		
Monthly payments - None		
Final payments - December 3, 2109		
Secured by real estate in Boston with subordinate rights		
At the time of acquisition and as of December 31, 2010, the face value of the assumed note was \$615,000. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan.		
 Boston Aging Concerns - Young and Old United Loan - recorded at fair value	 -	 -
Interest rate - 0%		
Monthly payments - None		
Final payments - December 15, 2010		
Secured by real estate in Boston with subordinate rights		
The face value of the assumed note at acquisition was \$714,399. This loan was forgiven upon acquisition.		
 City of Boston - LEND Loan - recorded at fair value	 -	 -
Interest rate - 0%		
Monthly payments - None		
Final payments - December 15, 2010		
Secured by real estate in Boston with subordinate rights		
The face value of the assumed note at acquisition was \$375,000. This loan was forgiven upon acquisition.		

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

	<u>2011</u>	<u>2010</u>
Caritas Worcester House LLC		
CEDAC - Housing Innovation Fund I Loan	245,000	245,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - July 9, 2030		
Secured by real estate in Boston with subordinate rights		
CEDAC - Housing Innovation Fund II Loan	200,000	200,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - June 30, 2025		
Secured by real estate in Boston with subordinate rights		
	<u>39,315,399</u>	<u>35,752,706</u>
Less: Current maturities included in current liabilities	<u>(281,445)</u>	<u>(184,966)</u>
	<u>\$ 39,033,954</u>	<u>\$ 35,567,740</u>

Terms of certain loan agreements require the Organization to maintain and provide for operating and debt service reserve accounts and certain escrows.

Interest expense charged to the consolidated statements of activities for the years ended December 31, 2011 and 2010 was \$704,218 and \$728,212, respectively, of which \$124,280 and \$215,674 was deferred. During the years ended December 31, 2011 and 2010, interest capitalized totaled \$6,082 and \$15,080, respectively.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Annual maturities of debt based on the fair value for the ensuing five years and thereafter are summarized as follows:

	<u>Bonds payable</u>	<u>Mortgages and notes payable</u>	<u>Total</u>
Years ending December 31, 2012	\$ 125,000	\$ 156,445	\$ 281,445
2013	130,000	1,373,135	1,503,135
2014	140,000	791,365	931,365
2015	145,000	161,294	306,294
2016	155,000	171,226	326,226
Thereafter	<u>3,860,000</u>	<u>32,106,934</u>	<u>35,966,934</u>
	<u>\$ 4,555,000</u>	<u>\$ 34,760,399</u>	<u>\$ 39,315,399</u>

Annual maturities of debt based on the face value on the outstanding principal due to the lender for the ensuing five years and thereafter are summarized as follows:

	<u>Bonds payable</u>	<u>Mortgages and notes payable</u>	<u>Total</u>
Years ending December 31, 2012	\$ 125,000	\$ 156,445	\$ 281,445
2013	130,000	1,404,211	1,534,211
2014	140,000	791,365	931,365
2015	145,000	161,294	306,294
2016	155,000	171,226	326,226
Thereafter	<u>3,860,000</u>	<u>33,519,010</u>	<u>37,379,010</u>
	<u>\$ 4,555,000</u>	<u>\$ 36,203,549</u>	<u>\$ 40,758,549</u>

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE 6 - INVESTMENTS

Cost and market value of short-term investments at December 31, 2011 and 2010 are as follows:

	<u>Cost</u>	<u>Gross</u>	<u>Market value</u>
December 31, 2011			
Certificates of deposit	<u>\$ 1,167,952</u>	<u>\$ -</u>	<u>\$ 1,167,952</u>
December 31, 2010			
Certificates of deposit	<u>\$ 1,478,053</u>	<u>\$ -</u>	<u>\$ 1,478,053</u>

NOTE 7 - CREDIT RISK

The Organization maintains its cash balances and reserves in several accounts in various banks. At times, these balances may exceed the federal insurance and deposit insurance fund limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2011 and 2010.

NOTE 8 - RETIREMENT PLAN

The Organization has established a defined contribution salary deferral plan following SIMPLE IRA requirements. Under this SIMPLE IRA plan, Caritas must contribute a defined percentage (1% to 3%) of each eligible employee's salary.

Caritas incurred \$27,730 and \$27,865 in retirement plan contribution costs for the years ended December 31, 2011 and 2010, respectively.

NOTE 9 - OPERATING LEASE

In November 2009, the Organization leased office space for a 5 year period with an option to extend for an additional 5 years. The monthly rent is \$6,066 which increases by approximately 3 - 5% each year thereafter. This lease requires Caritas to maintain insurance and pay additional rent for real estate taxes and operating expenses exceeding defined

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

amounts. Office rental expense for the years ended December 31, 2011 and 2010 were \$78,319 and \$79,015, respectively.

The Organization has a non-cancellable lease in Boston for a 12 unit rental property that expired February 28, 2011. Minimum monthly payments of \$606 were required. The Organization had the option to purchase this property at the end of the lease; however, the Organization has not elected to do so.

The following represents the minimum lease payments due under the non-cancellable leases for the following 5 years:

2012	\$	79,574
2013		82,072
2014		71,367
2015		-
2016		-
		<hr/>
	\$	<u>233,013</u>

The Organization has a non-cancelable lease for land and property located in Bedford, Massachusetts that expires in September 2057. During the first twelve-month period after the Construction and Initial Occupancy Period rents shall be computed at \$3.14 per square foot per year multiplied by 23,686 payable monthly. Subsequent to this date and for the remainder of the lease term rents shall be recomputed annually based on a predetermined formula. Rental expense under this lease for the years ended December 31, 2011 and 2010 totaled \$88,483 and \$84,199, respectively.

NOTE 10 - COMMITMENTS

Caritas has guaranteed the tax credits on Dudley Inn Limited Partnership, One Lenox Limited Partnership, and 820 SRO LLC.

Guarantees

The Organization has guaranteed to fund operating deficits in the amount up to \$75,000 to One Lenox Limited Partnership. This obligation begins at the period of "breakeven operations," as defined, and ended on the third anniversary of such time, June 30, 2010 and no amounts had been required.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

Purchase Option

One Lenox Limited Partnership has entered into a Purchase Option and Right of First Refusal Agreement with the Organization whereby Caritas has an option to purchase the project after the closing of the 15-year low-income tax housing tax credit compliance period. The purchase price will be determined in accordance with such agreement.

Operating Deficits

820 SRO MM LLC, the managing member of 820 SRO LLC, is required to make additional capital contributions to 820 SRO LLC to fund operating deficits in excess of the funds in the operating reserve. The managing member will not be required to make additional operating deficit capital contributions to pay the principal on the loan or interest in excess of 20% of the total interest accruing and payable under the loan. As of December 31, 2011, no advances were made.

Development Deficit Guaranty

820 SRO MM LLC guarantees to 820 SRO LLC and its investor members the completion of the rehabilitation of the project on schedule; payment of all costs of the development of the project in excess of those set forth in the financial forecasts; the compliance of the project with all placed-in-service requirements of the Code necessary to qualify for the credits including satisfaction of the fifty percent test; the satisfaction of all conditions to the closing and funding of the Series 2011 B Component of the bonds; and if as of December 31, 2022 there is any unpaid Development Fee, the managing member guarantees to 820 SRO LLC and its investor members that the managing member shall make a capital contribution sufficient to permit the Company to pay all unpaid Development Fee and accrued interest in full.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Building improvements	\$ 62,000	\$ 50,000
Resident services	-	12,500
	<u>\$ 62,000</u>	<u>\$ 62,500</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

Purpose Restrictions Accomplished	<u>2011</u>	<u>2010</u>
Building improvements	\$ 62,500	\$ 275,317
Resident services	-	9,417
	<u>\$ 62,500</u>	<u>\$ 284,734</u>

NOTE 12 - INVOLUNTARY CONVERSION OF NON-MONETARY ASSET

As a result of a fire which occurred in November 2009 on the upper floor of a Medford lodging house, an involuntary conversion resulted in the loss of a portion of a building with a net carrying value of \$186,000 on the date of the involuntary conversion. During 2010, the building was restored, placed in service and improved in the restoration process and insurance proceeds of \$289,450 were received. During 2011, additional insurance proceeds of \$43,310 were received. On March 21, 2012, the company received the final insurance proceeds payment of \$54,585. At December 31, 2011, the Company has accrued a \$48,171 insurance claim receivable for loss of rents.

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE 13 - FAIR VALUE

The accounting standard for fair value measurement and disclosures defines fair value, establishes a framework for measuring fair value, and provides for expanded disclosure about fair value measurements. Fair value is defined by the accounting standard for fair value measurement and disclosures as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. The following summarizes the three levels of hierarchy of fair value the Organization uses when measuring fair value:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access;
- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

The acquisition of 820 SRO LLC is classified within level 3 of the fair value hierarchy. The land, building, and mortgage payable are measured at fair value as of September 7, 2011.

The following table presents the acquisition that the Company measured at fair value during the period September 7, 2011 (date of acquisition) through December 31, 2011:

	Level 1	Level 2	Level 3	Total
Land	\$ -	\$ -	\$ 298,805	\$ 298,805
Building	-	-	2,164,765	2,164,765
Notes payable	-	448,000	-	448,000

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

To comply with the accounting guidance as it relates to fair value measurements, a third party appraisal was obtained for the land and building to determine the fair value. Quoted market prices in active markets were utilized in the fair value measurement for the notes payable.

The acquisition of Caritas Worcester House LLC is classified within level 3 of the fair value hierarchy. The land, building, and mortgage payable are measured at fair value as of January 8, 2010.

The following table presents the acquisition that the Company measured at fair value during the period January 8, 2010 (date of acquisition) through December 31, 2010:

	Level 1	Level 2	Level 3	Total
Land	\$ -	\$ -	\$ 45,000	\$ 45,000
Building	-	-	450,309	450,309
Mortgage payable	-	-	445,000	445,000

The acquisition of Caritas Acquisition LLC is classified within level 3 of the fair value hierarchy. The land, building and mortgage payable are measured at fair value as of December 28, 2010.

The following table presents the acquisition that the Company measured at fair value during the period December 28, 2010 (date of acquisition) through December 31, 2010:

	Level 1	Level 2	Level 3	Total
Land	\$ -	\$ -	\$ 819,501	\$ 819,501
Building	-	-	907,582	907,582
Mortgage payable	-	-	676,368	676,368

Caritas Communities, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2011

NOTE 14 - SUBSEQUENT EVENTS

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through May 11, 2012 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

Caritas Communities, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2011

	2011								
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Totals	Eliminating entries	Consolidation total
ASSETS:									
CURRENT ASSETS:									
Cash and cash equivalents	\$ 864,280	\$ 52,704	\$ 81,277	\$ 131,992	\$ 333,862	\$ 69,746	\$ 1,533,861	\$ -	\$ 1,533,861
Short-term investments	1,044,280	-	-	-	123,672	-	1,167,952	-	1,167,952
Cash - tenant security deposits	205,406	24,295	16,479	3,620	9,344	6,485	265,629	-	265,629
Account receivables, net of allowance for bad debts	139,839	12,023	6,787	16,433	45,114	9,711	229,907	-	229,907
Account receivables - other	674,624	-	-	1,982	16,406	-	693,012	-	693,012
Prepaid expenses and escrows	268,929	67,613	8,398	45,030	9,322	6,902	406,194	-	406,194
Total current assets	3,197,358	156,635	112,941	199,057	537,720	92,844	4,296,555	-	4,296,555
PROPERTY AND EQUIPMENT NET	23,278,797	2,782,774	3,471,164	4,913,480	2,854,269	4,568,867	41,869,351	(1,833,595)	40,035,756
OTHER ASSETS:									
Note receivables	45,465	-	-	-	-	-	45,465	(45,465)	-
Reserve for replacements	1,232,679	85,697	87,933	-	82,158	82	1,488,549	-	1,488,549
Operating and debt service reserves	199,596	342,731	79,833	-	-	20,046	642,206	-	642,206
Unamortized finance costs	145,138	8,226	42,591	180,947	2,882	-	379,784	-	379,784
Due from affiliates	246,426	-	600	619,053	-	133,873	999,952	(999,952)	-
Development costs	147,605	-	-	-	-	-	147,605	-	147,605
Total other assets	2,016,909	436,654	210,957	800,000	85,040	154,001	3,703,561	(1,045,417)	2,658,144
	<u>\$ 28,493,064</u>	<u>\$ 3,376,063</u>	<u>\$ 3,795,062</u>	<u>\$ 5,912,537</u>	<u>\$ 3,477,029</u>	<u>\$ 4,815,712</u>	<u>\$ 49,869,467</u>	<u>\$ (2,879,012)</u>	<u>\$ 46,990,455</u>

Caritas Communities, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION - CONTINUED

December 31, 2011

	2011								
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Totals	Eliminating Entries	Consolidation total
LIABILITIES:									
CURRENT LIABILITIES:									
Current maturities of long-term debt	\$ 197,516	\$ 12,994	\$ -	\$ 12,447	\$ 51,346	\$ 7,142	\$ 281,445	\$ -	\$ 281,445
Accounts payable and accrued expenses	246,030	33,879	17,217	64,629	48,790	3,073	413,618	(89)	413,529
Accounts payable - construction expenses	-	-	-	1,516,623	-	-	1,516,623	(231,426)	1,285,197
Accrued interest payable - first mortgage	9,116	-	-	-	-	15,000	24,116	-	24,116
Tenant security deposits	191,959	23,278	14,064	3,633	9,378	6,474	248,786	-	248,786
Prepaid rent	40,079	2,268	1,260	6,728	17,520	634	68,489	-	68,489
Total current liabilities	684,700	72,419	32,541	1,604,060	127,034	32,323	2,553,077	(231,515)	2,321,562
LONG TERM DEBT:									
Mortgages payable, less current maturities	19,615,360	1,908,287	1,900,501	3,532,065	3,137,792	4,555,414	34,649,419	(45,465)	34,603,954
Bond payable, less current maturities	4,430,000	-	-	-	-	-	4,430,000	-	4,430,000
Total long-term debt	24,045,360	1,908,287	1,900,501	3,532,065	3,137,792	4,555,414	39,079,419	(45,465)	39,033,954
OTHER LIABILITIES:									
Deferred interest	1,242,926	519,451	306,566	12,029	-	-	2,080,972	-	2,080,972
Deferred revenue	231,426	1,971	-	-	-	-	233,397	(231,426)	1,971
Due to affiliates	753,526	-	-	15,000	-	-	768,526	(768,526)	-
Total other liabilities	2,227,878	521,422	306,566	27,029	-	-	3,082,895	(999,952)	2,082,943
Total liabilities	26,957,938	2,502,128	2,239,608	5,163,154	3,264,826	4,587,737	44,715,391	(1,276,932)	43,438,459
NET ASSETS:									
Unrestricted undesignated controlling	1,473,126	(233)	(128)	46	212,203	227,975	1,912,989	(1,811,337)	101,652
Unrestricted undesignated noncontrolling	-	874,168	1,555,582	749,337	-	-	3,179,087	209,257	3,388,344
Total unrestricted net assets	1,473,126	873,935	1,555,454	749,383	212,203	227,975	5,092,076	(1,602,080)	3,489,996
Temporarily restricted net assets	62,000	-	-	-	-	-	62,000	-	62,000
Total net assets	1,535,126	873,935	1,555,454	749,383	212,203	227,975	5,154,076	(1,602,080)	3,551,996
	\$ 28,493,064	\$ 3,376,063	\$ 3,795,062	\$ 5,912,537	\$ 3,477,029	\$ 4,815,712	\$ 49,869,467	\$ (2,879,012)	\$ 46,990,455

Caritas Communities, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING SCHEDULE OF ACTIVITIES

Year Ended December 31, 2011

	2011						Totals	Eliminating Entries	Consolidation Total
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc			
SUPPORT AND REVENUE									
Net rents	\$ 3,874,934	\$ 410,980	\$ 172,430	\$ 312,127	\$ 482,768	\$ 158,413	\$ 5,411,652	\$ -	\$ 5,411,652
Annual dinner	278,775	-	-	-	-	-	278,775	-	278,775
Contributions	4,310	-	-	-	380	-	4,690	-	4,690
Foundation grants	219,822	-	-	-	75,810	32,000	327,632	-	327,632
Management and other fees	300,220	-	-	-	-	-	300,220	(300,220)	-
Investment income	14,101	3,566	5,240	65	2,927	45	25,944	-	25,944
Development fees	133,737	-	-	-	-	-	133,737	(133,737)	-
Other income (loss)	42,040	-	-	2,374	-	4,413	48,827	(22,500)	26,327
Total support and revenues	4,867,939	414,546	177,670	314,566	561,885	194,871	6,531,477	(456,457)	6,075,020
EXPENSES:									
Compensation	1,538,176	106,971	20,337	57,738	45,833	20,334	1,789,389	(121,308)	1,668,081
Payroll taxes	134,460	-	-	4,063	-	-	138,523	-	138,523
Employee benefits	196,117	-	-	11,367	-	-	207,484	-	207,484
Management fee expense	6,941	38,880	15,535	18,516	48,839	14,389	143,100	(117,643)	25,457
Insurance	119,351	9,910	8,469	12,115	11,184	8,271	169,300	-	169,300
Automobile	45,750	-	-	-	-	-	45,750	-	45,750
Rent	79,838	-	-	-	88,483	-	168,321	-	168,321
Office and telephone	103,794	3,287	5,203	8,123	9,127	3,049	132,583	-	132,583
Legal	145,933	12,862	5,938	7,209	235	5,271	177,448	-	177,448
Accounting	47,376	15,973	11,925	69,425	4,574	2,125	151,398	-	151,398
Meetings	5,023	-	-	-	-	-	5,023	-	5,023
Dinner costs	102,819	-	-	-	-	-	102,819	-	102,819
Other costs	222,048	14,709	50,524	23,641	658	21,848	333,428	(83,769)	249,659
Social services	28,120	3,286	1,270	-	106,334	18,962	157,972	-	157,972
Undeveloped properties	-	-	-	-	-	-	-	-	-
Utilities	656,323	78,022	32,250	30,531	-	15,712	812,838	-	812,838
Real estate tax	181,897	27,417	19,652	10,781	-	-	239,747	-	239,747
Depreciation and amortization	833,950	152,095	176,693	28,923	151,124	148,690	1,491,475	(81,787)	1,409,688
Repairs and maintenance	500,932	51,019	25,339	80,454	113,663	16,437	787,844	-	787,844
Interest	489,463	78,519	65,109	22,148	22,932	26,047	704,218	-	704,218
Total expenses	5,438,311	592,950	438,244	385,034	602,986	301,135	7,758,660	(404,507)	7,354,153
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE OTHER REVENUE (EXPENSE)	(570,372)	(178,404)	(260,574)	(70,468)	(41,101)	(106,264)	(1,227,183)	(51,950)	(1,279,133)

Caritas Communities, Inc. and Subsidiaries

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING SCHEDULE OF ACTIVITIES - CONTINUED

Year ended December 31, 2011

	2011								
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc	Totals	Eliminating Entries	Consolidation Total
OTHER REVENUE (EXPENSE):									
Gain on acquisition	-	-	-	530,898	-	-	530,898	-	530,898
Total other revenue (expense)	-	-	-	530,898	-	-	530,898	-	530,898
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES	(570,372)	(178,404)	(260,574)	460,430	(41,101)	(106,264)	(696,285)	(51,950)	(748,235)
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTERESTS	-	(178,368)	(260,551)	460,384	-	-	21,465	-	21,465
EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES ATTRIBUTABLE TO THE ORGANIZATION	\$ (570,372)	\$ (36)	\$ (23)	\$ 46	\$ (41,101)	\$ (106,264)	\$ (717,750)	\$ (51,950)	\$ (769,700)

Caritas Communities, Inc. and Subsidiaries
 SUPPLEMENTAL INFORMATION - CONTINUED
 CONSOLIDATING SCHEDULE OF CHANGES IN NET ASSETS

Year ended December 31, 2011

	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Eliminating Entries	Subtotal	Noncontrolling	Total	Temporarily restricted net assets Controlling	Net assets Total
Beginning balance, January 1, 2010	\$ 1,129,053	\$ (150)	\$ (85)	\$ -	\$ 300,075	\$ (124,075)	\$ (1,496,899)	\$ (192,081)	\$ 3,514,973	\$ 3,322,892	\$ 289,104	\$ 3,611,996
Release of restricted net assets	98,612	-	-	-	9,417	68,575	-	176,604	-	176,604	(226,604)	(50,000)
Excess of expenses over revenues attributable to noncontrolling interests	-	-	-	-	-	-	-	-	(437,047)	(437,047)	-	(437,047)
Excess of expenses over revenues attributable to the Organization	822,833	(47)	(20)	-	(56,188)	382,239	(262,488)	886,329	-	886,329	-	886,329
Ending balance, December 31, 2010	<u>\$ 2,050,498</u>	<u>\$ (197)</u>	<u>\$ (105)</u>	<u>\$ -</u>	<u>\$ 253,304</u>	<u>\$ 326,739</u>	<u>\$ (1,759,387)</u>	<u>\$ 870,852</u>	<u>\$ 3,077,926</u>	<u>\$ 3,948,778</u>	<u>\$ 62,500</u>	<u>\$ 4,011,278</u>
Beginning balance, January 1, 2011	2,050,498	(197)	(105)	-	253,304	326,739	(1,759,387)	870,852	3,077,926	3,948,778	62,500	4,011,278
Capital contributions from noncontrolling interest	-	-	-	-	-	-	-	-	288,953	288,953	-	288,953
Release of restricted net assets	(7,000)	-	-	-	-	7,500	-	500	-	500	(500)	-
Excess of expenses over revenues attributable to noncontrolling interests	-	-	-	-	-	-	-	-	21,465	21,465	-	21,465
Excess of expenses over revenues attributable to the Organization	(570,372)	(36)	(23)	46	(41,101)	(106,264)	(51,950)	(769,700)	-	(769,700)	-	(769,700)
Ending balance, December 31, 2011	<u>\$ 1,473,126</u>	<u>\$ (233)</u>	<u>\$ (128)</u>	<u>\$ 46</u>	<u>\$ 212,203</u>	<u>\$ 227,975</u>	<u>\$ (1,811,337)</u>	<u>\$ 101,652</u>	<u>\$ 3,388,344</u>	<u>\$ 3,489,996</u>	<u>\$ 62,000</u>	<u>\$ 3,551,996</u>